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IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Executive Board – Eighty-Sixth Session

Rome, 12-13 December 2005

ISLAMIC REPUBLIC OF PAKISTAN

**PROGRESS REPORT ON IFAD'S RESPONSE TO THE 8 OCTOBER 2005
EARTHQUAKE IN PAKISTAN**

INFORMATION NOTE

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ABBREVIATIONS AND ACRONYMS

| | |
|----------|--|
| AJK | Azad Jammu and Kashmir |
| CDP | Community Development Programme |
| AsDB | Asian Development Bank |
| ERP | Earthquake Rehabilitation Project |
| FAO | Food and Agriculture Organization of the United Nations |
| NADP | Northern Areas Development Project |
| NWFP | North-West Frontier Province (Pakistan) |
| NWFPBADP | North-West Frontier Province Barani Area Development Project |
| PMU | project management unit |

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INFORMATION NOTE

I. INTRODUCTION

1. At 03.50 Greenwich Mean Time on Saturday, 8 October 2005, an earthquake registering 7.6 on the Richter scale struck the north of the Islamic Republic of Pakistan. Its epicentre was a short distance north-north-west of Muzaffarabad, the principal city of Pakistan-administered Azad Jammu and Kashmir (AJK)¹ and near the boundary of AJK and Pakistan's North-West Frontier Province (NWFP). It delivered a severe shock to an estimated 28 000 km² of territory, resulting in appalling and tragic loss of human life. Tremors were felt across a wide swath of South Asia, from central Afghanistan to western Bangladesh. As of 27 October, more than 1 000 aftershocks had been recorded in the India-Pakistan Kashmir region, ranging from magnitude 5.0 to 6.0.

2. The earthquake is arguably the most debilitating natural disaster in Pakistan's history. AJK and the eastern districts of NWFP bore the full force of the earthquake in terms of the number of lives lost, the injuries sustained and the destruction of infrastructure and economic assets. The most badly affected districts are Muzaffarabad, Bagh and Rawalakot in AJK and Mansehra, Battagram, Kohistan and Abbottabad in NWFP. In at least three districts in AJK and five in NWFP, public and private housing and shelter infrastructure, social service delivery, governance structures, commerce and communications have been damaged or destroyed.

3. According to government figures, as of 3 November, approximately 73 000 people had died, and more than 70 000 had been severely injured or disabled. Over 2.8 million persons have been left without shelter, and it is estimated that about 2.3 million persons are without adequate food. The terrain in the affected areas of both NWFP and AJK is highly diversified and includes densely populated areas, as well as rugged mountainous areas comprised of small scattered rural settlements. Official estimates of damage remain conservative because the more isolated communities in the earthquake-affected region remain inaccessible, which foreshadows an increase in official figures as these areas are reached. Furthermore, the United Nations has issued a warning indicating more lives will be lost if additional relief does not materialize before the imminent onset of the Himalayan winter.

II. PRELIMINARY DAMAGE AND NEEDS ASSESSMENT²

4. In addition to the enormous human toll, the earthquake and its aftermath will pose a large cost on Pakistan. According to the Preliminary Damage and Needs Assessment prepared jointly by the Asian Development Bank (AsDB) and the World Bank, in coordination with the Government, the overall cost associated with the earthquake is estimated at approximately USD 5.2 billion, which

¹ Azad Jammu and Kashmir is the Pakistan-administered portion of an area over which India and Pakistan have been in dispute since 1947. This information note does not intend to make any judgement as to the legal or other status of any disputed territories or to prejudice the final determination of the parties' claims.

² Much of the data and analysis in this information note are drawn from the "Preliminary Damage and Needs Assessment" (12 November 2005), prepared jointly by the Asian Development Bank and the World Bank, in coordination with the Government of Pakistan, as distributed to donors by the Government on 12 November 2005. It has been pointed out by the Government that the figures in this report should be seen as tentative, not final.

includes the estimated costs of relief, livelihood support for victims, and reconstruction (see Table 1). This report presents estimates for: (a) the loss of public and private assets in the eight most heavily affected districts, estimated at USD 2.3 billion, and the loss in income (indirect loss), estimated at PKR 34.2 billion (USD 576 million) (Table 2); (b) the cost of the short- (up to 18 months) and medium-to-longer-term (up to three years) reconstruction of private and public assets (at replacement cost), estimated at PKR 208.1 billion (USD 3.5 billion) (Table 2); and (c) the cost of a livelihoods restoration programme, estimated at PKR 5.76 billion (USD 97 million). The cost of the direct damage caused by the earthquake is estimated at approximately PKR 135.1 billion (USD 2.3 billion). Private housing, with the cost of damage calculated at PKR 61.2 billion (USD 1.0 billion), suffered the most extensively. The earthquake destroyed 203 579 housing units, damaged another 196 574 and left an estimated 2.8 million people in need of shelter. Of the total housing stock, 84% was damaged or destroyed in AJK, and 36% was damaged or destroyed in NWFP. The transport, education, and agriculture sectors also suffered appreciable damage, totalling PKR 20.2 billion (USD 340 million), PKR 19.9 billion (USD 335 million) and PKR 12.9 billion (USD 218 million), respectively. The cost of reconstruction of lost assets and the restoration of services is estimated at PKR 208.1 billion (USD 3.5 billion). A substantial portion of these funds is attributable to housing reconstruction, which will cost an estimated PKR 92.2 billion (USD 1.6 billion).

TABLE 1: OVERALL COSTS OF THE EARTHQUAKE

| Category | USD million |
|-------------------------------------|--------------------|
| Relief | 1 092 |
| Death and injury compensation | 205 |
| Early recovery | 301 |
| Restoration of livelihoods | 97 |
| Reconstruction | 3 503 |
| of which: short-term reconstruction | 450 |
| medium-to-long-term reconstruction | 3 053 |
| Total | 5 198 |

Note: Excludes indirect losses (income) of PKR 34.2 billion (USD 576 million); see Table 2.

Source: Relief, Death and Injury Compensation and Early Recovery, United Nations agencies; Reconstruction and Restoration of Livelihoods, AsDB/World Bank assessment team.

**TABLE 2: PRELIMINARY ESTIMATE OF TOTAL LOSSES AND RECONSTRUCTION COSTS AS OF
10 NOVEMBER 2005**

| Sector | Direct Damage (PKR million) | Indirect Losses (PKR million) | Reconstruction Costs ^a (PKR million) | Reconstruction Costs ^a (USD million) | Share of Total Reconstruction Costs (%) |
|--|--------------------------------|----------------------------------|---|---|---|
| 1. Social infrastructure | | | | | |
| Private housing ^b | 61 220 | 7 218 | 92 160 | 1 552 | 44 |
| Health | 7 114 | 1 378 | 18 012 | 303 | 9 |
| Education | 19 920 | 4 133 | 28 057 | 472 | 13 |
| Environment | 12 | | 8 985 | 151 | 4 |
| Public administration | 2 971 | 687 | 4 254 | 72 | 2 |
| 2. Physical infrastructure | | | | | |
| Transport (including roads/bridges) | 20 165 | 4 061 | 24 699 | 416 | 12 |
| Water supply and sanitation | 1 165 | | 1 900 | 32 | 1 |
| Irrigation | 324 | | 623 | 10 | 0 |
| Energy, power and fuel | 744 | 1 561 | 2 377 | 40 | 1 |
| 3. Economic sectors | | | | | |
| Agriculture | 12 933 | 6 770 | 17 846 | 300 | 9 |
| Industry and services | 8 578 | 8 379 | 9 178 | 155 | 4 |
| 4. Total = 1+2+3 (in PKR million) | 135 146 | 34 187 | 208 091 | 3 503 | 100 |
| of which: AJK | 76 375 | 17 671 | 116 625 | 1 963 | 56 |
| NWFP | 56 436 | 16 516 | 91 467 | 1 540 | 44 |
| Public assets | 45 795 | 12 175 | 82 187 | 1 384 | 39 |
| Private assets | 87 015 | 22 012 | 125 904 | 2 120 | 61 |
| Urban areas | 25 789 | 13 675 | 46 163 | 777 | 22 |
| Rural areas | 107 021 | 20 512 | 161 928 | 2 726 | 78 |

^a Includes cost of reconstruction of immovable and movable assets and restoration of public services.

^b Includes value of household contents such as consumer durables; reconstruction costs exclude replacement of these assets.

5. The principal reported findings of agriculture sector damage were: (a) widespread destruction of recently harvested or not yet harvested paddy, maize and fodder and some damage to fruit trees caused by landslides; (b) 25-30% fatalities among large ruminants and 18% among small ruminants, mostly due to their being crushed by collapsing animal shelters; and (c) substantial damage to irrigation and other water-related structures and to terraces and other soil conservation works. It was estimated that the emergency recovery and subsequent rehabilitation would require around USD 530 million over three to five years, with USD 75 million going for crops, USD 450 million for livestock and USD 5 million for irrigation. It was envisaged that, in the first six months, i.e. October 2005 to March/April 2006, USD 54.2 million would be needed for seed, fertilizer, farm tools and animal shelters to assure winter season crops and protect surviving livestock.

6. The Preliminary Damage and Needs Assessment emphasizes the requirement of taking into account guiding principles during the development of a comprehensive recovery strategy, including the rapid rebuilding of people's livelihoods, independence and self-sufficiency, subsidiarity and decentralization, a focus on the most vulnerable and socially disadvantaged groups, securing development gains, strengthening capacities to manage the recovery process, transparency and accountability, reducing Pakistan's vulnerability to future disasters, encouraging private-sector and civil-society engagement, and coordination and coherent approaches to recovery.

III. RESPONSE TO THE EARTHQUAKE

A. The Government Response

7. The Government responded quickly to the earthquake emergency. Although communications with the most hardly hit areas and populations were severed, the President and Prime Minister visited affected sites the first day after the disaster. Two army divisions moved into NWFP and AJK and set up five advanced staging posts for facilitation and the distribution of relief goods. The geography of some affected areas has led the Government to call for an unprecedented number of helicopters to assist with the distribution of relief goods. As of 2 November, a fleet of more than 125 helicopters and other aviation craft, both foreign and domestic, have made over 5 000 sorties to the affected areas.

8. The President's Relief Fund for Earthquake Victims 2005 has been established to mobilize resources for relief efforts. The Prime Minister has outlined a 12-point national strategy for reconstruction and rehabilitation. The Prime Minister's office has appointed a federal relief commission and corresponding relief coordinator, with the overall responsibility for overseeing relief efforts targeting shelter, food, clean water and immediate medical care. At the district and grass-roots levels, military relief personnel have been stationed to facilitate the distribution of relief goods. Furthermore, the President has established the Earthquake Reconstruction and Rehabilitation Authority to facilitate the rebuilding and repair of damaged infrastructure, including housing, roads, bridges, government buildings, schools and hospitals.

9. As of 11 November, the Government had distributed 350 000 tents, 3.2 million blankets and 3 000 tonnes of medicine and had established tent villages for earthquake-affected persons. The Government has made army medical teams available that are comprised of medical officers and paramedics in at least 13 stations in and around affected districts of AJK and NWFP. The Government has also announced a programme that includes compensation of PKR 100 000 for families that have lost members, PKR 50 000 for those individuals who have sustained serious injuries and PKR 25 000 for those persons with minor injuries. The maximum amount of assistance given to each family under this programme is PKR 500 000; disbursements have already begun.

B. Civil Society Response

10. Small self-help groups have been formed in many of the affected areas and are being supported by tens of thousands of people throughout Pakistan who are collecting relief goods, often at the neighbourhood level. A host of international and local NGOs are working to provide emergency relief in affected areas, including the Edhi Foundation, Islamic Relief, the Red Crescent Society, Citizen's Foundation, Mir Khalil-ur-Rahman Foundation, World Vision, the Aga Khan Foundation, Save the Children, Oxfam and the Rural Support Programmes Network. Individuals have donated millions of dollars towards relief efforts, often through the President's Relief Fund and civil society organizations working in the affected areas. A number of expatriate Pakistanis and academics have designed a web-based relief and information system that complements government web-based initiatives. In total, civil society has mobilized nearly PKR 6 billion (USD 100 million) in donations and has provided clothing, temporary shelter, food, medicines and other in-kind items and services to the victims.

C. Private Sector Response

11. The private sector has shown generous support to the earthquake affected population, with donations ranging from cash assistance to business services. For example, telecommunication companies were quick to provide telecommunication services in the affected areas in order to ensure smooth relief operations. They also set up free public call offices and started fund-raising drives. International and national courier services used their logistics expertise to ensure that incoming

international relief supplies arriving on chartered flights were handled as quickly and efficiently as possible. Some companies have also launched “adopt a village” schemes.

D. International Community Response

12. The Government requested international assistance, which started arriving within days of the earthquake. As of 11 November, according to government reports, assistance totalling nearly USD 2.5 billion had been pledged by a total of 83 bilateral and multilateral donors, with many also providing significant in-kind support, including logistical and manpower assistance for the relief efforts. Contributions have been pledged by Algeria, Australia, Austria, Belgium, Canada, China, Denmark, Finland, France, Germany, Greece, India, Ireland, the Islamic Republic of Iran, Italy, Japan, Kuwait, Luxembourg, Malaysia, the Netherlands, Norway, Oman, Saudi Arabia, the Republic of Korea, Sweden, Switzerland, Turkey, the United Arab Emirates, the United Kingdom of Great Britain and Northern Ireland, Ukraine and the United States of America. The World Bank approved supplemental financing of USD 200 million within weeks of the earthquake to help the Government meet emergency expenditure requirements.

13. The United Nations immediately deployed its Disaster Assessment and Coordination Team to provide technical assistance to assess the scale of the disaster and help manage the international response. The United Nations Development Programme is helping to coordinate relief efforts at both the national and local levels. Other United Nations specialized agencies such as the United Nations Children’s Fund, the World Food Programme and the United Nations Population Fund have also provided emergency relief assistance.

14. On 26 October, the Secretary-General of the United Nations hosted a ministerial-level international donors conference in Geneva to discuss Pakistan’s short-term relief assistance requirements. The United Nations launched a flash appeal of USD 550 million as immediate relief assistance to Pakistan. About USD 140 million has been earmarked for an emergency push to feed and provide shelter to those affected. The Geneva conference was followed by another multi-donor conference in Islamabad on 19 November 2005, aimed at boosting resources for the medium-to-longer-term reconstruction and rehabilitation programmes. The President of IFAD attended the Islamabad conference.

IV. IFAD’S RESPONSE TO THE EARTHQUAKE

15. Two days after the earthquake, on Monday, 10 October, Pakistan’s Ambassador in Rome met with the President of IFAD to discuss how IFAD could best respond to the disaster. It was agreed that, as IFAD is not an emergency relief agency, IFAD’s assistance should be focused on medium-term rehabilitation requirements in view of the massive destruction of rural community infrastructure. A proposal was worked out between the IFAD country programme manager for Pakistan and the Pakistan Embassy in Rome based on:

- a proposal for reprogramming ongoing IFAD projects in the disaster area;
- the preparation of a new project to support the reconstruction effort; and
- close coordination with the development community.

16. The following key considerations are informing IFAD’s response: (a) the speed of response; (b) responsiveness to beneficiary community prioritization of needs; (c) flexibility with regard to the scope of action within the overall framework of the relevant loan agreements and with regard to institutional and procedural arrangements for the identification of needs and for addressing these needs; and (d) coordination and complementarity with other stakeholders in the recovery and rehabilitation process.

17. In the context of the above considerations, IFAD's approach has been to favour the identification of needs and the means of addressing them through existing institutional arrangements rather than through the ad hoc creation of new administrative systems. It is believed that this approach is likely to be most expeditious, while recognizing that many members of existing provincial and state bodies and their families have themselves been victims of the disaster and while sympathizing with them. In practice, this means that recovery and rehabilitation must be pursued through the management systems set up for existing IFAD-financed projects. Moreover, IFAD support for development in the affected areas has long been founded on institutional arrangements that emphasize the establishment of community-based organizations, including village organizations and women's organizations, and partnerships with a range of appropriate local NGOs. It is believed that these organizations and partnerships will now prove to be invaluable assets as mediums for rapid, relevant and acceptable action encompassing the necessary combination of social mobilization, the restitution of livelihoods and the rehabilitation of essential supportive infrastructure.

18. An IFAD mission visited Pakistan between 30 October and 3 November in order to: (a) seek agreement with the Economic Affairs Division of the Ministry of Economic Affairs and Statistics on the reprogramming of ongoing IFAD projects; (b) seek preliminary agreement with the Government for the preparation of a new project to support the reconstruction effort, to be financed on highly concessional terms by IFAD in the amount of USD 25 million and to be submitted for approval at the April 2006 session of the Fund's Executive Board; (c) acquire up-to-date information on the needs in the earthquake-affected areas and the financial and institutional options for addressing them; and (d) assure the coordination and complementarity of IFAD's response with Government-led plans for relief and rehabilitation. The mission held discussions with federal, provincial and state government officials, multilateral agencies and NGOs.

V. CURRENT PROGRESS IN IFAD'S RESPONSE³

A. Proposal for Reprogramming Ongoing IFAD Projects in the Earthquake-Affected Area

19. The Fund is currently financing three projects in the earthquake-affected areas. They are the Northern Areas Development Project (NADP), the North-West Frontier Province Barani Area Development Project (NWFPBADP), and the AJK Community Development Programme (AJKCDP). Details of these three projects are summarized below.

- The **NADP** has been effective since 11 September 1998 and is being financed through an SDR 10.8 million IFAD loan. The NADP includes: (a) a core project area (Diامر district) to complete the coverage of the Northern Areas in terms of community and infrastructure development, and (b) the whole of the Northern Areas to introduce an element of sustainability into the efforts of the Aga Khan Rural Support Programme through the strengthening of essential agricultural support services to be linked with existing village and women's organizations. The project's main objectives are to: (a) improve food security through increased crop and livestock production and irrigation; (b) build up strong agricultural and livestock services; and (c) improve rural roads in order to open up areas and to facilitate access to markets.
- The **NWFPBADP** has been effective since 9 May 2003. This project was initiated by AsDB and is financed by AsDB in the amount of USD 52 million, with IFAD cofinancing on a pari passu basis in the amount of SDR 11.2 million. The main objectives of the project are to: (a) reduce poverty in remote areas of NWFP, particularly among smallholders and the landless; (b) improve the status of women; (c) improve agriculture and natural resource management practices; (d) enhance community infrastructure to

³ The progress described in this section relates to the situation as reported up to 16 November 2005.

increase the value or decrease the costs of village activities; and (e) improve rural livelihood opportunities and living standards, including specific measures to boost women's access to social and economic resources.

- The **AJKCDP** has been effective since 2 September 2004 and is financed by IFAD in the amount of SDR 15.2 million. The objective of the programme is to consolidate, expand and enhance the well-being of the rural poor in AJK, while being gender sensitive and using a community-based participatory planning, implementation and monitoring process for village development. This is to be achieved by: (a) strengthening the role and capabilities of existing community organizations and establishing new community organizations; (b) establishing the basis for a successful devolution process by promoting effective governance, transparency and accountability through improvements in operational, financial and management relationships between central and local institutions; and (c) improving natural resource management and expanding the social and economic infrastructure necessary to increase income and employment opportunities and reduce the conditions of poverty among vulnerable segments of the communities.

20. Drawing upon the discussions of 10 October, IFAD received, on 18 October, a proposal from the Government to amend the loan agreements of the above projects. In summary, the Government's request and the associated proposal provided that up to SDR 24 million in existing undisbursed loan funds would be reprogrammed from the three ongoing IFAD-financed projects for post-earthquake rehabilitation in their respective areas of existing coverage. The proportions of the proposed reprogramming would be: NADP, SDR 4 million, NWFPBADP, SDR 8 million, and AJKCDP, SDR 12 million. The request and the associated proposal also suggested that, in the interests of expediting the initiative and facilitating immediate action, the authorized allocations to the special accounts of the projects should be increased and the thresholds for some of the procurement categories should be revised upwards. A copy of the government proposal is attached as an Annex.

21. In NWFP, the provincial government indicated that the reallocation would be on a proportional basis, i.e. that the four most badly affected districts would receive financing as budgeted under the ongoing project, but redirected to rehabilitation works. The AJK state government indicated it anticipated that up to 60% of total programme finance would be made available for the three most badly affected districts there. With regard to the NADP, reallocation would be directed at, but not limited to the rehabilitation of irrigation land, the upgrading of tracks and link roads, village water supplies and sanitation. With regard to the NWFPBADP, reallocation would be directed at, but not limited to livelihood support for and the rehabilitation of community infrastructure, including small-scale irrigation schemes, drinking water supplies, sanitation and feeder roads. With regard to the AJKCDP, reallocation would be directed at, but not limited to clinics, primary health care and sanitation facilities, dams, tubewells, small irrigation facilities, small roads and bridges.

22. In discussions with the IFAD mission, the NWFP government endorsed the NWFPBADP management structure as the best way of reaching needy victims with effective and efficient assistance. The situation in AJK is more difficult, given the comparative recentness of AJKCDP's effectiveness and the extremes of devastation. However, in discussions with the IFAD mission, the AJK government assured rapid remedial action with respect to: (a) the efficient operation of the programme's special account; (b) the recruitment of additional programme staff; (c) maintenance of the option of NGO assistance; and (d) maintenance of the option of engaging a programme expediter. In this last regard, the Food and Agriculture Organization of the United Nations (FAO) has suggested that an appointment could be made under the technical assistance arrangements for the programme.

23. The Government's request and the associated proposal for an amendment to the loans of the NADP and AJKCDP were endorsed by the United Nations Office for Project Services on 25 October 2005.

Approved Amendments to the Loan Agreement of the NADP

24. On 7 November 2005, the President of IFAD approved the following changes to the NADP loan agreement.

- Paragraph 1 of schedule 1 of the loan agreement now reads: “core Project area (Chilas and Darel/Tangir sub-divisions of Diamer district and any sub-divisions of the Northern Areas requiring rehabilitation as a result of the October 2005 earthquake) to complete coverage of the Northern Areas.”
- An additional paragraph has been included in schedule 4, as follows: “Earthquake rehabilitation: The project will also provide livelihood support and rehabilitation for community infrastructure damaged by the October 2005 earthquake. The PMU [project management unit] will be empowered to contract Government agencies, NGOs, private sector operators and consultants as appropriate to implement the rehabilitation work. Infrastructure rehabilitation work will not require a community contribution to the cost.”
- In order for the project to operate more effectively and to disburse funds more quickly, the following additional changes in the loan agreement for the NADP were approved: (a) an increase in the authorized allocation in the project special account from USD 1.5 million to USD 2 million; (b) an increase in the limits for local competitive bidding to more than USD 100 000 and less than USD 500 000; and (c) an increase in the limits for local shopping to less than USD 100 000.
- It was agreed that approximately SDR 4 million of the existing available undisbursed loan could be made available for rehabilitation work. A slight amendment to schedule 2 of the loan agreement for the project was agreed (see table below), mainly to increase the allocation for civil works due to the major infrastructure reconstruction requirement.

**TABLE 3: NADP-REALLOCATION OF LOAN PROCEEDS
(SDR)**

| | Allocated | Disbursed | Available | Reallocation |
|---|-------------------|------------------|------------------|---------------------|
| Civil works | 6 860 000 | 2 335 546 | 4 524 453 | 7 800 000 |
| Vehicles, equipment, material | 680 000 | 486 884 | 193 115 | 750 000 |
| Training, technical assistance, studies | 1 280 000 | 473 159 | 806 840 | 800 000 |
| Operating costs | 1 380 000 | 661 970 | 718 029 | 1 200 000 |
| Unallocated | 550 000 | - | 550 000 | 200 000 |
| Authorized allocation | | 1 074 006 | -1 074 006 | |
| Total | 10 750 000 | 5 031 566 | 5 718 443 | 10 750 000 |

Approved Amendments to the Loan Agreement of AJKCDP

25. On 7 November 2005, IFAD’s President approved the following changes to the AJKCDP loan agreement:

- It was agreed that paragraph 1 of schedule 1 be worded as follows: “...daily transportation (“the Programme Area”). The Programme will also focus on any communities in AJK requiring rehabilitation as a result of the October 2005 earthquake.”

- An additional paragraph has been inserted into schedule 3 of the loan agreement as follows: “Earthquake rehabilitation: The programme will also provide livelihood support and rehabilitation for community infrastructure damaged by the October 2005 earthquake. The PMU will be empowered to contract Government agencies, NGOs, private sector operators and consultants as appropriate to implement the rehabilitation work. Infrastructure rehabilitation work will not require a community contribution to the cost.”
- In order for the programme to operate more effectively and to disburse funds more quickly, the following additional changes in the loan agreement were adopted: (a) an increase in the authorized allocation in the programme special account from USD 1.5 million to USD 2 million; (b) an increase in the limits for local competitive bidding to more than USD 100 000 and less than USD 200 000; and (c) an increase in the limits for local shopping to less than USD 100 000.
- It was agreed that approximately SDR 12 million of the existing available undisbursed loan could be made available as necessary for earthquake-related rehabilitation work in the programme area. An amendment to the existing schedule 2 of the loan agreement for the programme was adopted, mainly to increase the allocation for civil works due to the major infrastructure reconstruction requirement. The agreed amendment to schedule 2 is summarized below.

**TABLE 4: AJKCDP-REALLOCATION OF LOAN PROCEEDS
(SDR)**

| | Allocated | Disbursed | Available | Reallocation |
|-------------------------------|-------------------|------------------|-------------------|---------------------|
| Civil works | 4 420 000 | - | 4 420 000 | 9 000 000 |
| Vehicles, equipment, material | 300 000 | - | 300 000 | 300 000 |
| NGO contracts, training | 2 600 000 | 538 308 | 2 061 691 | 1 500 000 |
| Demonstration, research | 2 890 000 | - | 2 890 000 | 1 000 000 |
| Financial services | 2 530 000 | - | 2 530 000 | 1 700 000 |
| Community development fund | 350 000 | - | 350 000 | 350 000 |
| Salaries, allowances | 850 000 | - | 850 000 | 850 000 |
| Unallocated | 550 000 | - | 550 000 | 550 000 |
| Authorized allocation | | 997 353 | -997 353 | |
| Total | 15 250 000 | 1 535 662 | 13 714 337 | 15 250 000 |

Proposed Amendments to the Loan Agreement of NWFPBADP

26. IFAD is still awaiting endorsement by AsDB to the proposal from the Government to amend the loan agreement for NWFPBADP. As soon as the endorsement is received, IFAD will approve the requested changes to the loan agreement, as detailed in Annex II to this information note.

B. Proposal for an Earthquake Rehabilitation Project

27. Because of a specific request from the Government on 18 October, IFAD is currently assessing the design parameters of a new Earthquake Rehabilitation Project (ERP) for AJK and NWFP. The Government has especially requested assistance for the rehabilitation and reconstruction of houses and community and social infrastructure and the rebuilding of livelihoods in the earthquake-affected areas. It is proposed that this new project be financed by a highly concessional IFAD loan of approximately USD 25 million. It is further envisaged that, in line with IFAD’s response to the December 2004 tsunami, the IFAD loan should be tallied outside the Performance-Based Allocation System (PBAS) allocation for Pakistan and in addition to the programme of work to be approved in

2006. The new project will be presented to IFAD's Executive Board in April 2006. A project design mission for this new project was initiated in Islamabad on 12 November.

28. In view of the fact that the Government's capacity to implement the project through existing line agencies has been seriously impaired in AJK in the aftermath of the earthquake and the fact that the relief and reconstruction efforts in towns and larger villages are likely to dominate government attention in NWFP, the project will most likely be implemented through the Pakistan Poverty Alleviation Fund. This fund has a proven track record in Pakistan as an effective and efficient development partner. It is involved primarily in microfinance, community infrastructure and capacity-building.

29. In keeping with its existing methodology, the Pakistan Poverty Alleviation Fund will disburse monies to the partner organizations that will conduct the actual implementation of the proposed ERP. Overall, there are 61 partner organizations in the country through which the fund has implemented its programmes. Currently, there are seven partner organizations that have field presence in the affected districts, the most promising of which are the National Rural Support Programme, Islamic Relief and the Sarhad Rural Support Programme. It is expected that additional organizations will also sign up to assist with the reconstruction effort in due course.

30. While it is too early to describe the exact design of the new project, preliminary surveys and damage assessment indicate that the following components will likely form the basis for the ERP: (a) social mobilization; (b) the reconstruction of housing; (c) an integrated investment package for community infrastructure; (d) a vocational training programme; and (e) capacity-building among implementing partners. In order to rebuild the confidence of the local communities and manage the massive effort, social organization will be the key starting point. Project operations will be expected to reflect clear programme strategies for community organization in post-disaster circumstances. The rebuilding of infrastructure will begin with the construction of people's homes through a combination of household grants, subsidized materials and volunteer labour. This will be followed up by an integrated investment package for community infrastructure.

31. In view of the fact that many donors are joining in the reconstruction effort, the coordination of IFAD assistance to add value to ongoing work will be a key aspect of the new ERP. It is currently expected that the World Bank, AsDB and the Islamic Development Bank will focus on larger infrastructure projects such as roads, schools and health centres. The World Bank has already announced USD 100 million in financing for reconstruction of the damaged highway in AJK. The Government is likely to focus on the large towns. IFAD will focus its efforts on the small, dispersed villages, and it will design its project in a manner that allows the Pakistan Poverty Alleviation Fund the opportunity to take advantage of the assistance offered by other donors. IFAD will concentrate on rebuilding livelihoods and the potential for agriculture and livestock production in rural areas.

C. Close Coordination with Development Partners

32. In order to ensure that IFAD's response to the earthquake is complementary to that of other institutions, IFAD has participated in the following events.

- IFAD's proposed response to the earthquake was presented at a government/donor round-table meeting on 9 October 2005. The meeting was attended by the advisor to the Prime Minister, the Minister of State for Economic Affairs, the Minister of State for Foreign Affairs, the Secretary of the Economic Affairs Division, the United Nations Development Programme, the World Bank, AsDB, the Department for International Development (United Kingdom), the United States Agency for International Development, the European Union, the Canadian International Development Agency and Japan, among

others. The IFAD proposal was well received and was endorsed by the Government at the meeting.

- IFAD took part in United Nations Country Team meetings on 9 October, 14 October, 17 October and 24 October and United Nations Reconstruction Cluster meetings on 11 October, 14 October, 16 October, 19 October, 20 October, 22 October and 25 October.
- IFAD also participated in and closely interacted with the assessment missions of the United Nations, FAO and the World Bank/AsDB, including visits to the affected areas in Mansehra and Muzaffarabad.
- It attended Ministry of Food Agriculture and Livestock meetings on 31 October and 1 November at which the World Food Programme, AsDB, FAO and the World Bank reported on the findings of a joint assessment of earthquake damage to the agriculture sector in the three most badly affected districts in AJK and the five most badly affected districts in NWFP.
- It took part in the workshop on Agricultural Sector Rehabilitation on 10 November, which was attended by FAO, the United States Agency for International Development, the Department for International Development (United Kingdom), the World Bank, AsDB and various governmental agencies.
- IFAD's President attended the international conference in Islamabad on 19 November where IFAD's proposals were formally presented.

33. **Partnership with FAO.** In follow-up discussions between the IFAD mission (30 October-3 November) and in-country representatives of FAO, it was established that FAO's view on agriculture sector recovery and rehabilitation priorities were, in descending order: emergency seed supplies and the construction of livestock shelters; the rehabilitation of water courses and terraces, which could be done in the winter months; and the rehabilitation of roads. FAO considered it had sufficient resources to initiate seed procurement and delivery. Thus, it was preliminarily agreed that the schedule 1 sections of the relevant IFAD-financed project loan agreements provided a *prima facie* basis for IFAD to maintain the option of funding additional emergency seed supplies should the Government request this at a later stage. Second, it was preliminarily agreed that IFAD would explore the use of reallocated resources for the agriculture sector infrastructure rehabilitation priorities that had been identified, subject to Government and beneficiary community endorsement. Finally, it was noted that, under the AJKCDP, there is a technical assistance arrangement with FAO, and FAO was, in principle, prepared to use this opportunity in support of IFAD-financed agriculture sector rehabilitation.

THE REQUEST FROM THE GOVERNMENT OF PAKISTAN

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No. 2(20)IFAD/05
GOVERNMENT OF PAKISTAN
MINISTRY OF ECONOMIC AFFAIRS AND
STATISTICS
(ECONOMIC AFFAIRS DIVISION)

Teleg: ECONOMIC
Telex : ECDIV: 05-634
Phone: 9206556
Fax: 9210734 & 9205971
Section Officer

Islamabad, October 18, 2005

SUB: IFAD EARTHQUAKE - REHABILITATION PROGRAM (ERP) IN PAKISTAN

Dear Mr. Nigel,

Thank you very much for IFAD's concern and condolences on the earthquake losses in Pakistan. In the earthquake hit area, IFAD have three ongoing projects out of which GOP intends to utilize SDR 24 million towards rehabilitation of these areas through re-allocations as per following break-up:-

| S. No. | Name of the Project | Date of Loan signing | Total Commitment (SDR million) | Balance as on 30.9.2005 (SDR million) | Proposed reallocation (SDR million) |
|--------|--------------------------------------|----------------------|--------------------------------|---------------------------------------|-------------------------------------|
| 1. | AJK Community Development Project | 9.3.2004 | 15.25 | 13.7 | 12 |
| 2. | Northern Areas Development Project | 20.5.1998 | 10.75 | 5.7 | 4 |
| 3. | NWFP Barani Area Development Project | 16.8.2001 | 11.15 | 9.7 | 8 |

2. It is requested that IFAD may please consider the above changes and revise the respective loan agreements accordingly as per strategic programming framework for rehabilitation. Furthermore, the Government of Pakistan kindly request IFAD to prepare an earthquake rehabilitation project on a priority basis, for presentation to IFAD's Executive Board in April 2006.

With regards,

Yours sincerely,

(Waqar Hussain Abbasi)

Mr. Nigel Brett
Country Manager
Asia and the Pacific Division
IFAD Rome, Italy.

Fax NO 0039-06-54593519

IFAD Earthquake Rehabilitation Programme(ERP) in Pakistan

A Strategic Programmatic Framework for Rapid Response

A. The Earthquake

A 7.6 magnitude earthquake that struck close to Muzaffarabad in Pakistan administered Kashmir at 03.50 GMT on Saturday 8 October has caused widespread devastation. Reports of damage are being filed by the hour and hence it is difficult to get a clear picture of the situation. However on 11 October the following was reported. The main areas affected are in the north of Pakistan. Pakistan administered Kashmir has been the hardest hit region, with entire villages wiped out and much of the province's capital Muzaffarabad destroyed. The towns of Bagh and Rawalakot have also been badly affected. Landslides have blocked roads leading into the area, power and water supplies are cut off, telephone connections down and hospitals and schools destroyed. The official death toll for Pakistan on 17 October was reported at 42,000, however the figure is rising by the day. In Muzaffarabad alone more than 15,000 have been confirmed dead.

B. IFAD projects active in the earthquake region

IFAD has three ongoing projects in the earthquake zone, with combined available loan resources totalling SDR 30 million. Two of these projects are IFAD initiated and one is AsDB initiated and IFAD co-financed.

- Loan number 625 PK: IFAD financed AJK Community Development Project (AJKCDP); Approved Dec 2003; Loan SDR 15.25 million; Closing date – 31 March 2012; Current available balance SDR 13.714 million.
- Loan number 453 PK: IFAD financed Northern Areas Development Project (NADP); Approved Sept 98; Loan SDR 10.75 million; Closing date – 31 December 2007; Current available balance SDR 5.718 million.
- Loan number 558 PK: AsDB/IFAD financed NWFP Barani Area Development Project (NWFPBADP); Approved 26 April 2001; Loan SDR 11.15 million; Closing date – 31 December 2009; Current available balance SDR 9.7 million.

C. A Strategic Programmatic Framework for Rapid Response

It is proposed that IFAD respond to the earthquake with a consolidated Earthquake Rehabilitation Programme (ERP). The ERP would be characterized by the following features:

- ERP implementation would be fully in coordination with Government and NGO efforts to bring rapid post-earthquake rehabilitation of livelihoods in the earthquake zone;
- ERP implementation would be through the three established IFAD project management systems already in place in the earthquake zone, and would fall within the context of the existing project loan agreements. The PMUs of the three ongoing projects would seek to coordinate with each-other on a regular basis;

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- The Government of Pakistan would seek to expedite any revision of national PCI planning documents for the 3 ongoing projects to ensure that funds can easily be transferred by project managers to those expenditure categories which are most in demand;
- If necessary, the Government of Pakistan would provide senior level direction to the 3 Project Directors of the ongoing projects in terms of coordination and expenditure priorities;
- The overall geographic focus of the ERP would be on existing IFAD project areas in Northern Areas, NWFP and AJK;
- A specific geographic focus of the ERP on a limited number of hard-hit communities to ensure maximum impact;
- The exact location of selected villages for rehabilitation under the ERP will be decided by the PMU staff of ongoing IFAD projects in the earthquake zone, in coordination with the Government led recovery efforts;
- ERP financed interventions in the selected villages would most likely focus on rehabilitation of key essential infrastructure, for example schools, health clinics, roads, drinking water supplies and other essential village infrastructure.
- Other "rehabilitation" activities which are accommodated by the existing project descriptions in the IFAD project loan agreements would also be eligible for funding (for example microfinance, capacity building etc);
- The precise nature of infrastructure rehabilitation would reflect the community requirements following consultation with affected communities;
- Implementation of infrastructure rehabilitation activities would follow a streamlined flexible approach, with the PMU's having freedom to contract Government, NGO or private sector service providers as needed;
- The originally proposed community contributions of 20% for project financed infrastructure would be waived;
- To ensure rapid implementation, the Authorized Allocations in the Project Special Accounts would be revised upwards;
- To ensure smooth procurement processes, the ceiling on local shopping and the floor on local competitive bidding could be raised significantly;
- IFAD agree that up to SDR 24 million could be made available to finance the ERP activities from ongoing IFAD projects.
- IFAD financing of the ERP would be drawn from existing projects, through refocusing of existing projects and amendment of existing loan agreements. The details of the individual loan amendment proposals are summarized below.

D. Requested Amendment of Loan Agreement for NADP:

The NADP is due to close in December 2007. At current disbursement rates, an amount of SDR 4 million was due to be cancelled from this project at closure. It is proposed that this amount be retained by the project as "new funds" for earthquake rehabilitation.

It is proposed that earthquake rehabilitation work be funded under the existing project description in the project Loan Agreement, in particular (but not limited to): (i) Schedule 1, Part B of the Loan Agreement – Village Infrastructure Development (incl.

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rehabilitation of irrigation land, upgrading of tracks and link roads, river village water supplies, sanitation, etc) and (ii) Schedule 1, Part D of the Loan Agreement – Valley Roads (incl. upgrading of pony roads to jeep roads, and of jeep roads to lorry roads).

It is proposed that the following additional words – *see bold italics* - be included in para 1 of Schedule 1 of the Loan Agreement: "...a core Project area (Chilas and Darel/Tangir sub-divisions of Daimer district **and any sub-divisions of the Northern Areas requiring rehabilitation as a result of the October 2005 earthquake**) to complete coverage of the Northern Areas.."

While it is difficult to predict the damage in the project area, it is proposed that up to SDR 4 million of the existing available un-disbursed loan could be made available as necessary for earthquake related rehabilitation work in the project area – ie. the Northern Areas. This re-orientation of project focus would need a slight amendment to the existing Schedule 2 of the loan agreement for the project, as the key categories of the ERP will likely be civil works. The proposed amendment is summarized below.

Current loan status as of 10 October 2005

| | Allocated (SDR) | Disbursed (SDR) | Available (SDR) | Reallocation (SDR) |
|-------------------------------|-------------------|------------------|------------------|--------------------|
| Civil Works | 6,860,000 | 2,335,546 | 4,524,453 | 7,800,000 |
| Vehicles, Equipment, Material | 680,000 | 486,884 | 193,115 | 750,000 |
| Training, I.A. Studies | 1,280,000 | 473,159 | 806,840 | 800,000 |
| Operating Costs | 1,380,000 | 661,970 | 718,029 | 1,200,000 |
| Unallocated | 550,000 | 0 | 550,000 | 200,000 |
| Authorized Allocation | | 1,074,006 | -1,074,006 | |
| Total | 10,750,000 | 5,031,566 | 5,718,443 | 10,750,000 |

It is proposed that an additional paragraph be inserted into Schedule 4 of the loan agreement as follows. A new para 14 to be inserted after current para 13. The new para to read as follows:

"14 Earthquake rehabilitation: The project will also provide livelihood support and rehabilitation for community infrastructure damaged by the October 2005 earthquake. Such rehabilitation work will follow a streamlined selection, development and implementation procedure, and will not require a community contribution to the cost. The PMU will be empowered to contract Government agencies, NGOs or private sector operators as appropriate to implement the rehabilitation work"

In order for the project to operate more flexibly, and to disburse funds more quickly, the following additional changes in the loan agreement for NADP are proposed:

- Increase in the Authorized Allocation in the project Special Account from USD 1.5 million to USD 2 million;
- In terms of procurement:
 - an increase in the limits for local competitive bidding from (i) more than USD 10,000 and less than USD 500,000 to (ii) more than USD 100,000 and less than USD 500,000.
 - An increase in the limits for local shopping from (i) less than USD 10,000 to (ii) less than USD 100,000.

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E. Requested amendment of Loan Agreement for AJK CDP

The AJK CDP was declared effective in September 2004. The PMU has only just been set up and is located in Muzaffarabad. It is too early to confirm the extent of the damage on the PMU and the degree to which staff have been injured or killed. It is proposed that up to SDR 12 million of the existing available un-disbursed loan could be made available as required to the Government for earthquake related rehabilitation work in the project area - ie. AJK.

It is proposed that earthquake rehabilitation work be funded under the existing project description in the Loan Agreement, in particular (but not limited to): Schedule 1, Part B 7.2 – Infrastructure Development (incl. clinics, primary health care and sanitation facilities, drinking water supply, village/primary schools, irrigation facilities, mini-dams, tube wells, footbridges, roads and bridges, etc).

One minor change to the Schedule 1 of the Loan Agreement would be needed. Paragraph 1 of Schedule 1 should be worded as follows (additional text shown in bold italics).

“.....daily transportation (“the Programme Area”). The Programme will also focus on any communities in AJK requiring rehabilitation as a result of the October 2005 earthquake.”

The loan is only just beginning to disburse. The category likely to be drawn down for earthquake rehabilitation work would be “civil works”. A slight amendment to the Scheduled 2 is therefore proposed.

Current loan status as of 10 October 2005

| | Allocated (SDR) | Disbursed (SDR) | Available (SDR) | Reallocation (SDR) |
|-------------------------------|-------------------|------------------|-------------------|--------------------|
| Civil Works | 4,420,000 | 0 | 4,420,000 | 9,000,000 |
| Vehicles, Equipment, Material | 300,000 | 0 | 300,000 | 300,000 |
| NGO contracts, Training | 2,600,000 | 538,308 | 2,061,691 | 1,500,000 |
| Demonstration, Research | 2,890,000 | 0 | 2,890,000 | 1,000,000 |
| Financial Services | 2,530,000 | 0 | 2,530,000 | 1,700,000 |
| Community Dev Fund | 350,000 | 0 | 350,000 | 350,000 |
| Salaries, Allowances | 850,000 | 0 | 850,000 | 850,000 |
| Unallocated | 550,000 | 0 | 550,000 | 550,000 |
| Authorized Allocation | | 997,353 | -997,353 | |
| Total | 15,250,000 | 1,535,662 | 13,714,337 | 15,250,000 |

It is proposed that an additional paragraph be inserted into Schedule 3 of the loan agreement as follows. A new para 9.5 to be inserted after current para 9.4 of Section 9 Infrastructure. The new para to read as follows:

“9.5 Earthquake rehabilitation: The project will also provide livelihood support and rehabilitation for community infrastructure damaged by the October 2005 earthquake. Such rehabilitation work will follow a streamlined selection, development and implementation procedure, and will not require a community contribution to the cost. The PMU will be empowered to contract Government agencies, NGOs or private sector operators as appropriate to implement the rehabilitation work”

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In order for the project to operate more flexibly, and to disburse funds more quickly, the following additional changes in the loan agreement for AJKCDP are proposed:

- Increase in the Authorized Allocation in the project Special Account from USD 1.5 million to USD 2 million;
- In terms of procurement:
 - an increase in the limits for local competitive bidding from (i) more than USD 10,000 and less than USD 200,000 to (ii) more than USD 100,000 and less than USD 200,000.
 - An increase in the limits for local shopping from (i) less than USD 10,000 to (ii) less than USD 100,000.

F. Requested amendment of loan agreement for NWFBADP

The NWFBADP was declared effective in May 2003. It is an AsDB initiated project and is co-financed by IFAD. In anticipation of discussions between IFAD and AsDB, a preliminary proposal is presented that up to SDR 8 million of the existing available un-disbursed loan could be made available as required to the Government for earthquake related rehabilitation work in the project area - i.e. those areas of NWFP that are most affected, such as Mansehra and Abbotabad.

It is proposed that earthquake rehabilitation work be funded under the existing project description in the Loan Agreement, in particular (but not limited to): Part D para 13 of Schedule 1 - Participatory Smallscale Infrastructure Development (incl. drinking water, roads, etc). The loan is only just beginning to disburse, and as the categories likely to be drawn down for earthquake rehabilitation work such as "civil works" are well resourced, there would be no need for an amendment in the Schedule 2 of the loan agreement at the present time. An amendment might be required in the future following IFAD discussion with AsDB, should more funds be required in any particular category.

Current loan status as of 10 October 2005

| | Allocated (SDR) | Disbursed (SDR) | Available (SDR) |
|-----------------------------------|-------------------|------------------|------------------|
| Civil Works - district roads | 1,970,000 | 16,922 | 1,953,077 |
| Civil Works - community | 1,790,000 | 131,384 | 1,658,615 |
| Civil Works - building works | 130,000 | 82,933 | 47,066 |
| Equipment, Material | 430,000 | 15,370 | 414,629 |
| Vehicles | 200,000 | 82,067 | 117,932 |
| Consultants, NGO contracts | 1,140,000 | 208,321 | 1,201,679 |
| Training, Demonstration, Research | 1,080,000 | 180,132 | 893,867 |
| Financial Services 1 | 1,130,000 | 0 | 1,130,000 |
| Financial Services 2 | 140,000 | 0 | 140,000 |
| Incremental Operating Costs | 1,630,000 | 195,814 | 1,434,185 |
| Allowances | 170,000 | 12,632 | 157,367 |
| Unallocated | 1,070,000 | 0 | 1,070,000 |
| Authorized Allocation | | 512,043 | -512,043 |
| Total | 11,150,000 | 1,443,622 | 9,706,377 |

It is proposed that an additional paragraph be inserted into Schedule 3 of the loan agreement as follows. A new para 16 of Schedule III to be inserted after current para 15. The new para to read as follows:

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“16 Earthquake rehabilitation: The project will also provide livelihood support and rehabilitation for community infrastructure damaged by the October 2005 earthquake. Such rehabilitation work will follow a streamlined selection, development and implementation procedure, and will not require a community contribution to the cost. The PMU will be empowered to contract Government agencies, NGOs or private sector operators as appropriate to implement the rehabilitation work”

In order for the project to operate more flexibly, and to disburse funds more quickly, it is proposed that the Authorized Allocation in the project Special Account be increased from USD 1.5 million to USD 2 million.