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PROVENTION
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Disaster Risk Management Financing by International Financial Institutions: Country Strategies and Programming

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Risk Profile for Latin America and the Caribbean



Some indicators:

- Annual regional losses to disasters since 1975: 5,000 deaths; physical losses worth US\$3.2 billion; 4 million people affected.
- Only one of 12 countries analyzed in a recent IDB study has economic capacity to finance recovery and reconstruction after a 500 year natural hazard (2% chance of this event occurring during the next 10 years).



IDB Actions for Improving Disaster Risk Management

Bank-wide initiative to position the Bank to take a more proactive stance to disaster risk management in its operations.

1. Country programming and portfolio management

Risk evaluation

Country strategies and programming to manage risk

Monitor projects to evaluate impact of risk

2. Bank policy, procedures and financial instruments

New proactive disaster policy

Checklist to incorporate disaster risk management in the project cycle

3. Organizational structure

Emphasis on ex-ante risk reduction

Consolidate and train DRM Focal Points

4. Action Plan 2005-2007

Secures appropriate financing for the implementation of the above mentioned activities

Is currently under consideration



Challenges

Despite rising awareness and some progress, the countries are not sufficiently addressing the risk disasters pose to development.

A number of factors generally restrain countries from adopting adequate risk management:

- Disaster prevention is considered a cost, not an investment
- Incentives that shape both government and private behavior, do not favor vulnerability reduction
- Governments assume risk of private sector
- Donors assume risk for the countries
- Risk is not transferred through insurance



The Importance of Strategy: The Programming Process

Why is it important to the Bank and its member countries to include disaster risk management in Country Strategies?

- To ensure that development investments have the opportunity to provide the expected benefits and services.
- To reduce the global cost to society that country's disaster risk implies, ensuring the efficient and effective use of public expenditure.



The Programming Process

Programming process. Includes, with the borrowing member countries, defining:

- Strategies: Areas for priority action to foster economic and social advancement.
- Assistance Package: Lending, technical assistance (grants), small projects, co-financing, and pre-investment activities.



Country Strategy Paper.

Vehicle to focus Bank-Country dialogue, design agreed strategy, anchor the programming process, and frame the program assessment.



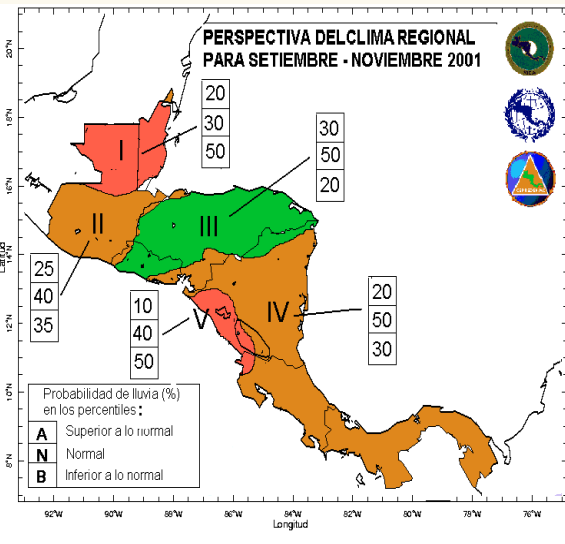
Country Strategy Papers: Key Characteristics



- Reflects consensus on medium and long term objectives, and strategy for its achievement.
- Grounded in country economic and sector analytical studies.
- Involves stakeholders during preparation process and public disclosure.
- Synchronized with the country's political cycle.
- Monitorable with indicators: to facilitate assessment of the Bank's contribution to the development process.



Proactive risk management



1. Prioritize countries at high risk to disasters. Country strategies for high risk countries must focus on risk management.
2. Assess country level risk for the preparation of the country strategy paper. Tailor-made risk evaluation and assessment of institutional capacity.
 - Workshops
 - Risk is evaluated in context of country's development agenda.





3. Application of disaster risk management indicators

- *Risk profile* according to overall risk
- *Risk management performance*: strengths and weaknesses of their disaster risk management systems including capacity to finance reconstruction.

4. Country Strategy Paper agreed, with proposed program of lending, technical assistance and non-financial services, and indicators of effectiveness.

- Meetings with ministers of finance and senior government officials to discuss *assistance package*, including disaster risk management support. Projects are initially identified for Bank's pipeline.



Results



Movement in the right direction

- Projects with risk reduction and management objectives are appearing as part of Bank's program with countries. As in: Belize, Bolivia, Dominican Republic, Ecuador, El Salvador, Haiti, etc.
- Disaster risk management as development priority for countries and Bank for longer period after a disaster event.
- The collection and use of information about risk and what to do about it is becoming part of Bank practice.



Examples of Disaster Risk Management in IDB Country Strategies

El Salvador:

- The Policy Dialogue Document identifies environmental management and the prevention of disasters as one of four strategic lines of action to meet the future Country Strategy's proposed objective of poverty reduction.
- Assistance Package:
 - Technical Assistance project to prepare a financial strategy for catastrophe management and define priority geographical areas for risk reduction;
 - Housing program includes earthquake resistant construction and citing in safe zones;
 - US\$5 million Prevention Facility Loan for 2006.



Examples of Disaster Risk Management in IDB Country Strategies

Bolivia:

- Country strategy identifies that natural hazards – especially floods – have a negative impact in the security of the population and environmental protection.
- Need to improve the disaster risk management system of the country is stressed.
- Assistance Package:
 - Disaster Prevention Facility and Immediate Response Facility loans, currently under execution.
 - Training in disaster risk management for government officials.



Opportunity

Bank Policy directives:

Country strategy and programming:

- Disaster *risk will be assessed* in priority development areas *and discussed* with the borrowers.
- Country strategies will identify needs, priorities and the *role for the Bank* in addressing disaster risk management *in key sectors*.
- Special attention will be given to *institutional capacity and financial protection* in the countries.
- The Bank will support the appropriate *policy and institutional improvements*, at the request of the country, while taking explicit measures in Bank financed operations to *protect the portfolio*.



Challenges



1. Weak demand for disaster prevention by countries.
2. Coordination of regional and multi-country programs to address disaster risk in an increasingly inter-related world.
3. Continuous improvement and use of disaster risk management indicators for country strategies and programming.
4. Provision of financial protection.