International Financial Institutions and Disaster Risk Management: An Overview

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Natural Disasters and Development

- 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.
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

- 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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