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July 2014

## Establishing the Typhoon Yolanda Multi-Donor Trust Funds

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Asian Development Bank

## ABBREVIATIONS

ADB	–	Asian Development Bank
BBB	–	build-back-better
DBM	–	Department of Budget and Management
DMF	–	design and monitoring framework
DOF	–	Department of Finance
DRR	–	disaster risk reduction
IDD	–	integrity due diligence
NEDA	–	National Economic and Development Authority
MDTFs	–	multi-donor trust funds
NGA	–	national government agency
NGO	–	nongovernmental organization
OPARR	–	Office of the Presidential Assistant for Rehabilitation and Recovery
PDNA	–	post-disaster needs assessment
RAY	–	Reconstruction Assistance on Yolanda
TA	–	technical assistance
TYMTF	–	Typhoon Yolanda Multi-Donor Trust Fund

## NOTE

In this report, "\$" refers to US dollars.

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1. Preliminary Design and Monitoring Framework
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## I. INTRODUCTION

1. I submit for your approval a recommendation for the Asian Development Bank (ADB) to (i) establish the Typhoon Yolanda Multi-Donor Trust Fund (TYMTF); (ii) establish other Typhoon Yolanda trust funds substantially upon the terms and conditions of this paper;<sup>1</sup> (iii) accept and administer contributions to the TYMTF and other Typhoon Yolanda trust funds—collectively referred to as the multi-donor trust funds (MDTFs)—from bilateral, multilateral, and other sources, including the private sector, in accordance with the terms and conditions set out in this paper; and (iv) waive the requirement that resources shall be used for procurement of goods, services, and works from ADB member countries.

## II. BACKGROUND AND RATIONALE

2. Typhoon Yolanda (known internationally as Haiyan), which landed in the Philippines on 8 November 2013, is one of the worst storms on record. It has been estimated that 12.1 million people were affected in the Visayas, a group of islands in the center of the country; 4 million were displaced, with evacuation centers supporting approximately 730,000, both within and outside the facilities. More than 6,000 people died, while many more were injured and significant numbers remain missing. About 1.2 million homes reported damaged and over 500,000 houses were reported to have incurred more than 50% damage. The agriculture sector, a source of employment and livelihood for local residents, was highly impacted. Damage to people's livelihoods and infrastructure will take years to repair. Following an initial assessment, on 11 November 2013 the President of the Philippines declared a state of national calamity (Presidential Proclamation No. 682). The magnitude of the disaster and devastation drew attention worldwide.

3. National government agencies, local governments, communities, the private sector, and the international community have worked together since Yolanda struck to meet post-disaster needs and prepare detailed rehabilitation plans. The plan of the Government of the Philippines—Reconstruction Assistance on Yolanda (RAY)<sup>2</sup>—adopted a three-phased approach to address immediate critical needs, recovery, and full reconstruction. RAY prioritized immediate needs by sector and location, including humanitarian, priority repairs, and livelihood recovery, while concurrently initiating recovery and shifting to reconstruction. The Office of the Presidential Assistant for Rehabilitation and Recovery (OPARR) is leading the coordination and preparation of a detailed Yolanda recovery and rehabilitation program that considers the RAY, the post-disaster needs assessment (PDNA)<sup>3</sup> coordinated by the Office of Civil Defense, and detailed sector- and area-based plans prepared by national government agencies and local governments. The detailed plan will provide a results framework to ensure close alignment between the objectives of the recovery and rehabilitation program and the Philippine Development Plan.<sup>4</sup> The framework will present guidance on policy actions, planning, implementation, and results for four priority recovery and rehabilitation needs: (i) livelihoods and business development; (ii) housing and resettlement; (iii) social services; and (iv) infrastructure.

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<sup>1</sup> In the event that contributions from development partners (i.e., the European Union) or contributions limited to specific sectors would materialize in the future.

<sup>2</sup> National Economic and Development Authority. 2013. *Reconstruction Assistance on Yolanda (RAY): Build Back Better*. Manila. (<http://www.gov.ph/downloads/2013/12dec/20131216-RAY.pdf>)

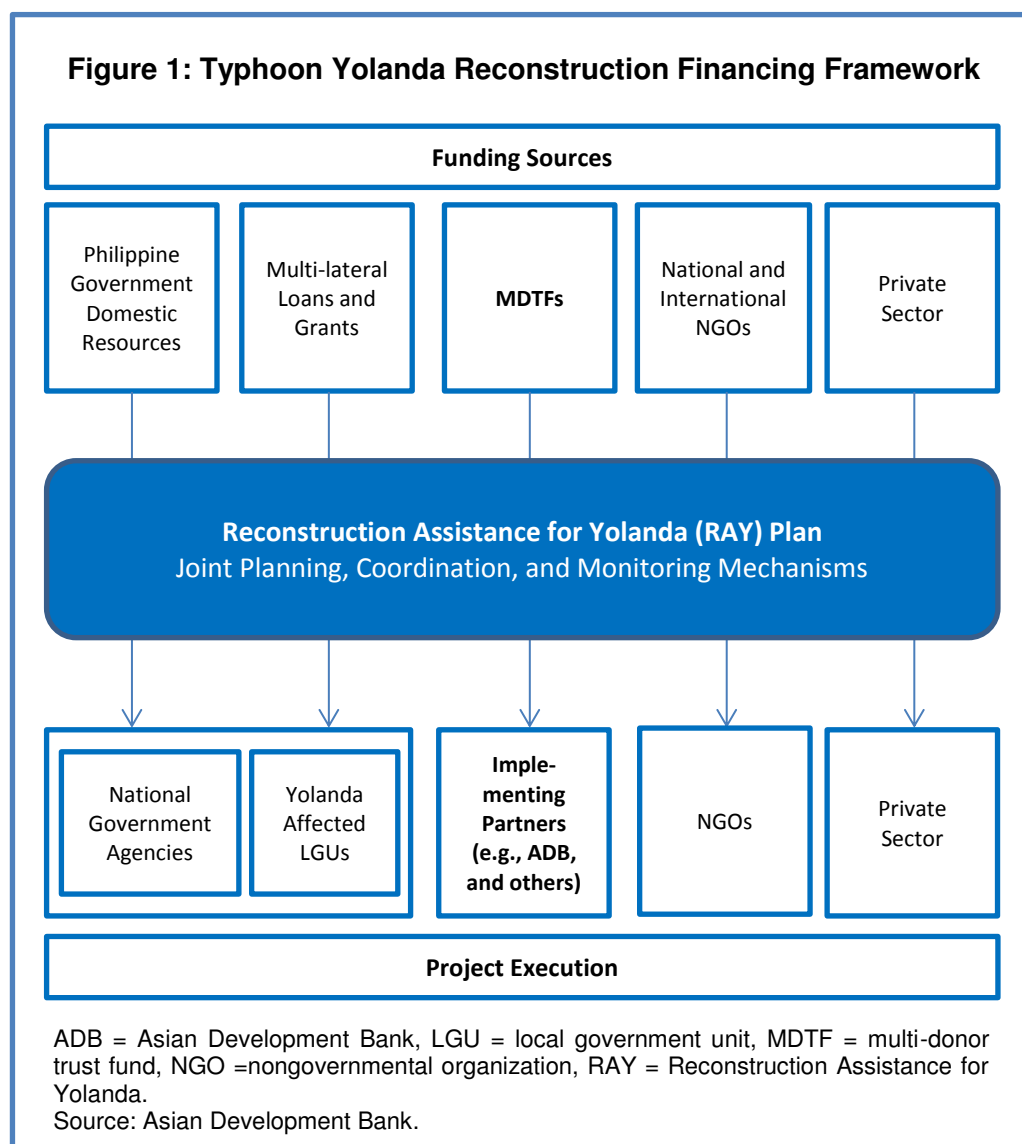
<sup>3</sup> Office of Civil Defence. Post Disaster Needs Assessment (PDNA) in Typhoon Yolanda Affected Areas. Unpublished.

<sup>4</sup> Government of the Philippines, National Economic and Development Authority. 2014. *Philippine Development Plan, 2011–2016: Midterm Update*. Manila (<http://www.neda.gov.ph/?p=1128>).

The plan will include a system for formulating, implementing, and monitoring the Yolanda recovery and full rehabilitation phases.

4. Despite the active efforts of the government as outlined above, some affected areas still require short-term transitional assistance—people are waiting for basic needs to be met and critical infrastructures to be rehabilitated. In parallel, areas that have received assistance need to engage in comprehensive medium-term reconstruction to prevent and mitigate future calamities. Additional support is needed to fully cover all the affected areas and address the requirements under the RAY plan. In response to the geographical recovery disparities, the proposed MDTFs will support priority rehabilitation and reconstruction needs as identified in the RAY plan, and boost resilience to future disasters through an emphasis on innovative approaches. The MDTFs offer distinct benefits: they (i) align directly with the government's needs as defined in the RAY plan; (ii) serve as a common window to pool donor, foundation, and private sector contributions; (iii) provide a platform to enable coordination among multiple donors and stakeholders; (iv) ensure good governance and effective fiduciary oversight; (v) adhere to internationally accepted social and environmental safeguard policies; (vi) serve as a forum to apply lessons from earlier disaster relief and reconstruction facilities, and provide a venue to identify best practices to inform future reconstruction and rehabilitation efforts; (vii) ensure regional balance during the recovery, on the basis of a clear prioritization of rehabilitation and reconstruction needs, which in turn will be guided by equity and efficiency considerations; (viii) promote gender equality and facilitate inclusion of gender-sensitive approaches in the design of subprojects; and (ix) enable the participation of both government and nongovernment agencies. The proposed MDTFs will be open-ended to accept contributions from development partners and the private sector, but with a clearly defined sunset clause or time period set for completion of all projects from the date of establishment.

5. The government has set up a broad umbrella framework for post-Yolanda reconstruction, comprising a number of funding sources, as outlined in Figure 1. The framework is being coordinated by the OPARR, in cooperation with all the relevant government departments. The government's budget has been a major source of funding for the reconstruction efforts. In addition, multilateral and bilateral partners have provided loans and grants in the aftermath of Yolanda, most of which are channeled through the budget process. Moreover, OPARR has launched a private sector alliance, wherein various large Filipino business conglomerates have adopted several affected municipalities for rehabilitation and reconstruction support. Several national and international nongovernmental organizations (NGOs) have mobilized significant individual donor contributions to channel rehabilitation and reconstruction support in the affected areas. The MDTFs will be an integral part of this framework.



6. ADB has administered channel funds targeted for disaster relief and reconstruction since 2005, on both a regional scale and a country-specific basis.<sup>5</sup> ADB has gained significant experience in working with recent natural disasters, both in the region and elsewhere, and from designing and implementing these multi-donor facilities. Lessons include the following:

- (i) Disaster risk reduction should be embedded into eligible projects in order to increase the resilience of communities and local governments to future disasters. It is important to use local knowledge to the extent possible, and empowerment of the local communities has proven an effective way of enhancing reconstruction. This is particularly important in the reconstruction of housing settlements, infrastructure and public facilities, as well as in capacity building.

<sup>5</sup> Examples include the Asian Tsunami Fund (ADB. 2005. *Asian Tsunami Fund*. Manila.) and the Pakistan Earthquake Fund (ADB. 2005. *Pakistan Earthquake Fund*. Manila), single-purpose multi-donor special funds, allowed ADB to effectively channel financing to the affected population in the disaster-stricken developing member countries.

Reconstruction in the aftermath of a disaster provides an opportunity to mainstream disaster risk reduction across sectors. This includes the introduction of policies for building-back-better (BBB), as well as programs and legislation that support long-term resilience and enhance the impact of reconstruction.

- (ii) Reconstruction should be implemented in phases appropriate to the evolving context: immediate recovery should focus on speed, reconstruction should focus on quality, and risk reduction projects should focus on the transition to greater long-term resilience.
- (iii) Projects that can be implemented relatively rapidly, but that have significant medium- to long-term impact are more effective, given the limited time horizon for most reconstruction programs.
- (iv) Focusing on medium- to long-term risk reduction and resilience issues has emerged as an area of comparative advantage for the MDTFs.<sup>6</sup> As a matter of policy, the overall Yolanda reconstruction framework (Figure 1) as well as the MDTFs will focus on programmatic medium-term approaches to risk reduction that will have long-term impact, entailing a succession of related programs, rather than standalone interventions.
- (v) Related to (iv), a key lesson from various recent multi-donor trust funds in other countries is the need for a clear exit strategy that is built into the MDTFs and framework design.

7. The MDTFs incorporate additional design features. First, the MDTFs have a potential pipeline of projects and activities that focus on increasing resilience by piloting innovative approaches. ADB intends to launch such TAs and grant projects as rapidly as possible. Second, MDTFs features a clear governance structure. Finally, with regard to the policy objectives, the MDTFs will operate within the overall framework of the government's action plans.

8. The MDTFs will complement the ongoing RAY plan and the current TA pipeline and development partner grants by identifying additional measures to support the overall efforts, through a stronger focus on enhancing local capacity, increasing resilience, and piloting innovative approaches. Moreover, the framework will enable duplication to be avoided with existing TA and grant projects. Finally, as the MDTFs-funded projects will be innovative, they are also expected to catalyze additional resources and attract other public and private partners to join the government's overall reconstruction efforts.

### **III. OBJECTIVE AND SCOPE**

9. The impact of the MDTFs is a resilient Visayas with high and sustainable growth, and improved capacity to withstand and more rapidly recover from disasters, in alignment with the joint results framework of the updated RAY.<sup>7</sup> The key outcomes of the MDTFs are support for restoration of economic and social conditions in regions affected by Typhoon Yolanda and reduction of risks and vulnerabilities associated with future natural disasters (as aligned with the 2011–2016 Philippine Development Plan [footnote 4]). The preliminary design and monitoring framework (DMF) for the MDTFs is in Appendix 1. Each project financed by the MDTFs will

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<sup>6</sup> For indicative purposes, medium-term risk reduction and resilience projects have implementation periods of about 2–3 years.

<sup>7</sup> The RAY will provide planning and policy guidance to the four OPARR implementation clusters for Typhoon Yolanda recovery covering (i) housing and resettlement, (ii) livelihoods and local economic development, (iii) social services, and (iv) infrastructure.

require a DMF or its equivalent, which will align with the DMF for MDTFs and include project- or program-specific targets and milestones.

10. The MDTFs will pool donor resources and deliver reconstruction grant financing and TA promptly and effectively to the Yolanda-affected areas of the Philippines. It will also aim to increase coordination among development partners, including the multilateral and bilateral agencies as well as the affiliated United Nations agencies. More specifically, it will:

- (i) provide TA for general capacity building, and specifically for mainstreaming disaster risk reduction (DRR), climate resilience, and the BBB principle in the reconstruction process;
- (ii) undertake preparation of priority projects and programs as identified through the RAY plan with the objective of catalyzing additional resources from other development partners and the private sector;
- (iii) finance urgent recovery and rehabilitation needs, medium-term reconstruction, and associated development activities;
- (iv) finance pilot (investment) projects that test DRR and/or climate resilience and/or BBB principles and mechanisms; and
- (v) cofinance existing or planned projects supported by multilateral agencies and other partners.

11. The development and pursuit of coordinated and harmonized approaches to reconstruction between the government, development partners, private sector entities, and NGOs will be a critical result of the activities of the MDTFs. In this respect, MDTFs will serve as a platform for the government to coordinate reconstruction and rehabilitation efforts with a number of donors, particularly but not exclusively the contributors to the MDTFs (to avoid duplication of effort and consistent alignment with the RAY, MDTFs, through the trustee and the technical committee, will coordinate with the broader donor community).

12. The following principles of effective aid management will guide the overall structure and administration of the MDTFs:

- (i) match resources with high-priority rehabilitation, reconstruction and resilience-building needs;
- (ii) boost resilience to future disasters in the Philippines;
- (iii) adopt the best channel for flow of funds based on reconstruction priorities;
- (iv) facilitate effective, smooth, and transparent disbursements to beneficiaries;
- (v) achieve and uphold accountability;
- (vi) maintain integrity; and
- (vii) deliver using a results framework, report to the public, and achieve physical and financial closure within a realistic timeframe.

13. The MDTFs-funded activities will be led by the government through implementation of activities by selected implementing partners,<sup>8</sup> in close coordination with national government agencies (NGAs) and local government units affected by Typhoon Yolanda, under the overall coordination of OPARR. NGOs or other development partners may be invited to support

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<sup>8</sup> Presently, the activities under the MDTFs are expected to be implemented by ADB. Subject to its internal review and approvals process, including with respect to potential roles and responsibilities in the MDTFs, the World Bank may also participate.



implementation of projects, on terms and conditions outlined in this paper and following suitable implementation arrangements.

14. The resources of the MDTFs will be made available for selected priority areas aligned with the RAY results framework. The government, working with the steering committee, will take the lead in identifying projects and activities that will be supported by grants and TA from the MDTFs. In order to fast track reconstruction support as well as the use of MDTFs resources, proposals are being prepared by ADB and others in consultation with the government. Resources in the MDTFs will not be restricted or earmarked to specific sectors at the outset but rather support projects that will enhance (i) the quality and speed of the recovery and reconstruction process, and (ii) coordination and synergy with other partners. The steering committee will ensure that the MDTFs will not duplicate any programs and/or projects already being implemented. Investment grants will be open to both public and private funds to finance any project approved by the steering committee and within the joint results framework of the RAY.

15. Resources available under the MDTFs may be used for cofinancing in combination with other bilateral or multilateral resources, including other dedicated funds (i.e., as a blended form of financing), to provide the most favorable financing terms to the Philippines. Any such blended form of financing would be used solely in accordance with the MDTFs objectives. Furthermore, TA and other projects under the MDTFs will seek synergy with existing TA and other projects to enhance complementarity among development partners.

#### IV. IMPLEMENTATION ARRANGEMENTS

16. **Multi-Donor Trust Funds operational framework.** The MDTFs will serve as a platform for donors to harmonize their efforts and coordinate with the government. The platform will allow consistent alignment of the initiatives with the priorities set forth by the government in the RAY plan, the PDNA that is underway, and any subsequent implementation plan(s). The implementing partners will prepare project proposals for the endorsement of the steering committee; following endorsement, the partners will finalize proposals in a format that meets their requirements (e.g., compliance with social or environmental safeguards, as applicable, and gender analyses) and approval processes, and initiate implementation.

17. **Multi-Donor Trust Funds governance structure.** The organizational governance structure of the MDTFs will be as follows:

- (i) **Steering committee.** The steering committee will be chaired by the Department of Finance of the Philippines. Members will include other oversight agencies—e.g., the Department of Budget and Management (DBM), National Economic and Development Authority (NEDA), and OPARR. Development partners contributing at least \$5 million will be voting members; others will be observers. The steering committee will convene as often as needed to ensure a rapid approval process. The implementing partners will join the steering committee meetings as observers with no voting power. The steering committee will (a) vote to approve activities to be financed through the MDTFs; (b) unanimously approve the operational guidelines prepared by the Secretariat; (c) unanimously select new implementing partners in accordance with the operational guidelines; and (d) give strategic guidance to the MDTFs by ensuring its full alignment to the RAY. A voting quorum (half plus one of the voting members) will be necessary to vote. Members may also be allowed to vote remotely via email at the request of the

steering committee chair. The steering committee will be supported by a small secretariat located in ADB headquarters.

- (ii) **Secretariat.** The secretariat will be managed by ADB and will host all administrative functions of the MDTFs. The secretariat will receive and screen all proposals for financing under the MDTFs (screening will be confined to ensuring they are in line with operational guidelines). The secretariat will be responsible for coordinating with the technical and steering committees. It will also be responsible for preparing and updating the operational guidelines of the MDTFs to be approved by the steering committee.
- (iii) **Ad hoc technical committee.** The technical committee will be responsible for assessing whether TA and other projects are sound, in accordance with the priorities set forth by the RAY and this paper. Its composition will vary depending on the proposals to be assessed, with members to include relevant experts from implementing partners, OPARR, and NEDA.
- (iv) **Trustee function.** ADB, as the sole trustee, will establish, administer, and disburse the MDTFs.<sup>9</sup> The trustee will establish the MDTFs to receive contributions and will administer the funds, assets and receipts that constitute the MDTFs pursuant to the terms and conditions set forth in the operational guidelines agreed with the contributors. The trustee will, subject to the availability of resources in the MDTFs and to the operational guidelines, make commitments and transfers of the resources of the MDTFs, in accordance with steering committee approvals. Commitments and transfers of MDTFs resources will be made as agreed in the administrative arrangement with each implementing partner. The trustee will act as financial intermediary with respect to the MDTFs proceeds administered by the implementing partners; in that capacity it will have no liability in relation to the implementation of activities by each implementing partner. The trustee will act as a financial intermediary and will be accountable only to the contributors for its fiduciary responsibilities. The trustee will submit annual reports to the steering committee and the other contributors on the financial status of the fund. The trustee will also have a designated back-office mechanism or office that will serve as the official channel of communication between contributors to the MDTFs and the implementing partners on financial matters related to the MDTFs. It will lead negotiations and discussions with contributors on procedural agreements for contributions to the MDTFs. The trustee will designate one of its current and regular staff members as the coordinator and manager of the MDTFs, with other staff identified to provide support for other priority needs. The trustee's own Treasury Department will support the investment operations of the MDTFs.
- (v) **Implementing partners.** The implementing partners will be responsible for preparing the proposals to be submitted to the steering committee for approval; upon approval, the implementing partners will finalize the detailed design; ensure compliance with their respective policies, procedures, and guidelines; and prepare documents needed for internal approval. Implementing partners will be responsible for compliance with their internal policies and procedures, for the implementation of activities, and for the preparation of the financial and the

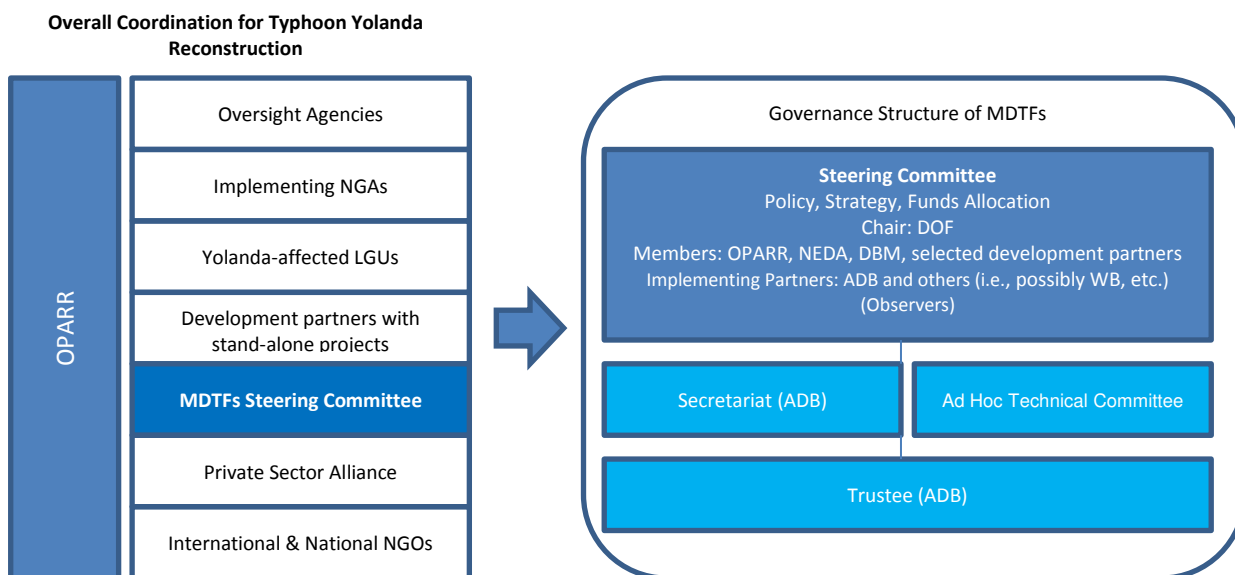
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<sup>9</sup> A memorandum of understanding will be signed between the Government of the Philippines and ADB. The trustee can sign the contribution agreement(s) with the development partners and with the implementing partners.

progress reports to be presented to the steering committee through the secretariat.

18. The governance structure will incorporate a clear separation of ADB's functions as trustee, implementing partner, and secretariat and will avoid any risk of conflict of interest.

**Figure 2: Proposed Governance Structure for Typhoon Yolanda Reconstruction Typhoon Yolanda Multi-Donor Trust Funds**



ADB = Asian Development Bank, DBM = Department of Budget and Management, DOF = Department of Finance, LGU = local government unit, MDTFs = Multi-donor Trust Funds, NEDA = National Economic and Development Authority, NGA = national government agency; NGO = nongovernmental organization; OPARR = Presidential Assistant on Rehabilitation and Recovery; WB = World Bank.  
Source: Asian Development Bank.

19. **Approval of proposals by the Multi-donor Trust Funds.** Implementing partners will submit proposals for funding under the MDTFs to the secretariat, which will assess that they conform with the requirements, and forward the proposals to the technical committee for evaluation.

20. The technical committee will assess the technical soundness of the proposals and return them to the secretariat, to (i) request clarifications or improvements from the implementing partner, or (ii) submit them to the steering committee for approval.

21. The steering committee will convene to review and approve proposals. Proposals will be circulated to the steering committee members by the secretariat at least 2 weeks before meetings to ensure the committee has time to request additional information and/or clarification from the implementing partner. All communications between implementing partners and the steering committee will take place through the trustee and the secretariat.

22. Following steering committee approval, the responsible implementing partner will process the TA and/or grant proposals following their respective internal requirements, policies, and procedures. Following approval by the steering committee, the trustee will earmark resources from the MDTFs for implementation of the proposal.

**23. Technical assistance and grant processing by ADB under the Multi-donor Trust Funds.** Activities to be supported by the MDTFs will be identified, designed, processed, approved, and implemented in accordance with applicable ADB policies, procedures, and guidelines. These include those governing the use of consulting services, procurement, social and environmental safeguards, financial management and reporting, disbursement, and anticorruption and governance.

**24. Delegation of approval authority for grants and technical assistance projects in ADB.** To ensure that necessary assistance for basic needs and critical infrastructure is rapidly delivered to underserved areas, and to ensure a timely transition to medium-term reconstruction for prevention and mitigation (para. 4), the government has significantly streamlined its administrative process for project approvals and signing of legal agreements for TA and grants.<sup>10</sup>

**25. Procurement for technical assistance and grants processed by ADB.** Typhoon Yolanda trust funds may attract financial contributions from non-ADB members. These contributors may require universal procurement to be applied to resources under the MDTFs. In order to enable the prompt use of such resources to meet basic needs and provide critical infrastructure to underserved areas in the short term, procurement from non-ADB member countries must be allowed for activities financed under the MDTFs.

**26.** The selection and engagement of consultants and the procurement of goods and services under TA projects will be the sole responsibility of ADB. In the case of components of investment projects, the selection and engagement of consultants and the procurement of goods, works, and services will be carried out by the government. In both instances consulting services and procurement to be financed by the MDTFs (with the exception provided in para. 26 of this paper) will follow ADB's Guidelines on the Use of Consultants (2013, as amended from time to time) and Procurement Guidelines (2013, as amended from time to time).

**27. Technical assistance and grant processing by implementing partners other than ADB.** Activities processed and implemented as a relevant implementing partner's project and/or TA will be identified, designed, processed, approved, and implemented in accordance with applicable policies, procedures, and guidelines of the particular implementing partner. Each implementing partner will be responsible for (i) any matters arising out of implementation of approved TA and other projects; and (ii) the use of funds transferred by the trustee in accordance with its own fiduciary framework, policies, guidelines, and procedures, including those on the use of consulting services, procurement, social and environmental safeguards, financial management and reporting, disbursement, and anticorruption and governance. Funds transferred to implementing partners will be managed in accordance with their standard procedures.

**28. Accountability framework.** A strong and robust accountability framework is essential for the success of the MDTFs as well as the post-Yolanda reconstruction framework (Figure 1). The following are important factors that need to be incorporated into the design:

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<sup>10</sup> Special Authority on Typhoon Yolanda Multi-Donor Trust Fund, signed by the President of the Philippines on 2 July 2014.

- (i) A results framework has to be developed to capture program-level results from cascading projects. Because the projects will be undefined when the MDTFs are established, a results framework is a critical basis for ensuring that the MDTFs as well as the overall framework achieve their stated purpose. The governance framework for the MDTFs is in Figure 2.
- (ii) Monitoring and evaluation is necessary in order to track both financial and physical progress of projects, and to ensure value for money and transparency to both donors and the public. Proper monitoring and evaluation will be ensured by the reporting structure agreed with each implementing partner.
- (iii) Strategic communications are extremely important for transparency, managing the expectations of all stakeholders, and securing their engagement on critical issues.
- (iv) Fiduciary management is an integral component of accountability. ADB, acting as the trustee and secretariat, will collect from each implementing partner the financial data for each of the TA and other projects financed by the MDTFs. It will regularly report to the steering committee as appropriate. The steering committee and trustee can also request implementing partners to audit the TA and other projects as deemed appropriate.

## V. CONTRIBUTIONS

29. ADB, as trustee, will accept, on an untied grant basis, contributions to the MDTFs from bilateral, multilateral, and other sources, including the private sector (e.g., companies and foundations). Integrity due diligence (IDD) shall be conducted for cofinanciers other than bilateral and multilateral agencies in accordance with the process and procedures set out in the integrity due diligence guidelines referred to in the ADB *Operations Manual* on the role of ADB in combating money laundering and the financing of terrorism.<sup>11</sup> First tier IDD should be carried out by ADB Southeast Asia Department in conjunction with other relevant departments in ADB when the partner signifies its intention to cofinance; second tier IDD should be carried out by the Office of Anticorruption and Integrity. The Office of Anticorruption and Integrity shall be consulted where there are indicators of potential integrity and reputational risks. Any integrity and reputational risks will be addressed before any cofinancing agreement is finalized. To ensure cost-effective processing and reporting, ADB will encourage substantial contributions to the MDTFs. To promote this approach, voting power in the steering committee will be granted only to members contributing at least \$5,000,000. Other contributors will sit as observers on the steering committee. The minimum contribution required to establish a new Typhoon Yolanda trust fund is \$5,000,000.

30. Contributions to the TYMTF will be effected through instruments of contribution to be executed by the partners, in the form contained in Appendix 2, whereby the partner will agree to contribute amounts to the TYMTF in accordance with the terms of this paper. Such contributions may also be effected through signing a separate contribution agreement or memorandum of understanding in accordance with terms and conditions of this paper. Contributions to the other Typhoon Yolanda trust funds may also be effected through signing a separate contribution agreement or memorandum of understanding substantially in accordance with the terms and conditions of this paper. Because the terms and conditions of a contribution to other Typhoon Yolanda trust funds will substantially be in accordance with those in this paper, it is proposed

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<sup>11</sup> ADB. 2010. [Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism](#). *Operations Manual*. OM C6/BP. Manila (see footnote 2 of OM C6/OP).

that the establishment of each Typhoon Yolanda trust fund and administration of such contributions not be separately approved by the Board, but reported to the Board for information, in order to streamline the procedure.<sup>12</sup> In such case, ADB Management will endorse the establishment of such Typhoon Yolanda trust fund after interdepartmental review.

31. Commitments by a partner to the MDTFs will not be subject to any conditions, except as provided in this paper. By depositing an instrument of contribution, the partner will be deemed to have accepted the objectives of the MDTFs and the terms and conditions set forth in this paper.

32. Contributions to the MDTFs will be made in the form of cash in a freely convertible currency. Contributions may also be made through the redirection of available funds under existing trust funds in ADB, subject to the agreement of the respective partners. Contributions to the MDTFs will be deposited into a United States dollar interest-bearing account. For contributions received in currencies other than US dollars, ADB will, upon receipt of the funds, convert them into US dollars and transfer them to the respective account. Contributions to the MDTFs to be maintained in Euro interest-bearing accounts may be accepted on an exceptional basis. Separate accounts will be maintained for each trust fund.

33. Contributions will be held, administered, and invested at the discretion of ADB. Pending disbursements, ADB may invest and reinvest contributions; any income earned in respect of such investment and reinvestment, as well as interest accrued in respect of the accounts (collectively, the available funds net of expenses) will be credited to the respective account and used for the purposes of the respective fund, including related administrative expenses.

34. ADB will make withdrawals from the account as necessary to meet the expenditures of projects and activities supported by the available funds. If other currencies are required for payment to meet eligible expenditures, ADB may purchase the required currencies with the available funds. Any fees and charges relating to such purchase will be paid out of the accounts.

## VI. ADMINISTRATION ARRANGEMENTS

35. **General arrangements.** With respect to funds provided by contributing partners, ADB will exercise the same care in the discharge of its functions as it exercises with respect to its own affairs, when it acts as trustee and/or implementing partner, and will have no further liability in respect of the contributions.

36. Contributions will be held and administered by ADB, as trustee, separately from ADB's other resources. As a multi-partner fund, the TYMTF will commingle all available funds in the dedicated account. Contributions under the other Typhoon Yolanda trust funds will be separately accounted for in accordance with the respective agreement between the partner and ADB for each trust fund. ADB will maintain records and accounts, in accordance with its standard procedures, that identify the contributions made to implementing partners for the activities, the commitments to be financed out of the available funds, including any income earned from investment and administrative expenses. ADB, as trustee, will prepare annual financial statements for each of the MDTFs for the year ending 31 December. These will be

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<sup>12</sup> If a new Typhoon Yolanda trust fund does not substantially follow the terms and conditions set forth in this paper, contribution to and administration of such a fund will be submitted separately for Board approval in accordance with standard ADB procedures.

audited annually by ADB's external auditors.<sup>13</sup> The cost of these audits will be charged to the respective MDTFs.

37. ADB will submit an annual consolidated progress report to partners on the performance of the MDTFs. The reports will be consolidated and prepared in accordance with ADB's normal reporting standards and annual work programs. ADB will also provide partners such reports and information, as appropriate, concerning the progress of activities under the funds. The contributors and ADB will meet at least once a year after the establishment of the MDTFs to review progress.

38. The secretariat, which will reside in ADB's Philippine Country Office (PHCO), will be responsible for coordinating with various ADB departments with respect to projects and activities to be supported by the MDTFs. ADB will liaise with financing partners on all financial matters related to contributions to the MDTFs.

39. ADB, as the trustee, will separately enter into a formal administrative arrangement with each implementing partner.<sup>14</sup> The administrative arrangement will define the role and responsibilities of the implementing partner; the applicable policies; the reporting, audit, anticorruption and safeguards requirements; as well as any other requirement described in the operational guidelines as agreed with the contributors, the implementing partners, and the Government of the Philippines.

40. The implementing partners will make available to the trustee<sup>15</sup> the financial reports for the activities financed with resources from each MDTF and will submit progress reports on the activities and/or projects financed by the MDTFs, which will be included in consolidated reports to the steering committee. Financial statements prepared by the implementing partners, however, will not be consolidated but will be provided separately to the steering committee, on an annual basis (the fiscal year ending on 31 December). ADB, as an implementing partner, will maintain records and accounts, in accordance with its standard procedures, that identify the contributions made and the commitments to be financed out of the available funds, including eligible activities and administrative expenses.

41. A uniform administrative fee structure will be applied to the implementation of each activity of the MDTFs by each implementing partner at the time of disbursement;<sup>16</sup> in this regard, ADB will coordinate with the relevant implementing partner on the necessary details. To efficiently operate the secretariat and act as trustee, ADB will charge against the uncommitted resources of the MDTFs a direct fee to cover all administrative expenses on an annual basis, to be approved by the steering committee, no later than 31 December for the following year.<sup>17</sup>

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<sup>13</sup> A partner to the other Typhoon Yolanda trust funds may opt, under standard ADB procedures, not to have the financial statement audited by external auditors.

<sup>14</sup> No administrative arrangements will be needed for ADB, as the Board paper covers ADB's responsibilities as the implementing partner.

<sup>15</sup> Subject to its internal review and approvals process, the World Bank's potential participation in and legal accountability for the fund will be governed by a bilateral agreement between ADB and the World Bank.

<sup>16</sup> In line with other multilateral development banks, the applicable administrative fee is a flat 5% for grants and TA projects upon disbursement by the relevant implementing partner.

<sup>17</sup> It is envisioned that two full-time international consultants will be recruited to support various activities of the MDTFs, including the secretariat functions (e.g., coordination with other donor agencies, among others). One consultant will provide back-office support ADB's trustee functions. Direct fees, in consultation with all relevant departments will cover other expenses incurred by ADB in the fulfillment of its duties as trustee.

42. ADB will promptly inform the partners of any condition that interferes, or threatens to interfere, with ADB's administration of the MDTFs. ADB may, from time to time, adopt additional rules for administering the MDTFs that are substantially based upon the terms and conditions of this paper.

43. Unless otherwise agreed by partners to the MDTFs and ADB, the MDTFs will terminate on such date as ADB as trustee deems that the contributions have been substantially disbursed by ADB. At such time, except for actions necessary for winding up the activities of the funds in an orderly and expeditious manner, ADB's functions in relation to the contributions will be considered terminated. Given the nature of the activities to be financed under the MDTFs, it is expected that no approval by the steering committee shall be granted later than 4 years after the establishment of the trust fund. The financial closure of the MDTFs and all related activities is expected to be no later than 9 years after the establishment. However, this is subject to the consensus among the steering committee and the partners.

44. Unless otherwise agreed with the contributors, upon termination of any MDTFs and subsequent liquidation of the respective accounts, the undisbursed funds, including any applicable investment income, will be returned to the individual contributors in proportion to their respective contributions. Following the termination of such MDTFs, ADB will provide the partners with a final report on the projects and activities supported by it.

## **VII. RECOMMENDATION**

45. It is recommended that the Board approve:

- (i) the establishment of the Typhoon Yolanda Multi-Donor Trust Fund (TYMTF) in accordance with the provision set forth in this paper;
- (ii) the acceptance and administration by the Asian Development Bank (ADB) of contributions to the TYMTF from bilateral, multilateral, and other sources including the private sector, in accordance with the terms and conditions set forth in this paper;
- (iii) in the event of any contribution for another Typhoon Yolanda trust fund substantially in accordance with the terms and conditions set forth in this paper, the establishment of such Typhoon Yolanda trust fund in accordance with the provisions set forth in this paper; and acceptance and administration by ADB of contributions from bilateral, multilateral, and other sources including the private sector to such Typhoon Yolanda trust fund substantially in accordance with the terms and conditions set forth in this paper; and
- (iv) the waiver of the requirement that resources shall be used for procurement of goods, services, and works from ADB member countries.



## Typhoon Yolanda Multi-Donor Trust Fund

### PRELIMINARY DESIGN AND MONITORING FRAMEWORK

<b>Design Summary</b>	<b>Performance Targets and Indicators with Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<p><b>Impact</b> A resilient Visayas with high and sustainable growth, and improved capacity to withstand and more rapidly recover from disasters.</p>	<p>RGDP growth rates achieve national PDP targets</p>	<p>NEDA  OCD</p>	<p><b>Assumptions</b> External growth environment remains positive  Intensity of hazards, exposure, and vulnerability do not outpace incremental improvements in resilience.  <b>Risks</b> Visayas subjected to adverse impact of further natural disasters</p>
<p><b>Outcome</b> Support for restoration of economic and social conditions in regions affected by Typhoon Yolanda and reduction of risks and vulnerabilities associated with future natural disasters (as aligned with the 2011–2016 Philippine Development Plan.</p>	<p>Per capita RGDP in the affected areas is restored to pre-typhoon levels (Baseline: average growth rates 2002–2012)  Regional poverty rates at least 10% lower than pre-typhoon levels by 2018  Public infrastructure and facilities reconstructed or retrofitted to higher standards of resilience.  LGUs implementing new or revised policies to address disaster risk.</p>	<p>NEDA RGDP reports  NSCB, NHTS-PR  Impact studies  DPWH progress reports  DILG progress reports</p>	<p><b>Assumptions</b> Continuing budgetary resources are made available to implement RAY in a timely and sufficient manner to meet recovery and rehabilitation needs  National agencies are appropriately mandated and resourced to implement their respective roles in disaster risk reduction and BBB.</p>
<p><b>Outputs</b> <b>Capacity building</b> DRR, climate resilience, and BBB principles are mainstreamed in the reconstruction process through the use of appropriate TA.</p>		<p>OPARR implementation monitoring  Project reviews, progress reports</p>	<p><b>Assumption</b> TA is provided in a timely and focused manner, and BBB principles are enforced.</p>
<p><b>Program and project preparation support</b> Priority projects identified in the RAY plan are prepared considering higher resilience standards, with the objective of catalyzing additional resources from other development partners and the private sector.</p>		<p>OPARR implementation monitoring  Project reviews, progress reports</p>	<p><b>Assumptions</b> Development partners remain willing to contribute funds to Typhoon Yolanda recovery and reconstruction  National government agencies and local government units apply knowledge, capacity and systems developed through TA, despite the high political</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
			and operational pressures to deliver projects quickly.
<p><b>Cofinancing for recovery and reconstruction projects</b> Urgent recovery and rehabilitation needs, medium-term reconstruction, and associated development activities are met through cofinancing between government projects and programs and fund contributions</p>		<p>OPARR implementation monitoring</p> <p>Project reviews, progress reports</p>	<p><b>Assumption</b> Close coordination between government projects and programs and fund-financed activities.</p>
<p><b>Pilot projects</b> Pilot approaches and community projects that test DRR and/or climate resilience and/or BBB principles and mechanisms provide guidance for large-scale programs</p>		<p>OPARR implementation monitoring</p> <p>Project reviews, progress reports</p>	<p><b>Assumption</b> Pilot projects are well-designed and implemented in a timely fashion to achieve the desired outcomes</p>

Activities with Milestones	Inputs
<p>(indicative activities over 4-year fund implementation period)</p> <p><b>1. Capacity building</b></p> <p>1.1 Build capacity for disaster response and preparedness at all levels in the Philippines</p> <p>1.2 Support implementation of the Government of the Philippines DRFI Strategy</p>	
<p><b>2. Program and project preparation support</b></p> <p>2.1 Provide guidance and advisory services for resilient reconstruction of LGU infrastructure and buildings</p> <p>2.2 Provide TA for risk-informed reconstruction planning at the LGU level</p>	
<p><b>3. Cofinancing for recovery and reconstruction projects</b></p> <p>3.1 Provide support to restore livelihoods programs in farming, fishing, and construction industries; and create sustainable, decent jobs</p> <p>3.2 Rebuild selected infrastructure to disaster-resilient standards</p>	
<p><b>4. Pilot projects</b></p> <p>4.1 Develop and promote various models for shelter building</p> <p>4.2 Rebuild model public buildings as evacuation centers, fitted with solar panels and providing clean water supply</p>	

BBB = build-back-better; DILG = Department of the Interior and Local Government; DPWH = Department of Public Works and Highways; DRFI = Disaster Risk Financing and Insurance; DRR = disaster risk reduction; LGU = local government unit; NEDA = National Economic and Development Authority; NHTS-PR = National Household Targeting System for Poverty Reduction; NSCB = National Statistical Coordination Board; OCD = Office of Civil Defense; OPARR = Office of the Presidential Assistant on Recovery and Reconstruction; PDP = Philippine Development Plan; RAY = Reconstruction Assistance on Yolanda; RGDP = regional gross domestic product, TA = technical assistance. Source: Asian Development Bank.

## INSTRUMENT OF CONTRIBUTION

[date]

Asian Development Bank  
#6 ADB Avenue  
Mandaluyong City  
Philippines

[Name and identity of contributor] (hereinafter referred to as the "Contributor") hereby undertakes to contribute to the [Typhoon Yolanda Multi-Donor Trust Fund] (the "Fund") in an amount of [\$ ] in accordance with the provisions of the Board paper entitled "Establishing the Typhoon Yolanda Multi-Donor Trust Funds" of the Asian Development Bank (the "Paper") and subject to the terms and conditions set forth in the paper.

The contribution will be paid to the Asian Development Bank in the form of immediately available funds on or prior to [specify date].

The contribution shall be paid into [ADB to specify account details].

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2014.

For and on behalf of

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### ILLUSTRATION OF THE BUSINESS PROCESS

