

EL NIÑO EMERGENCY PROGRAM

(EC-0182)

EXECUTIVE SUMMARY

BORROWER AND GUARANTOR:	Republic of Ecuador	
EXECUTING AGENCY:	Office of the President of the Republic through the Program Coordinating Unit (PCU)	
REALLOCATION OF LOANS:	IDB:	US\$ 34.2 million
	World Bank:	US\$ 35.0 million
	Total:	US\$ 69.2 million
AMOUNT AND SOURCE:	IDB:	US\$ 70.8 million (OC)
	World Bank:	US\$ 45.0 million
	ADC:	US\$ 25.0 million
	Local counterpart funding:	US\$ 21.0 million
	Total:	US\$161.8 million
PROGRAM TOTAL:	US\$231.0 million	
FINANCIAL TERMS AND CONDITIONS:	Amortization period:	25 years
	Commitment period:	2 years
	Disbursement period:	3 years
	Interest rate:	variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
	Currency:	Single Currency Facility
OBJECTIVES:	<p>The overall objective of the program is to provide the borrower with financing to support the activities needed in stages and by area of activity, so that socioeconomic development in areas affected by El Niño can be restored to normal.</p> <p>The specific objectives of the program are to take measures to prevent, avert, and mitigate the effects of the El Niño event which is causing loss of life and property, further deterioration in the living conditions of the low-income groups affected, and damage to the economic infrastructure and the environment.</p>	
DESCRIPTION:	To achieve these objectives, the program will provide financing for the following stages and eligible areas of activity by sector:	

A. Stages and areas of activity: (1) Before the emergency. This stage consists of financing for: (a) preparedness activities carried out since July 2, 1997 to alleviate the impact of El Niño by: (i) establishing efficient and speedy response mechanisms; (ii) planning and programming activities to boost response capabilities in emergency areas that are most vulnerable and/or at risk; and (iii) quantifying financing needs; and (b) activities to prevent and/or mitigate the effects of El Niño.

(2) During the emergency. This stage encompasses financing for immediate relief efforts with an eye to minimizing the loss of life and property caused by El Niño, through support in the form of temporary protection and rehabilitation measures implemented once the effects of El Niño are first felt to provide short-term relief for the vital necessities of the population in the disaster area.

(3) After the emergency. This stage entails financing for activities concerned with the rehabilitation and rebuilding of infrastructure and economic recovery to be carried out after the date on which the El Niño event is over, through: (i) quick repair of damage to services infrastructure, by means of temporary or permanent rehabilitation and reconstruction works; (ii) delivery of essential services and safety measures to protect the population; and (iii) restoration of economic activity to normal. The activities of rehabilitation and reconstruction will include preventive actions to avert or mitigate the adverse effects of similar natural disasters that may recur in the future and to address their environmental consequences. Financing will also be provided for activities geared to partial or full recovery of the losses sustained by the most vulnerable socioeconomic groups as a result of El Niño.

B. Sectors: The program will provide financing for activities in the following areas: (i) protection and rehabilitation of the national and local road system; (ii) water protection works; (iii) emergency shelters and temporary housing; (iv) protection and rehabilitation of sanitation works; (v) national clean-up and waste management program; (vi) urban protective works; (vii) water works protection and rehabilitation; (viii) protection and rehabilitation of energy supply; (ix) protection and rehabilitation of health care services; (x) protection and rehabilitation of education services; (xi) protection

of food supply; (xii) humanitarian aid to affected communities, which may include assistance to those communities that have seen their principal source of revenue substantially reduced or lost altogether as a result of El Niño; (xiii) strengthening of the national civil defense system and of INOCAR, INP, and INAMHI, the national institutions in charge of prevention, mitigation, information, and risk management and assessment in correction with natural disasters; and (xiv) technical strengthening of the Coordinating Unit.

CESI REVIEW:

The CESI reviewed the document during the October 20, 1997, meeting of the MRC, and recommended as follows:

1. The activities envisaged under the program are intended to lessen the adverse effects of a natural phenomenon and therefore their environmental impact will be favorable and extremely beneficial to society. The emergency measures will be specific measures to repair damage to infrastructure and restore service as well as provide shelter, food, medicine and clean water to disaster victims. Given the nature of these actions and the time constraints involved, no environmental assessments will be performed during this stage.

The rehabilitation and rebuilding activities could have an impact on the environment. Environmental eligibility criteria will be established to cope with this eventuality, and will be incorporated into the Operating Regulations, which will be reviewed by CESI prior to approval. Environmental impact studies will be conducted and compliance with national environmental standards will be verified.

2. An environmental specialist will be hired for the Program Coordinating Unit, and environmental consultants will be hired within six months of the date of contract signature to monitor and assess the environmental effects of the activities financed under the program.

POVERTY TARGETING:

The percentage of the population affected by El Niño that is poor will be higher than the percentage of poor in the population as a whole (52%), since the poor are highly concentrated in the most vulnerable areas, such as marginal urban areas, urban communities situated on steep slopes, and low-lying rural areas, including river beds. It is estimated that about 720,000 persons will be affected.

The emergency program to be financed by the Bank has been conceived to give special consideration to the risks to the poor. Targeting the benefits to low-income groups will depend, however, on the monitoring and supervision arranged by the Coordinating Unit for this purpose. To this end, the Coordinating Unit will have on staff a specialist in social evaluation whose main function will be to ensure that the benefits of the activities to be funded under the program go primarily to the lowest-income groups affected by El Niño. The Coordinating Unit will establish a social committee in each province. The members of these committees will be the Governor, a representative of the Ministry of Social Affairs, a representative of the most representative NGOs in charge of family protection (i.e. Instituto del Niño y la Familia [Institute of the Child and the Family]), and representatives of women's organizations and the Red Cross (see paragraph 3.9).

**EXCEPTIONS TO
BANK POLICY:**

It is recommended that in light of the nature of the emergency situation produced by El Niño and the natural disaster policy guidelines: (i) in the "before and during the emergency" stages, the procedures described in paragraph 3.27 will apply to the procurement of goods and related services, the awarding of construction contracts, and the hiring of consultants; and (ii) an advance of funds of up to the equivalent of 20% of the loan amount be made (see paragraph 3.20). Expenses incurred by the borrower since July 2, 1997, for up to the equivalent of US\$5 million, will be eligible for retroactive financing (see paragraph 3.19).

**THRESHOLD FOR
PROCUREMENT:**

International competitive bidding will be mandatory for procurement valued in excess of US\$300,000 in the case of goods and related services and of over US\$3 million in the case of construction contracts. International call for proposals will be mandatory in the case of consulting services contracts valued at more than US\$200,000. A cumulative amount of up to US\$2.5 million may be expended on force account (see paragraphs 3.21 to 3.26 and 3.28).

For procurement requiring international competitive bidding, the Bank agrees to simplify its usual procedures as follows:

- a. Publish only one **general procurement notice** in *Development Business*. The notice will announce that **specific procurement notices** will be published in national publications indicated and

not *Development Business*. The notices in national publications will indicate that there will be no restrictions on participation by international firms in the bidding.

- b. Prequalification will not be required for procurement of **goods and works**. In the case of goods and works, contracts will be awarded to the lowest bidder. In awarding the contracts, bids will be chosen by the post-qualification method whereby the lowest bid is selected subject to subsequent verification of qualification.
- c. In the case of **consulting services**, the specific procurement notice will be published in national daily newspapers and only expressions of interest will be solicited. Based on the selection criteria previously established, the most suitable firm for the contract will be chosen. This method will replace the system of preselection, short lists, and invitations to submit bids.
- d. If justified, other procurement methods may be used such as direct contracting or force account, subject to consultation with the Bank.
- e. In addition, for works and goods, the executing agency may use the expeditious procedure of restricted bidding whereby bids are solicited directly from suitable firms that have taken part in and qualified for similar international competitive bidding in the public sector in the last three years.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Conditions precedent to disbursement: (i) formation of the technical team to assist the Coordinating Unit with its functions (see paragraph 3.8); (ii) opening of a special account with the Central Bank of Ecuador (see paragraph 3.6); and (iii) implementation of the Operating Regulations of the program (see paragraph 3.11).

Contractual conditions: (i) recognition of expenses (see paragraph 3.19); (ii) submission of special reports (see paragraph 3.36); (iii) presentation of a plan of works and activities for the "After the emergency" stage (see paragraph 3.16); (iv) follow-up meetings (see paragraph 3.35); (v) a final evaluation of the program (see paragraph 3.41); and (vi) technical, operating, integrated, financial, and

maintenance audits of the program (see paragraph 3.38).

**THE BANK'S
STRATEGY:**

The Bank's role in the event of natural disasters is to effectively assist the countries affected with efforts to provide protection against the effects of the disaster and to enable socioeconomic development to resume. It also provides assistance with appropriate measures to avert or minimize losses from natural disasters. This support by the Bank includes action taken prior to, during, and after an emergency.

The proposed program complies with the objectives and actions set out in the Bank's natural disaster policy and is consistent with the goals of the national policy that led to the President of Ecuador to declare a state of emergency by Executive Decree 425 of July 2, 1997.

BENEFITS:

The program is geared to resolving problems arising in extremely vulnerable areas in which the poverty rate exceeds the national average. The activities contemplated will benefit the population affected by El Niño by reducing the adverse impact of the phenomenon on the quality of life, ensuring that the population can be sustained during the emergency, and promoting mechanisms for economic recovery. Taking preventive measures and steps to minimize damage to the physical infrastructure as well as ensuring the smooth flow of traffic during the emergency are important benefits for trade and the economy in general.

The program affords long-term benefits as well, since it will strengthen national mechanisms and institutions that provide assistance in preparing for and addressing emergencies in the wake of natural disasters.

RISKS:

Two major risks have been identified:

1. Notwithstanding the progress made in techniques to forecast natural phenomena, there exists the possibility that the intensity, duration, and impact of El Niño may be substantially different from what has been predicted. A very strong event will require more resources. If the event of less intensity, there will be surplus of resources.
2. There exists the risk that the requests for assistance submitted to the Coordinating Unit may

exceed its capacity. To minimize this risk, the Unit will receive institutional strengthening under the program.

I. FRAME OF REFERENCE

A. The El Niño/Southern Oscillation phenomenon

- 1.1 **Predicted intensity.** The phenomenon known as El Niño/Southern Oscillation (ENSO) is a disruption of the ocean-atmosphere system in the tropical Pacific that causes warm ocean masses in the equatorial west Pacific to shift towards the east. El Niño produces an increase in sea surface temperature, bringing relatively warm waters along the coasts of Ecuador and Peru, and with them a sharp rise in evaporation and precipitation along the Pacific coast.
- 1.2 Existing conditions point to the occurrence of a strong ENSO in the next few months. Measurements taken at meteorological stations along the coast of Ecuador in October have recorded rainfall 10 times higher than normal, indicative of the occurrence of an El Niño event. The 1997 ENSO episode has matured extremely rapidly, causing conditions in late October to be similar to those generally expected at the end of the year.
- 1.3 **Areas of highest incidence.** The geographic area most vulnerable to El Niño are the western foothills of the Andes, the coastal range, and low-lying plains subject to flooding. This area encompasses the five provinces in which the impact is expected to be greatest: Esmeraldas, Manabí, Guayas, Los Ríos, and El Oro, which are the heart of Ecuador's agricultural, fishing, and shrimp farming country. Some 340,000 hectares of land in these densely populated regions are subject to flooding. The effects of El Niño are expected to be of lesser intensity in the provinces of Cotopaxi, Chimborazo, Bolívar, Azuay, and Cañar.

B. Socioeconomic impact

- 1.4 Since the intensity of the present event is expected to be similar to that of the one that occurred in 1982-1983 (the most severe of this century), the Ecuadorian authorities are using this experience which was quantified in an ECLAC study, 1/ as a basis for predicting the effects of El Niño in the next few months, with proper adjustments for factors that could make the present episode more or less severe than in 1983.
- 1.5 Overall, the country is better prepared for El Niño now than it was 14 years ago. The public and private sectors have invested in infrastructure to control flooding and improve soil drainage, and the economy is far more stable and robust than it was in the early 1980s. Factors that might exacerbate the situation are the greater

1/ Ecuador: Evaluation of the effects of the 1982-1983 flooding on social and economic development, E/CEPAL/IN.26, March 1, 1983.

population (nearly 2 million more inhabitants) in the area affected and the larger area under cultivation increase potential losses.

- 1.6 The 1982-1983 experience shows that the socioeconomic impact of rains and flooding will be felt in the following areas: (i) cost of preventive and emergency measures; (ii) damage to the physical and social infrastructure of the provinces above named (housing, schools, health centers, sanitation and sewerage service, bridges, highways, and urban infrastructure); (iii) decline in agricultural and fisheries production; (iv) particularly severe effects on low-income groups; and (v) a potentially adverse effect on macroeconomic variables. These effects are described in the following paragraphs. The corresponding estimates are presented in Table 1.

1. Sector impact: physical and social infrastructure

- 1.7 **Housing.** In 1982, El Niño destroyed 2,750 homes, of which 2,150 were located in rural areas and 600 in urban communities. Approximately 11,000 homes suffered partial damage. Most of the homes affected belonged to low-income groups living in low-lying areas, in some cases even on river beds, and urban communities on steep slopes. Damage caused to housing by the present event is expected to amount to nearly US\$12 million.
- 1.8 **Water supply, sanitation, and health sector.** In 1982-1983, heavy rains and flooding overloaded intake works, causing breaks in water mains and distribution systems. This caused severe constraints on water supply with service being limited to certain hours of the day and/or low pressure in the systems. The sanitation system became a source of contamination because sanitary sewers were frequently obstructed and septic tanks and cesspools overflowed. In the health sector, the damage was concentrated in subcenters and health posts for primary care in rural areas. The costs of the environmental cleanup and repairing the damage to urban and health sector infrastructure caused by the present occurrence could be as much as US\$45 million.
- 1.9 **Education infrastructure.** In 1982, 223 schools were destroyed totally or partially by El Niño. Depending on the circumstances, these schools were rebuilt, relocated, repaired, or refurnished. In addition, some schools that were not damaged needed to be used as shelters, delaying the start of the school year on the coast. The damage to schools in 1997-1998 is expected to total approximately US\$15 million.

Table 1
ESTIMATED IMPACT OF EL NIÑO, 1997-1998
(US\$ millions)

I. SECTOR IMPACT, PHYSICAL AND SOCIAL INFRASTRUCTURE		
1. Preventive works		35.0
2. Emergency care, humanitarian aid, institutional strengthening and preparation, etc.		34.5
3. Engineering works and damage to infrastructure		161.5
4. Total (share of GDP = 1.2%)		231.0
II. MACROECONOMIC IMPACT		
1. <u>Loss of GDP</u>		
Agricultural sector — fishing		
— Crop losses	90.0	-
— Crops not planted	110.0	-
— Shrimp — fishing	50.0	-
Food business	50.0	-
Total (share of GDP = 1.5%)		300.0
2. <u>Inflation</u> = Food accounts for 43% of the family basket. The shortage of foodstuffs could raise inflation by 1 or 2 percent		
3. <u>Fiscal balance</u> = Loss of income and increased expenses could widen the fiscal deficit by the equivalent of nearly 1% of GDP.		
4. <u>Balance of payments</u> = Reserves could decline by approximately US\$300 million, as a result of additional imports of food and fewer exports		
5. <u>Financial sector</u> = Deterioration in the portfolios of some banks active in the agricultural sector. Possible decapitalization of the BNF.		
III. IMPACT ON THE POOR		
1. Poor as a percentage of the population in the most vulnerable provinces		52%
2. Number of poor in the vulnerable provinces		1,950,000
3. Number of poor in rural areas of the vulnerable provinces		990,000
4. Number of urban poor in vulnerable provinces		960,000
5. Estimated losses in wages		US\$30 million
6. Estimated number of persons affected (projection based on 1983 El Niño)		720,000

- 1.10 **Transport infrastructure.** In 1982, the transport sector suffered mainly in the following areas: bridges were destroyed or damaged, sections of the main coastal highway were under water and damaged by erosion, secondary and tertiary roads flooded, and urban streets were damaged, although the ECLAC evaluation concluded that the damage was not catastrophic. Nearly 25 bridges and/or containing walls were destroyed or damaged. It is estimated that in 1997-1998 expenses incurred in the transport sector could total US\$60 million.
- 1.11 **Summary: costs in sector infrastructure.** The total projected cost of the preventive measures (US\$35 million), emergency measures, humanitarian aid, and institutional preparation (US\$35 million), repair of damage to infrastructure and physical assets (housing, sanitation, education, health, transport and urban infrastructure) (approximately US\$140 million), and other measures such as water

works and energy protection (US\$20 million) will be approximately US\$231 million, or the equivalent of 1.2% of GDP. Although this figure seems very high, it should be borne in mind that it does not include costs imposed by the damage on the poor and vulnerable who will be hardest hit or the costs to producers in terms of production bottlenecks.

2. Macroeconomic impact

- 1.12 El Niño is expected to have a moderately adverse effect on production, employment, prices, the fiscal balance, the balance of payments, and the financial system.

a. Impact on GDP

- 1.13 The productive sectors most seriously affected will be agriculture, fisheries, and aquiculture. The rise in the ocean temperature will force some species (anchovy, tuna, and sardine) to migrate to deeper waters while attracting other species (mahi-mahi and shrimp) to the area. Until now the impact has been favorable. A particularly strong ENSO event could destroy sea-farming operations (there are approximately 150,000 hectares of shrimp farms).
- 1.14 The most reliable measure of the direct effects on agriculture on the mainland shows that short-cycle crops are hardest hit, for which the number of hectares under cultivation in the second half of 1997 is down substantially, and much the same is expected for the first half of 1998. Those crops most severely affected are rice, soya, sugarcane, and cotton. Preliminary estimates indicate that some US\$250 million in additional foodstuffs will need to be imported, resulting in a loss of agricultural value added of approximately US\$200 million.
- 1.15 On the export front, most crops (banana, coffee, and cacao) are perennial. As for shrimp farming, the magnitude of the damage will depend on the amount of flooding. A conservative estimate puts net losses at about US\$50 million. The losses in value added in agribusiness, caused by shortages in agricultural raw materials (such as sugarcane) are estimated at approximately US\$50 million as well.
- 1.16 Overall, the loss and/or decline in product in the areas of agriculture, fisheries, aquiculture, and agribusiness ascribable to El Niño are estimated at about US\$300 million, or 1.5% of GDP and nearly 10% of agricultural GDP. This projection assumes that flood control and drainage works will function reasonably well.

b. Impact on other macroeconomic variables

- 1.17 El Niño event is expected to have a slightly to moderately adverse effect on other macroeconomic variables. In terms of employment, wage losses in agriculture and fisheries are put at about

US\$30 million, or 4 million man-days of work. However, the net impact of El Niño on employment is difficult to gauge since the loss in daily wages in the areas of agriculture and transport will be partially offset by labor-intensive preventive and repair works.

- 1.18 A temporary shortage in certain staples (rice, sugar, soya) could cause inflation to spike although not to the levels of 1983 since the economy is now more open and food can be easily imported. However, imports are unlikely to arrive as promptly and expeditiously as is necessary and could cause congestion at ports. That is why a temporary shortage of some staples is expected to occur, which could add one or two percentage points to the inflation rate. There will be times when prices are sharply higher in communities cut off by the rains and flooding where severe shortages will occur for short periods.
- 1.19 On the fiscal front, the loss in income and the increase in government spending could widen the fiscal deficit by close to one percent of GDP, which is equivalent to what the government has requested in external financing. As far as the balance of payments is concerned, El Niño will have the effect of drawing down reserves by approximately US\$300 million owing to the higher volume of imports, a possible reduction in exports, and a US\$200 million increase in the external debt as a result of external financing for activities and works required to prevent and repair the damage caused by the phenomenon.
- 1.20 El Niño could cause some problems in the financial system, particularly for agricultural credit banks which will see their portfolios deteriorate. Its impact in this area will be limited, however, since the decline in agricultural production will come not so much from losses of crops in the ground as from farmers avoiding the short growing cycle in the second half of 1997 and the first half of 1998. If the government decides to use Banco Nacional de Fomento as a vehicle for channeling compensation to farmers, that bank could experience severe decapitalization.

3. Impact on the very poor

- 1.21 A 1994 survey of living conditions found that the poor account for 52% of the population in the provinces affected (nearly 2 million people). Amongst those affected by El Niño, however, the percentage will exceed the average for the population as a whole since the poor are concentrated in the most vulnerable areas, such as marginal urban areas, communities on steep slopes, and low-lying rural areas that include river beds.
- 1.22 In the 1982-1983 episode, 450,000 people were adversely affected by flooding either because their homes were destroyed or damaged and/or because of loss of income from agricultural activities. Two-thirds of the communities affected were living in marginal urban areas and the remainder in rural areas. A projection of

population growth in provinces at risk indicates that about 720,000 people will be affected by the 1997-1998 event.

- 1.23 As noted earlier, losses in daily wages in agriculture and fisheries are calculated at about US\$30 million. It is virtually impossible to determine the losses for the very large number of small farmers in the coastal region. Problems in supply may lead to shortages in foodstuffs and basic goods in areas cut off by flooding.
- 1.24 The deterioration in sanitary conditions occasioned by contaminated water, a shortage of clean water, and the decomposing bodies of dead animals will be particularly severe for marginal urban communities, which will be ravaged by a higher incidence of enteric, respiratory, and dermatological diseases. In 1982-1983, loss of life was relatively low (50 deaths) since people had enough time to escape to safety because water levels did not rise immediately. One-third of all deaths were attributable to landslides in areas with steep gradients.

C. Natural disaster policy

- 1.25 The Bank's role in the event of natural disasters is to effectively assist member countries affected with efforts to provide protection from the effects of the disaster and to enable them to resume socioeconomic development. It also helps them to adopt suitable measures to prevent losses from natural disasters. The Bank's support includes initiatives before, during, and after an emergency.
- 1.26 The policy states that emergency measures may include preparedness, planning, and programming activities, information, warning and alert systems, and equipment and training for institutions in charge of the national civil defense system. During an emergency, financing may be provided for temporary rehabilitation and cleanup of the disaster area, supplying the population with vital necessities, and providing public health measures. After an emergency, financing will be provided for permanent rehabilitation and rebuilding of services infrastructure and activities to ensure the safety of the population and a return to normal economic activity.
- 1.27 The proposed project is consistent with the objectives and actions of the Bank's natural disaster policy and with the goals of the national policy invoked by the President of Ecuador when he declared a state of emergency by Executive Decree 425 of July 2, 1997.

D. Coordination and agreements with other institutions

- 1.28 A high-level mission of officials from the World Bank, the IDB, and the Andean Development Corporation (ADC) visited the country from

September 29 to October 8, 1997, to discuss with Ecuadorian authorities the financing necessary for an emergency program to address the adverse effects of El Niño. Other members of the mission were representatives from USAID, the UNDP, and Embassy of the Netherlands.

- 1.29 On October 18, 1997, the representatives of the World Bank, the IDB, and ADC and the Ecuadorian authorities signed an Aide-Mémoire outlining the main preliminary agreements on amounts and participation in the financing, criteria for each stage, eligible sectors and works, the structure of the emergency program PCU, a draft of the Operating Regulations, and mechanisms for financial and technical supervision and control.

II. THE PROGRAM

A. Objective

- 2.1 The general objective of the program is to help the borrower to finance the activities needed, in stages and by area of activity, to restore socioeconomic development to normal in areas affected by El Niño.
- 2.2 The specific objectives of the program are to prevent, avert, and mitigate the impact of El Niño, which is causing loss of life and property, a further deterioration in the living conditions of the poor affected by the phenomenon, and damage to the economic infrastructure and the environment.

B. Conceptualization

- 2.3 The conceptualization and design of the program is based on the declaration of a State of National Emergency issued by the President of the Republic by Decree 425 of July 2, 1997, the date on which the emergency began for purposes of the present program. The actions have now been taken and financing provided by the Ecuadorian government for the "before the emergency" stage and estimates have been made for the "during and after the emergency" stages in accordance with the "Contingency Plan to Address the Impact of El Niño" authorized by the President of the Republic on August 7, 1997, and in order to coordinate financing for the emergency program with the various international institutions interested in participating.

C. Description

- 2.4 To achieve these objectives, the program will provide financing for activities to be carried out during the three stages of an emergency: before, during, and after the El Niño event. The fields of activity and the sectors that will be eligible for financing under the program have been established for each stage.

1. Stages

- 2.5 The activities planned for each of the three stages are described below:

a. Before the emergency stage

- 2.6 This stage entails financing for the following activities carried out since July 2, 1997:

- preparedness activities that include: (i) design and implementation of mechanisms to provide a swift, efficient

response to the emergency; (ii) planning and programming of activities to augment response capability in the case of an emergency in areas that are vulnerable and/or at risk; and (iii) quantifying of needs for financing to address the emergency in every stage;

- actions to prevent and/or mitigate the effects of El Niño.

- 2.7 The preparedness activities planned for this stage will include establishing and strengthening information, warning, and alert systems and equipping and training specialized human resources.
- 2.8 The activities for prevention and mitigation at this stage could also include measures to protect the road system, housing, sanitation works, waterworks, power supply, health care and education services, and food supply.

b. During the emergency stage

- 2.9 During this stage, financing will be provided for immediate assistance to avert or minimize loss of life by means of actions for protection and temporary rehabilitation that are intended to cover only the vital necessities of the population in the disaster area in the short term.
- 2.10 The activities to be carried out during the emergency include short-term rehabilitation of the road system, water works, sanitation works, health care services, and emergency shelter. Also included is financing for the supply of vital necessities that people usually obtain on their own (food, medicine, provisions, blankets, clean water, etc.).

c. After the emergency stage

- 2.11 These activities include: (i) repair of damage to services infrastructure by means of rehabilitation and rebuilding works, the financing for which will also include engineering studies and designs; (ii) delivery of essential services and security measures to protect the community, particularly in the most vulnerable areas; and (iii) resumption of normal economic activity.
- 2.12 The rehabilitation and rebuilding activities will include preventive activities to avert or mitigate the adverse impact of similar natural disasters that may recur in future and to address their implications for the environment. Financing will also be provided for activities geared to partial or full recovery of the losses sustained by the most vulnerable socioeconomic groups as a result of El Niño.

2. Sectors

- 2.13 Financing will be provided under the emergency program for activities in the following areas, in accordance with the general and special eligibility criteria for each area:

(i) protection and rehabilitation of national and local road system, to include financing for supplementary emergency works, rehabilitation, and environmental works along the Cuenca-Molleturo-Empalme highway; (ii) water protection works under construction; (iii) emergency shelter and temporary housing; (iv) protection and rehabilitation of sanitation works; (v) national cleanup and waste management program; (vi) urban protective works; (vii) protection and rehabilitation of waterworks; (viii) protection and rehabilitation of energy supply; (ix) protection and rehabilitation of health care services; (x) protection and rehabilitation of education services; (xi) protection of food supply; (xii) humanitarian aid to disaster victims, which may include assistance to those communities that have seen their principal source of revenue substantially reduced or lost altogether as a result of El Niño; (xiii) strengthening of the national civil defense system and of INOCAR, INP, and INAMHI; and (xiv) technical strengthening of the Coordinating Unit.

3. Strengthening activities

- 2.14 Emergency program resources will be used to finance strengthening activities in the following areas:

- a. Program Coordinating Unit. A technical team will be hired to assist the PCU with the technical, environmental, social, financial, and operational analysis needed to carry out the program. The technical team will have specialists in the following areas: (i) finance and accounting, (ii) administration, (iii) information systems, (iv) procurement, (v) environmental impact, and (vi) social evaluation, as well as (vii) three technical evaluators. The Coordinating Unit may also hire consultants to perform specific sector evaluations, based on demand.
- b. National Civil Defense System. Financing will be provided for measures to strengthen the organizational structure of the Civil Defense system, which is in charge of preventing and mitigating the effects of natural disasters and protecting the population when these events occur. Financing will also be provided for the services of an international consultant who will make recommendations on how the organizations in the system can be strengthened.
- c. The institutions responsible for information and risk assessment and management associated with natural disasters will receive financing for strengthening. These are Instituto

Oceanográfico de la Armada [Naval Institute of Oceanography] (INOCAR), Instituto Nacional de Meteorología e Hidrología [National Institute of Meteorology and Hydrology] (INAMHI), and Instituto Nacional de Pesca [National Fisheries Institute] (INP). These institutions are part of a scientific committee in charge of a regional study on the El Niño phenomenon ["Estudio Regional del Fenómeno de El Niño"] (ERFEN).

The institutional strengthening proposed for the national civil defense system and ERFEN-ECUADOR's three principal agencies is designed to reinforce the monitoring and warning systems as well as to set in motion ENSO information analysis, management, and dissemination. It includes an extensive community communications and preparation program before, during, and after the emergency. The strengthening dovetails with the institutional plans for modernization and efficient use of information that will be applied to other phenomena and natural disasters which are common to Ecuador.

D. Eligibility criteria

- 2.15 To be considered eligible for financing under the emergency program, a project will be required to satisfy eligibility criteria by stage and type of project. The following eligibility criteria will apply to all projects, regardless of type or stage:

1. General criteria

(a) The project must be located in an area in which a state of emergency has been declared by the government, (b) there must be a cause and effect relationship between El Niño and the damage, (c) the project must be included in one of the stages and fields of activity and areas, (d) there must be an evaluation of the urgent nature, magnitude, risks, and impact of the project, particularly for the most socially vulnerable groups; and (e) the environmental criteria of the program must be fulfilled.

2. Specific criteria

- 2.16 In addition to the general requisites, the project will need to comply with the following specific requirements:

- a. Before the emergency. Have a technical profile describing the activity, budget, term of execution, and coexecuting agency responsible.
- b. During the emergency. Have a technical profile describing the activity, budget, term of execution, co-executing agency responsible. Priority will be given to financing activities that reduce the hazards to life, health, and security of vulnerable population groups.

- c. After the emergency. Have a record showing the background and technical, environmental, economic, financial, and institutional evaluations. Be included in the work plan and actions established during the special evaluation mission (see paragraph 3.16). Be intended for rehabilitation and reconstruction of infrastructure existing before El Niño and public safety measures and actions to reactivate the economy.
- 2.17 In addition to the above requirements, the project must also fulfill the specific technical, socioeconomic, financial, and environmental eligibility criteria for each sector contained in Operating Regulations.

E. Total cost and financing

- 2.18 The total cost of the program is US\$231 million, which will be financed jointly by the IDB, the World Bank, the ADC, and the local counterpart funding, as shown in the approximate breakdown in Table 2. The financing from the IDB and the World Bank will in both cases come from loans in progress and fresh resources.

Table 2
(US\$ millions)

Source	Resources from loans in progress	Fresh resources	Total
World Bank	35.0	45.0	80
IDB	34.2	70.8	105
ADC		25.0	25
Local counterpart funding		21.0	21
TOTAL	69.2	161.8	231

1. Resources from IDB loans in progress

- 2.19 It has been estimated that approximately US\$34.2 million will come from the undisbursed balances of loans in progress given that: (a) the use of such resources will not significantly affect the general and specific objectives of the operation for which they were originally granted; and (b) these balances are being used for an emergency, which the national authorities and the IDB have mutually agreed to designate as a priority. Table 3 provides a list of these projects.

Table 3
PROJECTS IN PROGRESS SUBJECT TO REVIEW FOR USE IN THE EL NIÑO EMERGENCY

Name of project	Available balance	El Niño
Fise II	45.0	15.8
Modernization of agricultural services	30.0	5.6
Municipal development program	4.6	4.0
Preinvestment program	3.2	3.0
Basic education I	1.6	1.5
Coastal resources management	5.7	1.6
Science and technology project	18.1	2.5
Public investment system	0.2	0.2
TOTAL	108.4	34.2

- 2.20 To use resources from loans in progress, as requested by the Ecuadorian authorities, approval by the Board of Directors will be required to transfer funds from the investment categories to a new budgetary category known as "El Niño Fund" in order to obviate the need for changes in the amortization period, interest, and pari passu for each loan.
- 2.21 The amounts reallocated under the budgetary category of each loan will become part of the proceeds to be made available to the borrower in a special program account with the Central Bank of Ecuador. Subsidiary accounts will be opened using the number of each respective loan for identification. For these purposes, the borrower and the Bank will reach agreement during the negotiation mission on the priority to be accorded to disbursements of the proceeds of loans in progress that are reallocated to finance the program.

Table 4
COST STRUCTURE
(US\$ millions)

Category of financing	IDB reallocation	IDB new resources	IBRD reallocation	IBRD Fresh resources	ADC	Local	Total
1. Preventive, restoration, and repair works	34.2	63.8	35.0	44.6	25.0	20.1	222.7
2. Administrative costs							
2.1 Executing unit	-	6.6	-	-	-	-	6.6
2.2 Audits	-	0.4	-	0.4	-	-	0.8
3. Finance charges							
4.1 Credit fee	-	-	-	-	-	0.46	0.46
4.2 Inspection and supervision	-	-	-	-	-	0.44	0.44
5. TOTAL	34.2	70.8	35.0	45.0	25.0	21.0	231.0
Breakdown (%)	15.0	30.4	15.2	19.5	10.8	9.1	100.0

2. Fresh resources

2.22 It is estimated that approximately US\$70.8 million will be funded from the Single Currency Facility of the ordinary capital. The terms and conditions of the financing will be as follows: interest rate, variable; commitment fee, 0.75% of undisbursed balances; inspection and supervision fee, 1%; and repayment term, 25 years. The cost structure is presented in Table 4.

3. Breakdown of funding by the different institutions participating in the operation

2.23 The financial institutions have agreed on common criteria for the preparation of the Operating Regulations, the procurement of goods, works and related services, the hiring of consultants, execution, audits and mechanisms for supervision, and program follow-up. A breakdown of the financing by source is being established, facilitating in each case the management, allocation, and use of resources for the country as well as for the institutions.

III. EXECUTION

A. The borrower and the executing agency

- 3.1 The borrower will be the Republic of Ecuador and the executing agency will be the Office of the President of the Republic, through the Program Coordinating Unit. Also taking part as coexecuting agencies for the program will be public and private agencies and institutions at the national, provincial, municipal, community, and local levels that form the national civil defense system.

B. Institutional framework and execution

1. Civil defense

a. Definition

- 3.2 Civil defense is an ongoing service provided by the State on behalf of the community that is designed to develop and coordinate measures of all types for predicting and coping with disasters of all kinds, to minimize and mitigate losses to life and property caused by such disasters, and to carry out emergency actions in disaster areas that would permit the continuation of the administrative and operational aspects of all activities in the area affected.

b. Authority

- 3.3 The supreme authority of civil defense is the President of the Republic, who pursuant to the National Security Act has the power to declare a state of emergency and designate emergency zones, depending on the magnitude of the disaster, and assumes all of the powers conferred on him by law in the area of civil defense.

c. Agencies

- 3.4 The organizational structure of civil defense consists of the National Civil Defense Board, the Provincial Councils chaired by the Governor of the province, the county and local authorities, the Civil Defense Units of the Departments of Security Planning for National Development and the authorities in special areas. Other basic agencies of civil defense are the national police, fire departments, the Red Cross, and the armed forces.

d. Financial resources

- 3.5 The cost of prevention and contingencies in the case of emergencies are normally covered by the National Civil Defense Department with funding made available by the Ecuadorian government under the "Civil Defense Contingency Fund".

- 3.6 It is proposed that a special account be opened with the Central Bank of Ecuador for the present emergency program, in which resources will be deposited for administration by the executing agency. **As a condition precedent to the first disbursement of the loan, a special account must be opened with the Central Bank of Ecuador for administration of the IDB funds.**

2. Coordinating Unit for the emergency program

- 3.7 The Coordinating Unit was established pursuant to Executive Decree of October 13, 1997, as a unit of the Office of the President of the Republic. Its function is to coordinate the technical, environmental, social, economic, administrative, financial, and operational aspects of the program. The members of this unit are: (i) the Director of the Contingency Plan, as chairman; (ii) a delegate from the Office of the President of the Republic; (iii) a representative of the armed forces; (iv) the national director of civil defense; and (v) a representative of the Ministry of Finance. The functions of the Coordinating Unit are described in the Operating Regulations.
- 3.8 The Coordinating Unit will have a technical team to assist with the technical, environmental, social, financial, and operational analysis that is needed for implementation of the program. The technical team will have a specialist in each of the following areas: (i) finance and accounting, (ii) administration, (iii) information systems, (iv) procurement, (v) environmental impact, (vi) social evaluation, and (vii) technical evaluation (three specialists). **As a condition precedent to the first disbursement, the technical team must be formed in accordance with the professional profile agreed on in advance with the Bank.**
- 3.9 The Coordinating Unit will also hire consultants to perform specific sector evaluations, based on demand, and NGOs to standardize and manage the effective and timely delivery of aid and assistance to the communities affected. The Executing Unit will also establish in each province stricken by El Niño: (i) a provincial technical committee in charge of according priority, ascertaining the relevance, and determining the quality of the works and activities proposed. The members of this committee will be the Governor of the province and three representatives of private unionized organizations, the Federation of Industry, the Construction Association, and the Association of Civil Engineers and Architects, and should take a decision within five business days; (ii) a provincial social committee whose members will be the Governor, a representative of the most representative NGOs in charge of family protection (i.e. Instituto de el Niño y la Familia [Institute of the Child and the Family]), and representatives of women's organizations and the Ecuadorian Red Cross. This committee will be responsible for ensuring that priority is accorded to

financing activities that reduce the hazards to life, health, and security of vulnerable population groups.

3. Coexecuting agencies

- 3.10 Taking part as coexecuting agencies for the program will be public and private agencies and organizations at the national, provincial, municipal, community, and neighborhood levels that form the national civil defense system. The functions of the coexecuting agencies are described in the Operating Regulations.

4. Execution

- 3.11 The executing agency, through the Coordinating Unit, will carry out the program activities in accordance with the program Operating Regulations which set forth the guidelines and criteria by stage and by area of activity and sector, the general and specific eligibility criteria, the allocation of resources and other operational aspects of the program. As a condition precedent to the first disbursement of the loan, the Operating Regulations of the program must be implemented in accordance with the guidelines previously agreed on with the Bank.
- 3.12 To ensure a timely response to demands for financing and assistance during the emergency, the community and cantonal councils will channel requests through the Provincial Council chaired by the Governor. The council will forward the requests directly to the Coordinating Unit. The Provincial Council will benefit from the advisory assistance of the technical and social committees set up for this purpose (see paragraph 3.9) and will submit their requests in accordance with the general and specific program eligibility criteria. Once the Unit has approved a request for financing, an agreement will be signed for formal transfer of the resources.
- 3.13 The executing unit will draw on the program resources to hire independent institutions to conduct technical, operational, and integrated, environmental and social audits to monitor the progress of program activities. The consultants' main functions will be to verify project, eligibility, including certification of cause and effect, compliance with procurement procedures, and the delivery of resources and goods procured with the proceeds of the program.

C. Allocation of resources

- 3.14 The proceeds of the emergency program will be allocated by the Coordinating Unit, bearing in mind the priority accorded to works in the disaster area, on the basis of an evaluation of its urgency, magnitude, risks, and impact, particularly on the most vulnerable socioeconomic groups affected by El Niño.

- 3.15 The Coordinating Unit will attach more importance to allocating resources to those stages and areas of activity of the emergency program whose main objectives are to prevent, avert and/or mitigate the effects of El Niño that cause loss of life and property, further deterioration in the living conditions of the poor, and damage to economic infrastructure and the environment.

D. Term for establishing a works and action plan after the emergency

- 3.16 The activities for this stage will need to be defined in a works and action plan designed and programmed on the basis of an El Niño impact assessment. To this end, a special evaluation mission made up of representatives of financial institutions taking part in the emergency program will be carried out within six months of the date of contract signature. This mission and the national authorities will establish together the priorities of the works and action plan in terms of activities, schedules, financing, engineering and feasibility studies, beneficiaries, etc. The deadline for inclusion of eligible works and activities in this plan will be 12 months after contract signature.

E. Terms for commitment and disbursement

- 3.17 The term for commitment of the financing will be two years from the date on which the loan contract is signed. The term for disbursement of the funds will be three years from that same date. Any of the IDB funding not committed or disbursed, as applicable, by the aforesaid deadlines will be automatically cancelled by the Bank.
- 3.18 For the purposes of this document, the program resources are understood to have been committed on the date on which the consulting services contracts are signed by the participating coexecuting agency.

1. Recognition of previous expenditures

- 3.19 Subject to the Bank's approval, up to the equivalent of US\$5 million of the loan proceeds may be used to reimburse the borrower for expenses incurred to carried out activities during the "Before the emergency" stage. These expenses must have been incurred between July 2, 1997, the date on which the national emergency was declared, and the date on which the loan agreement was approved, and requirements materially similar to those established in the loan agreement must have been fulfilled.

2. Advance of funds

- 3.20 Given the nature of the program, it is recommended that a revolving fund of up to the equivalent of 20% of the proceeds of the loan be set up.

F. Procurement of goods and services

- 3.21 The procurement of goods and related services, the awarding of construction contracts, and the selection and hiring of consultants will be conducted in accordance with the Bank's standard procedures. International competitive bidding using simplified ~~procedures~~ will be mandatory for all procurement valued at more than the equivalent of US\$300,000 in the case of goods, US\$3 million in the case of construction works, and US\$200,000 in the case of consulting services. For procurement requiring international competitive bidding, the Bank agrees to simplify its procurement procedures as follows:
- a. Publish only one **general procurement notice** in *Development Business*, announcing that **specific procurement notices** will be published in the local newspapers indicated rather than in *Development Business*. The notices in the national newspapers will specify that there will be no restrictions on international participation in the bidding.
 - b. Prequalification will not be required for procurement of **goods and works**. Contracts for goods will be awarded to the lowest bidder. In awarding contracts, bids will be selecting using the post-qualification method, in which the lowest bid is selected, subject to subsequent verification that it qualifies.
 - c. In the case of **consulting services**, the specific procurement notice will be published in national daily newspapers and only expressions of interest will be solicited. Based on the selection criteria previously established, the most suitable firm for the contract will be chosen. This method will replace the system of preselection, short lists, and invitations to submit bids.
 - d. Other procurement procedures, such as direct contracting or force account, may be used, with proper justification and after conferral with the Bank.
 - e. In addition, for goods and construction works, the executing agency may expedite the process through the use of restricted bidding, whereby bids will be sought directly from suitable firms that have taken part and qualified in similar international competitive bidding in the public sector in the last three years.
- 3.22 An ex ante review will be performed for all contracts for goods and construction works for which international competitive bidding is required. In all other cases, the Bank will conduct an ex post review based on a sampling of the supporting documentation of the bidding process for contracts awarded for goods and construction works.

- 3.23 In the case of consulting firms hired at an estimated cost of more than US\$200,000 or the equivalent thereof, the Bank will review the contracts, terms of reference, and selection procedures. In the case of individual consultants, the documentation will be submitted to the Bank for review when the amount of the contract exceeds US\$50,000, or the equivalent thereof. In the case of contracts for consulting services below these thresholds, only the final reports will be reviewed.
- 3.24 If, as result of these reviews, it is found that the contracting entity has not followed the procedures agreed on, the procurement and contracts awarded will not be eligible for financing under the loan. The Bank is entitled to increase or reduce the random sample based on the results and its experience with the contracting entity as the procurement process proceeds.
- 3.25 Procurement that is financed with funds under the emergency program during the "After the emergency" stage will be done in accordance with the standard procedures for goods and related services, construction works, and consulting services established in the corresponding loan agreements of each multilateral financial institution.
- 3.26 The procurement of goods and related services, construction works, and consulting services which are financed under the ADC loan will be done in accordance with the procurement procedures established for contracts of this kind under national legislation.
- 3.27 For the procurement of goods, construction works, and consulting services for the "before the emergency" and "during the emergency" stages, it is recommended that a special procedure for natural disasters be used. These special procedures permit the use of bidding, direct contracting, and force account for construction works, and international and local shopping for procurement of goods and related services, in cases where competitive bidding would normally be required.
- 3.28 It is also recommended that up to the equivalent of US\$2.5 million in expenses incurred for works carried out on force account be recognized, provided one of the following conditions is met: (i) work quantities cannot be determined in advance, (ii) the works in question are minor works or small-scale works in different localities, (iii) the works are to be done in remote areas, to where the travel costs for contractors would be too high, or where no contractors would be interested in performing the works.

G. Operation and maintenance

- 3.29 Each of the coexecuting agencies or end beneficiaries of the works and equipment financed with the IDB loan must agree to operate and maintain the works and equipment, in accordance with generally accepted technical standards. To this end, the borrower will be

required to submit, by the end of the first quarter of each calendar year from completion of the works until three years after the final disbursement of the loan, an annual maintenance report on the works and equipment, based on the findings of a review of a representative sample of the projects financed with the program resources.

H. Environment impact

3.30 The CESI agreed with the project team on the following considerations and recommendations:

- a. The activities envisioned under the program are intended to mitigate the adverse impacts of the phenomenon and therefore its impact on the environment will be favorable and highly beneficial to society. The measures to be taken during the emergency will be specific and will center on repairing damage to infrastructure and restoring services, as well as providing food, shelter, medicine and water to the disaster victims. Given the nature of the actions and the time constraints involved, no environmental assessments will be performed during this stage.
- b. The institutional strengthening of the executing unit will include hiring an environmental specialist with the following functions: (1) evaluate and verify the environmental eligibility of the programs and projects, (2) organize, analyze, and systematize environmental information, (3) ensure compliance with the environmental protection measures and the environmental management plans, (4) ensure, if so required for rehabilitation projects, that the respective environmental impact assessments have been carried out, (5) develop procedures permitting consultation and participation by the communities affected, and (6) guarantee that the actions implemented under the program are not detrimental to natural resources or will not result in actions in protected, environmentally fragile, and ecologically high risk zones.
- c. **Environmental monitoring.** Within six months of the date on which the contract is signed, a consulting firm or specialized institution will be hired to monitor and evaluate the environmental impact of the activities to be financed under the program. The consultants will have the following specific objectives:
 - Evaluate the environmental impact of all projects concerned with rehabilitation of road infrastructure, water protective works, and rehabilitation of waterworks and basic sanitation works.

- Verify compliance with national environmental standards in the execution of each project.
 - Report on the proposed plans for environmental management and mitigation and their implementation.
 - Evaluate compliance with the environmental eligibility criteria set out in the program Operating Regulations.
- d. **Activities.** The activities that the consultant must perform to attain the objectives of the program will include: (i) establishing the necessary indicators to gauge the overall environmental impact of the program and the projects in particular; (ii) coordinating with the Ecuadorian authorities the components and mechanisms for determining the environmental situation in protected and ecologically valuable or fragile areas; (iii) submitting a methodology for restoring and maintaining project areas in order to achieve sustainability; (iv) verifying compliance with the environmental criteria for project formulation and application set out in the program Operating Regulations and proposing adjustments in the regulations, if deemed necessary; and (v) recommending any adjustments that may be necessary from an environmental standpoint, with a view to encouraging participation by the community affected and better implementation of the environmental management and mitigation programs.

I. Social impact

- 3.31 Amongst the population affected by El Niño, the percentage that is poor will exceed the percentage for the country as a whole 52%, since the poor are found predominantly in extremely vulnerable areas such as marginal urban areas, communities on steep slopes, and low-lying rural areas, including river beds. It is estimated that approximately 720,000 people will be affected.
- 3.32 The emergency program activities to be funded by the IDB have been conceptualized with a focus on the risks to the poor. The targeting of the benefits to low-income groups, however, will depend on the monitoring and supervision established by the Coordinating Unit in this regard. To this end, the Coordinating Unit will have on its staff a specialist in social evaluation whose principal function will be to ensure that the resources for activities to be financed under the emergency program go primarily to the poorest segments of the population hit by El Niño.
- 3.33 The Coordinating Unit will also set up a social committee in each province adversely affected by El Niño. The members of these committees will be the Governor, a representative of the Ministry of Social Affairs, a representative of NGOs typically in charge of family protection (i.e. Instituto de el Niño y la Familia

[Institute of the Child and the Family]), and representatives of women's organizations and the Red Cross.

J. Monitoring and reports

- 3.34 During program execution, the Bank's Country Office in Ecuador will be responsible for supervising and monitoring the program on behalf of the Bank, working closely with the project team and Country Division (OD5/RE3).
- 3.35 The IDB, the World Bank, the ADC, and the executing agency will hold meetings to monitor the program. The first meeting will be held within 15 days of the date on which the first loan agreement is signed or on such other date as may be agreed upon by the parties. This meeting will review such particulars as the status of El Niño, the work schedule for the program, and the dates of subsequent meetings.
- 3.36 The borrower, through the executing agency, will submit to the Bank the following documents:
- a. Progress reports on program execution, within 60 days of the end of each six-month calendar period or any other period on which the parties may agree, prepared in accordance with the standards agreed on with the Bank. These reports will include technical, operational, and integrated audits of the program (see paragraph 3.38).
 - b. Such other reports as the Bank may reasonably request on the investment of the amounts funded, the use of goods procured with the funding, and the rate of advance of the program.
- 3.37 The Project Team will submit to the IDB Loan Committee a report on the status of the program eight months after the date of approval by the Bank.

K. Audits

- 3.38 The executing agency will hire a firm or firms of independent public accountants and auditors to conduct technical, operational, and integrated audits and certification of the emergency program. The reports on the technical, operational, and integrated audits will be submitted every six months as part of the progress reports on the operation. To this end, the executing agency will engage consulting services by the following deadlines after contract signature: (i) within three months, consultants to conduct technical, operational, and integrated audits; (ii) within six months, consultants to monitor and evaluate the environmental impact; and (iii) within nine months, consultants to evaluate the maintenance of the works and goods financed under the program.

- 3.39 The first financial report will be presented to the Bank six months after contract signature, with the remaining ones being submitted on an annual basis. The financial statements of the program will be submitted to the Bank each year. A duly audited final report will also be submitted within 120 days of program completion. The technical, operational, and integrated audit reports on the program will be submitted to the Bank every six months.
- 3.40 The Coordinating Unit will consolidate the information on the use of program resources. The outside auditors will have access to the accounting records and supporting documentation kept by the coexecuting agencies, in accordance with the requirements of multilateral financial institutions.

L. Final evaluation

- 3.41 The borrower, through the executing agency, will submit to the Bank, within 12 months of the date of the final disbursement, a final evaluation report of the program containing a summary of the program and conclusions on its execution, the problems encountered and lessons learned with respect to the program objectives.

IV. BENEFITS AND RISKS

A. Benefits

- 4.1 The program is geared to resolving problems arising in highly vulnerable areas in which the number of poor is higher than the national average. The activities envisaged will benefit the population stricken by El Niño since they will minimize the impact of the event on living conditions, guarantee their sustenance during the emergency, and provide mechanisms conducive to economic recovery. Preventing and minimizing damage to physical infrastructure and maintaining the flow of traffic during the emergency is an important benefit for trade and the economy in general.
- 4.2 The program will provide long-term benefits as well, since it establishes mechanisms to help the country plan and address emergencies ensuing from natural disasters.

B. Risks

- 4.3 Two risks have been identified that could affect the program: (a) uncertainty in forecasting and the impact of the ENSO phenomenon, and (b) institutional capacity to implement the program given the high degree of interagency coordination required.
- 4.4 The technical advances in forecasting natural phenomena notwithstanding, there is a possibility that the intensity, duration, and impact of the event may differ considerably from forecasts. An extremely strong event will require more resources. Should the phenomenon be of lesser intensity than predicted, there would be a surplus of resources.
- 4.5 The Coordinating Unit, which will be established as a unit attached to the Office of the President of the Republic, will coordinate the technical, economic, administrative, financial, and operational aspects of the program. Taking part as coexecuting agencies in the program will be public and private agencies and institutions at the national, provincial, municipal, community, and neighborhood levels that are part of the national civil defense system. The number of institutions and the immediate need to address their requests will pose a challenge to the Coordinating Unit, and there is a risk that the requests and the implementation exceeds available capacity. To minimize this risk, the program will include institutional strengthening of the Unit, the civil defense system, and the institutions that sit on the Ecuadorian Commission on the regional study of El Niño.

**LOGICAL FRAMEWORK
EL NIÑO EMERGENCY PROGRAM (EC-0182)**

OBJECTIVES	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Objective			
Lower to finance in stages and es that are needed to restore development to normal in areas niño.	GDP growth in 1998-1999 Sector growth in 1998-1999 Change in poverty rates in 1998-1999 in the departments affected	The Bank's regular and specific monitoring mechanisms for this operation through the Country Office and project team. Audits Evaluations	The main assumption is that the intensity of be as forecast. Notwithstanding the advanced techniques used worldwide to predict natural phenomena, there exists the possibility that intensity, duration, and impact of the event substantially different from forecast. It is also assumed that the various organiza- agencies carrying out different activities will their efforts closely during the emergency.
OBJECTIVES			
rt, and lessen the effects of El se loss of life and property, a tion in the living conditions of s affected, and damage to structure and the environment.	Number of works completed and their impact during the emergency. Number of works rebuilt after the emergency. Services affected and operating during and after the emergency.	The Bank's regular and specific monitoring mechanisms for this operation through the Country Office and the project team. Audits Evaluations	The main assumption is that the intensity of be as forecast. Notwithstanding the advanced techniques used worldwide to predict natural phenomena, there exists the possibility that intensity, duration, and impact of the event substantially different from forecast. It is also assumed that the various organiza- agencies carrying out different activities will their efforts closely during the emergency.

<p>Before the emergency stage, preparedness for the event and for mitigation of the effects of EI</p> <p>During the emergency stage, financing for immediate relief or minimize loss of life and a deterioration in the living conditions of the disaster victims.</p> <p>After the emergency stage, repairing services infrastructure, security measures to protect the population and restoring economic activity</p>	<p>Prevention, planning, and mitigation works.</p> <p>Short-term rehabilitation works, health care, emergency shelter, food supplies, water, medicine, etc.</p> <p>Rehabilitation and reconstruction works, security services, and activities to restore economic and social conditions to normal.</p>	<p>The Bank's regular and specific monitoring mechanisms for this operation through the Country Office and the project team.</p> <p>Audits</p> <p>Evaluations</p>	<p>The main assumption is that the intensity of the event will be as forecast. Notwithstanding the advanced techniques used worldwide to predict natural phenomena, there exists the possibility that the intensity, duration, and impact of the event will be substantially different from forecast.</p> <p>It is also assumed that the various organizations and agencies carrying out different activities will coordinate their efforts closely during the emergency.</p>
<p>and rehabilitation of national and local infrastructure works, which will include financing for emergency, rehabilitation, and reconstruction works along the Cuenca-Tierras Altas highway; (ii) water supply; (iii) emergency shelter and food supplies; (iv) protection and security services; (v) national disaster management and clean up works; (vi) urban protection works; (vii) water supply and rehabilitation; (viii) power supply and rehabilitation; (ix) health services protection and rehabilitation; (x) food supply protection; (xi) aid to communities affected; (xii) strengthening of national civil defence forces; (xiii) strengthening of COCOPAR, INP, and INAMHI; and (xiv) strengthening of Coordinating</p>	<p>Execution of works in accordance with the definition of sectors and established criteria.</p>	<p>The Bank's regular and specific monitoring mechanisms for this operation through the Country Office and the project team.</p> <p>Audits</p> <p>Evaluations</p>	<p>The main assumption is that the intensity of the event will be as forecast. Notwithstanding the advanced techniques used worldwide to predict natural phenomena, there exists the possibility that the intensity, duration, and impact of the event will be substantially different from forecast.</p> <p>It is also assumed that the various organizations and agencies carrying out different activities will coordinate their efforts closely during the emergency.</p>

PROPOSED RESOLUTION

ECUADOR. AUTHORIZATION TO REASSIGN RESOURCES
(Emergency Program to Confront the Phenomena "El Niño")

The Board of Executive Directors

RESOLVES:

Approve the reallocation of the resources of Loan Contracts Nos 978/OC-EC, 892/OC-EC, 843/SF-EC, 596/OC-EC, 919/SF-EC, 913/SF-EC, 874/OC-EC y 900/SF-EC, by transferring amounts from their main categories of investment to a new category named "Fund Phenomena de El Niño" for the execution of the loan proposal referred to in Document PR-____, for the emergency program to confront the phenomena of "El Niño".

PROPOSED RESOLUTION

ECUADOR. LOAN___ /OC-EC TO THE REPUBLICA DEL ECUADOR
(Emergency Program to Confront the Phenomena "El Niño")

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf the Bank, to enter into such contract or contracts as may be necessary with the Republica del Ecuador, as Borrower, for the purpose of granting it a financing to cooperate in the execution of an Emergency Program to Confront the Phenomena "El Niño". Such financing will be for the amount of up to seventy million eight hundred thousand dollars (US\$70,800,000) from the Single Currency Facility of the Ordinary Capital resources of the Bank, and will be subject to the "Terms and Financial Conditions" and "Special Contractual Conditions" of the Executive Summary of the Loan Proposal.