

# The World Bank Information Note



## WB Proposes \$75 million in Budget Support as Emergency Flood Assistance

The 2007 floods have led to significant social and economic losses in the country. Affecting 39 of the country's 64 districts, the 2007 floods have led to (a) loss of more than 600 lives, health problems due to an outbreak of diarrhea and other water-borne diseases; (b) lack of safe water supply, flooding of latrines and the attendant spread of pathogens in flood water; (c) loss of housing, livelihood and displacement of millions of individuals; (d) infrastructure damage that includes roads and embankments; (e) major crop damages, particular to the standing *aman* and vegetable crops; and (f) major damage to small scale manufacturing, particularly the handloom in Sirajgonj and Pabna districts.

Responding to the floods, the Caretaker Government has launched a major relief, restoration and rehabilitation effort and is getting support from all quarters of society. At the moment its focus is on immediate relief and rehabilitation needs of flood victims in areas where flood water has started to recede. Tackling supply constraints and the associated price rises, the government is importing rice and wheat. It has set up several more "fair price" shops—operated by Bangladesh Rifles—to keep prices affordable to the poor, especially during the upcoming Ramadan month. Moreover, it has also announced direct cash transfer to individuals whose houses have been damaged by floods.

As is to be expected, the government's relief effort is putting a strain on its fiscal year 2008 budget. Expenditures earmarked for development activities are being redirected for flood relief.

The World Bank has been regularly monitoring the flood situation and conferring with the government and other development partners to respond in this hour of need. It has put forward a two-pronged financial assistance strategy to contribute to the country's flood relief effort. The strategy has the following two elements:

- **Budget Support:** A quick-disbursing US\$ 75 million budget support operation to reduce (a) the pressure on the government budget that is arising out of non-programmed flood-related spending; and (b) any unforeseen pressure on the foreign exchange reserves that may be arising as a result of emergency imports, particularly those related to food. Among other things, these resources will restore a part of the regular budget of several line ministries that is currently being used for flood-related relief, restoration and rehabilitation activities.
- **Restoration and Rehabilitation:** In consultation with the government and other development partners, a list of medium- to long-term restoration and rehabilitation activities associated with the floods will be prepared. Based on the responses of other development partners, these activities will then be financed. Possible areas of support include agriculture, health, education, communications, and water and sanitation. This part of the strategy will be based on post-flood damage and needs assessment that is expected to be completed by the CTG sometime in September. The project amount will be decided in consultation with the government.

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