



KOBE REPORT draft
Report of Session 1.1, Thematic Cluster 1

**Institutional Policy Frameworks for Disaster Reduction: The Role of the
International Financial Institutions in Mainstreaming Risk**

1. Summary

The International Financial Institutions (IFIs) recognize the impact of disasters on development and the need to better integrate disaster risk into development planning. Collectively, the IFIs have substantially increased the knowledge about the relationship between natural hazard risk and development, and founded initiatives to more effectively assist their clients in managing hazard risk.

The role of the IFIs related to natural disaster policy in their client countries is linked to the nature of the institutions. The four IFIs participating in this session are all “development institutions,” each with the mission to fight poverty and improve living standards. This is achieved through the provision of loans, policy advice, technical assistance, and knowledge-sharing services. Each institution is owned by member countries that carry ultimate decision-making power.

The process for determining the type of assistance to be provided is based on a consultative arrangement between the country and the banks. The starting point for low-income countries is often a country-authored framework for domestic policies and cross-sectoral programs to reduce poverty and utilize development aid. Linking to this, the IFIs create a longer-term strategy document for each member country, which sets out a program of lending and knowledge and advisory services. The strategy document is the business plan that guides IFI activities in client countries, created only after consultation with all stakeholders.

As operating steps to implement the strategy, a program of specific action is defined for each country. The program, agreed upon by the IFIs and each member country, is the inventory of possible operations of the IFIs. This is further refined by the creation of specific projects, driven both by what the IFIs can provide and what the countries are interested in receiving. Generally, the specific programs are driven by requests from the country.

Projects can be major construction works, small local projects, technical assistance, or the provision of advisory services. The ability of the IFIs to contribute to any development goal must be realistically identified, taking into account the demands of the IFIs members, their options to work with other partners, and the limitations of IFI financing and staff capacity. IFIs are interested in creating client-driven and effective programs.

There are at least four entry points where an IFI and its client countries can focus on integrating natural disaster risk into the planning process. Each area was presented by a different IFI.

Country Strategies

Inter-American Development Bank (IDB)

The programming process for the IDB is the exercise whereby the Bank defines its strategies and programs, its lending, technical cooperation, small project, co-financing, and pre-investment activities at the country and sub regional level. The Country Paper reflects consensus between the country and the IDB on medium and long term objectives. It defines the strategy to be set in place for the achievement of these objectives, identifying areas in which the Bank's collaboration could be most effective, and providing an effective framework for the Bank's country programming. From this assessment, the level and composition of financial and technical assistance that IDB provides to the country is determined. The assistance strategies are designed to promote collaboration and coordination with the IDB's partners.

To properly include disaster risk in the strategy process, the IDB has a process to prioritize countries at high risk, assess country level risk, apply disaster risk management indicators, and include the risk in the final

Country Strategy Paper. As a result, disaster risk is assessed in priority development areas and discussed with borrowers as a key component of the strategy process.

Project Lending

Caribbean Development Bank (CDB)

Based on the country strategy document, IFIs implement through projects. Most adopt a broadly similar 'project cycle management' approach: a sequence of actions to develop, implement and evaluate projects that leads in turn to new projects. The CDB has recently developed an innovative tool to incorporate natural hazard risk into their projects. The Natural Hazard Impact Assessment is a process to evaluate the impact of a project on the environment as well as understanding the impact of the natural hazard environment on the project. The NHIA is an integral part of the environment review process and allows for routine and explicit consideration and mitigation of natural hazard risk.

Post Disaster Recovery Assistance

World Bank

All IFIs maintain mechanisms to assist their members once a disaster occurs, including: reallocating funds from an ongoing lending portfolio, re-designing projects that are under preparation to assist the recovery process, the provision of small grants for immediate needs, and the provision of new emergency recovery loans or credits. Urgent reconstruction needs require quick action, and emergency projects typically undergo "fast track" processing. However, within this emergency context, the IFIs must ensure that at a minimum the reconstruction assistance does not rebuild to the same level of vulnerability that contributed to the disaster. In addition, reconstruction assistance should identify and prepare needed measures for longer-term disaster risk reduction.

The World Bank has been highly innovative in using its provision of post-disaster assistance to provide the platform for introducing risk reduction or risk transfer tools as a component of post-disaster assistance. After the devastating earthquakes of 1999 in Turkey, the World Bank was able to incorporate a number of risk reduction measures as a key component of the Bank's post disaster lending including the creation of a disaster insurance scheme and a new emergency management agency, as well as a major changes in land use policy.

Technical Assistance

Asian Development Bank

Technical assistance provides a way for themes with respect to natural hazard risk to be introduced or developed by the member states. Technical assistance projects have covered a wide scope of disaster risk issues. Recently, the Asian Development Bank funded technical assistance work that examined non-structural means to cope with flood risk in Cambodia. The work identified an innovative community disaster preparedness approach to flood management instead of the historical alternative of expensive engineering projects. As a further example, the ADB is supporting a technical assistance project, linked to an emergency assistance flood rehabilitation loan, to develop a flood early warning system for disaster prevention in Bangladesh. Often, technical assistance analysis and reports are the tools to stimulate projects focused on managing risk. They provide the intellectual groundwork to explore risk management alternatives.

2. Primary Issues

- The need to integrate disaster risk into development planning is recognized by the IFI community.
- The IFIs have contributed to substantially increasing knowledge about the relationship between natural hazard risk and development.
- There are at least four entry points where an IFI and its client countries are focusing on integrating natural disaster risk into the planning process:
 1. Incorporation of natural hazard risk in the country strategic planning process.
 2. Accounting for natural hazard risk in project loans.
 3. Revamping post disaster borrowing to ensure that risk and vulnerability are not recreated during reconstruction.
 4. Provision of technical assistance to introduce or develop risk reduction by the member states

3. Existing indicators with reference

see 5. a)

6. Partnerships

Commitment for greater cooperation and collaboration on disaster risk reduction within the IFI community.

The IFIs will continue to work with different and new partners to implement disaster risk reduction strategies and projects, with continued partnership with the ProVention Consortium,

8. a) Name, affiliation and contacts of presenters and titles of presentations

Introduction and Moderator:

Paul Freeman, Consultant

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

Janine Ferretti, Inter American Development Bank

Integrating Disaster Risk Management into Development Financing: The Role of International Financial Institutions

Cassandra Rogers, Caribbean Development Bank

Integrating Disaster Risk Management into Development Financing: The Role of International Financial Institutions

Margaret Arnold, World Bank

New Directions of Asian Development Bank in Reducing Disaster Risk

Dr. Joseph A. Weinstock, Asian Development Bank

8. b) Name, affiliation and contact of person filling in the form

Daniel Kull

ProVention Consortium Secretariat

daniel.kull@ifrc.org

Kobe mobile: 080 1014 2059

Work phone: +41 (0)22 370 4373