



World Conference on Disaster Reduction
18-22 January 2005, Kobe, Hyogo, Japan



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International Financial Institutions and Disaster Risk Management: An Overview

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Natural Disasters and Development



Photos: IFRC

- Natural Disasters: severe short-term economic and social impacts.
- Long-term impacts complex and difficult to measure.
- Long-term impacts a function of dynamic set of factors including:
 - economic structure
 - stage of development
 - prevailing economic and social conditions.
- Vulnerability reduced by appropriate investment in disaster mitigation and favorable developments in:
 - structure of the economy
 - production technologies
 - wider economic and domestic policy environment.
- IFIs play critical role in helping member countries reduce vulnerability.

Role of the International Financial Institutions

- IFIs & member countries systematically engaged with the relationship between disaster risk and economic development:
 - destruction of infrastructure built with international loans
 - economic dislocation of countries following disasters
 - social disruption to the most vulnerable
 - likelihood that new construction following a disaster could rebuild vulnerability
- Disasters can impair the mission of IFIs to help their member countries reduce poverty.
- IFIs focused on integrating disaster risk into their activities.

Relationship Cycle of IFIs & Member Countries

- IFIs' role in natural disaster policy in client countries linked to nature of institutions:
 - IFIs participating in this session of WCDR are all “development institutions.”
 - Mission of each institution is to fight poverty and improve living standards.
 - Mission achieved through loan provision, policy advice, technical assistance, and knowledge-sharing services.
 - Each institution owned by member countries that carry ultimate decision-making power.

- 4 major stages of interface between IFIs & member countries:
 1. Development of country strategy document.
 2. Creation of specific programs for country, based on country strategy process that leads to project lending.
 3. Provision of post-disaster assistance.
 4. Provision of technical assistance.

1. Country Strategies

- IFIs development planning processes - country and regional assistance strategies.
- Country assistance strategies reflect:
 - consensus between country and IFI on medium- and long-term objectives
 - consensus on strategy to be used for achievement
 - identification of areas where collaboration could be most effective in contributing to these objectives
 - provision of effective framework for country programming.
- Assistance strategies designed to promote collaboration & coordination with IFI partners.
- Integration of hazard risk in preparation of country paper

2. Project Lending

- Based on country strategy, IFIs implement through projects.
- Most IFIs adopt similar 'project cycle management': sequence of actions to develop, implement & evaluate projects that leads in turn into new projects.
- Project appraisal stage - certain tools deployed most extensively:
 - cost-benefit analysis
 - environmental impact assessment
 - social analysis
 - social impact analysis
 - vulnerability analysis
 - risk assessment.
- For many projects, environmental & social impact assessment & risk assessment provide ready framework for building disaster risk assessment into development planning.
- However, detailed procedure for identifying, categorizing, and placing a value on disaster risk often missing.
- CDB created innovative process to include disaster risk in project cycle.

3. Post-Disaster Recovery Assistance

- IFIs maintain mechanisms to assist members after disasters occur:
 - reallocating funds from on-going lending portfolio
 - re-designing projects under preparation to assist recovery process
 - provision of small grants for immediate needs
 - provision of new emergency recovery loans or credits
- Urgent reconstruction requires quick action: emergency projects typically undergo “fast track” processing.
- Within this context IFIs must ensure that reconstruction assistance
 - does not rebuild the vulnerability that contributed to the disaster,
 - should identify and prepare needed measures for longer-term disaster risk reduction.
- The World Bank highly innovative in using provision of post-disaster assistance to provide platform for introducing risk reduction or risk transfer tools as components of post-disaster assistance.

4. Technical Assistance

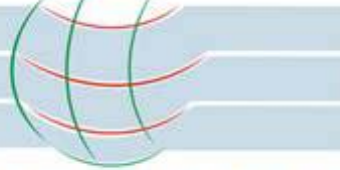
- Technical assistance:
 - provides a way for themes with respect to natural hazard risk to be introduced or developed by member states,
 - projects have covered a wide scope of disaster risk issues,
 - often analysis & reports are tools to stimulate projects focused on managing risk, providing intellectual groundwork to explore risk management alternatives.
- Technical assistance often provided through trust funds:
 - separate from IFI's resources
 - financial and administrative arrangements with external donors that lead to grant funding of high-priority development needs.
 - monies provided by industrialised countries, private sector, and foundations, made available for specific agreed-on purposes.

Conclusions



Photos: IFRC

- As largest providers of reconstruction and development assistance, IFIs bear responsibility to promote more proactive, developmental approach to reducing disaster risk.
- IFIs are taking this seriously & working actively to integrate it into their development activities.
- Acknowledging limits of each institution as a client-driven organization, risk of natural hazards is becoming an important consideration in the relationships between the IFIs and clients.
- The following presentations highlight how natural hazard risk is impacting the IFI-client relationship.



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