Development for disaster reduction—the role of the World Bank

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Conventional wisdom dictates that the World Bank is 'not in the disaster business'—that disasters are best left to organisations such as the International Federation of Red Cross and Red Crescent Societies (IFRC), the United Nations, and local NGOs to issue appeals and channel emergency funding and relief supplies to crisis situations.

Indeed, the Bank's Articles of Agreement and policy state very clearly that the Bank is not a relief organisation, but provides recovery support, which has been traditionally focused on macroeconomic stability and rebuilding physical capital to get the country 'back on the development track'.

This traditional sentiment, however, reflects a narrow view of the disaster business, considering only the immediate relief phase. In reality, the Bank has been, and continues to be, one of the largest and most influential players in the disaster business, providing more than US$23 billion in disaster related lending since 1980.

This figure comprises more than $10 billion in natural disaster reconstruction operations, plus the total loan amounts for projects including prevention and mitigation components. Total Bank investment in reconstruction operations, however, greatly exceeds $10 billion, since these figures do not include loan amounts reallocated from ongoing development projects to help finance urgent activities following a natural disaster.

Natural disasters have grave impacts on the core business of the World Bank, which is sustainable development and the alleviation of poverty. Seen in this context, the Bank's involvement is not only significant, but also essential to meeting its developmental mission. Indeed, disasters are a development issue.

The World Bank's active disaster management portfolio

In the World Bank's most recent *World Development Report*, the effects of natural disasters are established as an important dimension of the poverty that affects nearly 4.8 billion of the world's 6 billion population. It is well known that disasters disproportionately affect the poor (that are least able to cope with their effects) and that these disasters can cost as much as 20 times more as a proportion of GDP in developing nations than in industrial nations.

With many of the poor living under significant threat of disaster, their vulnerability to disasters is every bit a defining characteristic of their poverty as the material devastation that disasters bring in their wake.

Over the last two decades the number and scale of natural and technological disasters have been increasing—worsening both in terms of the loss of lives and the extent of the physical destruction caused—and there has been a corresponding increase in the demand for World Bank assistance related to disasters.

In 1999, natural catastrophes and man-made disasters claimed more than 105,000 lives worldwide and resulted in total losses of around $100 billion. Landslides in Venezuela caused around 50,000 fatalities, the Izmit Earthquake in Turkey 20,000 and the cyclone in Orissa, India 15,000. It is estimated that in the past decade, the average annual losses of infrastructure due to natural disasters in Asia alone amount to $12 billion or about two-thirds of the total annual investment of the World Bank.

The World Bank's active portfolio of disaster-related projects covers the spectrum of hazards, from floods, storms and drought to those such as wildfires, landslides, earthquakes and insect infestations. The Bank's involvement also spans the breadth of sectors—from agriculture to transportation, urban development to water supply and sanitation. The breadth of this portfolio reinforces the fact that disasters do not simply cause loss of life and property but that their effects ripple through all the productive sectors of an economy, derailing development and stifling growth.

Types of disaster currently addressed by World Bank projects

Of the 100 or so active disaster projects, the agriculture sector alone accounts for nearly a third. In a majority of these cases (30 out of 36), the projects are standard lending operations with disaster prevention or mitigation components rather than reconstruction projects.

Typical examples include irrigation projects with some flood or drought control components, or forestry projects

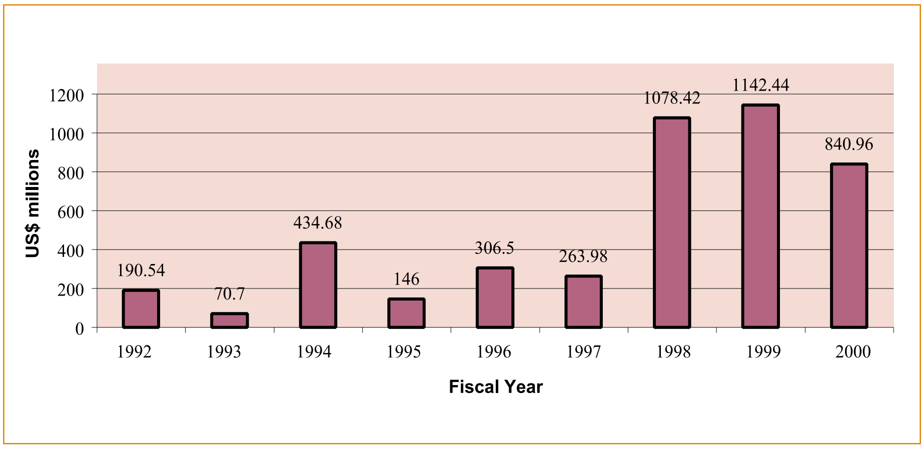

Figure 1: Lending volume for disaster-related projects.

Notes

1. More information on the DMF and the World Bank's efforts to reduce disasters is available online at www.worldbank.org/dmf.

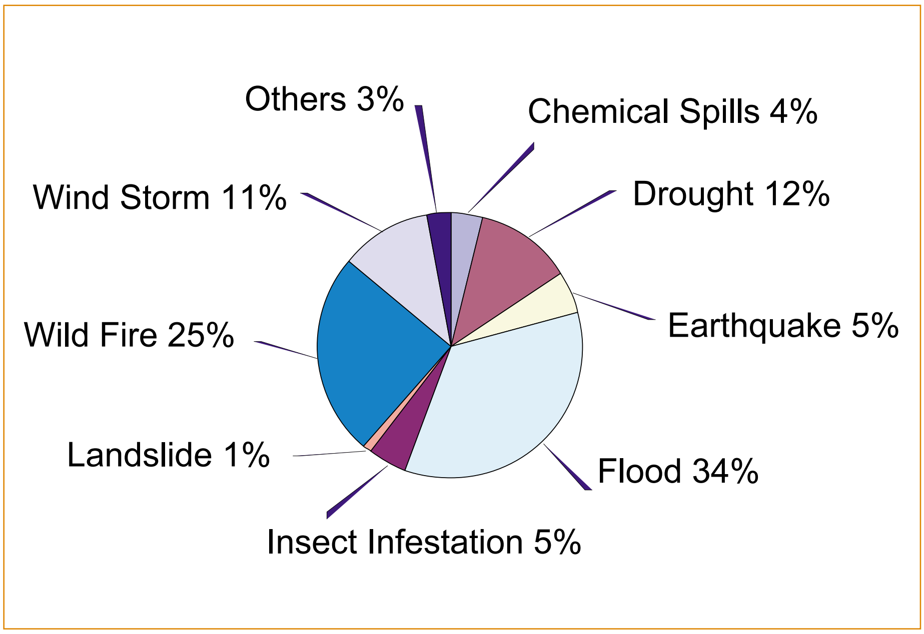

Figure 2: Active disaster-related projects by disaster type.

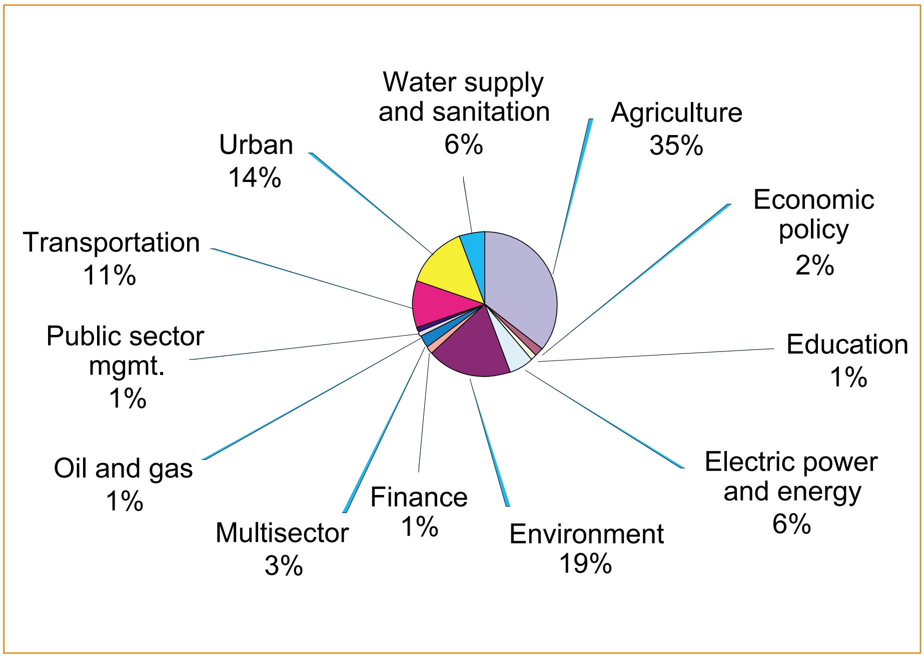

Figure 3: Active disaster-related projects by sector.

with activities focused on capacity building for fire prevention or fire fighting. The environment sector provides another significant part of the portfolio where the majority of these projects are natural resource management projects with disaster prevention components.

In contrast to both the agriculture and environment sectors, the urban development and transportation sectors (together accounting for 25 per cent of active disaster related projects), are predominantly reconstruction projects. While this might be expected—as infrastructure needs to be rebuilt following disasters—it may also point to the vulnerability of physical infrastructure and the need for longer-term protection of these investments.

Learning from experience: reconsidering the World Bank's role in disaster risk management

A closer analysis of the evaluation of the World Bank's disaster-related portfolio draws out several clear lessons that deserve consideration as the Bank prepares future projects. These lessons include, among others:

- the importance of involving the affected communities in designing and implementing recovery operations to ensure their success
- keeping reconstruction operations simple in design and flexible to respond to emerging needs.

But perhaps the most vital lesson from Bank experience is that reconstruction efforts are by themselves an insufficient response to natural disasters, unless they go beyond mere rebuilding to address the underlying conditions that contributed to the disaster event.

While Bank projects have traditionally been reactive, there is a gaining recognition that disasters are development failures, and that poverty and disasters go hand in hand.

The prevailing attitude in many poorer countries is that evident and pressing development needs outweigh calls for *ex ante* investment in disaster preparedness and mitigation. Disaster prevention and preparedness are luxury items. This attitude can often be exacerbated by a 'disconnect' between national and sectoral development plans on the one hand, and the recurring nature of extreme natural events and disaster vulnerability on the other.

As a result, several countries have approached the Bank in the last decade more than once to request emergency recovery assistance for the same type of disaster in the same region or province. Among these countries are Argentina, Bangladesh, India, Sudan, and Yemen.

To highlight the need to get off the disaster/reconstruction treadmill, the Bank established the Disaster Management Facility (DMF) in 1998, which provides leadership in the area of disaster risk management.

The DMF is working actively to ensure that risk analysis is integrated into project design, that effective prevention and mitigation measures are integrated into country assistance strategies and projects, and that investments made in social and economic development are properly protected.

The DMF provides operational support to all regional and country units working with disaster prone nations or in the aftermath of a disaster. On an institutional level, the DMF is also helping the Bank to update its policy on emergency recovery assistance to allow a more strategic response to disasters and a stronger commitment to disaster prevention.

The DMF also works with stakeholders in and outside the World Bank to develop practical solutions for reducing disaster risk. As an example, the DMF is now working with the International Finance Corporation and the World Bank's Financial Sector to explore ways to ensure that investments made in social and economic development are properly protected through adequate insurance coverage. For the very poor, who lack access to traditional insurance mechanisms, the DMF is working with partners like the United Nations Development Programme (UNDP) to explore microfinance instruments for disaster risk.

While the DMF has only been operating for three years, pilot efforts of the unit are already having a positive impact on Bank operations. A good example of this is the case of Mexico. As a direct result of a 1999 DMF study on the Mexican Government's capacity to manage disaster risk, the Government requested a loan addressing the needs of the *ex ante* initiatives to reduce disaster losses.

This project, approved in December 2000 for an amount of US$404 million, represents an important step taken by both Mexico and the Bank towards a comprehensive and proactive approach to reducing disaster impacts. Similar projects with a preventive approach to disasters are getting underway in other countries such as Honduras, Nicaragua, and Vietnam.

There is gradually far more consideration being paid through Bank projects to mitigating natural disaster events before they occur, rather than on rebuilding after the damage has been done. Globally, there are now 67 active projects supported by the Bank that include substantial components devoted to disaster mitigation compared with only 34 straight reconstruction projects.

The positive trend towards disaster mitigation projects can be noted from the 1980s when 30 mitigation projects were approved by the Bank and in the 1990s when 40 were approved.

Moreover, more recent reconstruction projects have a renewed focus on prevention and mitigation. Bank-supported reconstruction efforts following the 1998 earthquake in Turkey; floods in Cambodia, Mozambique and Vietnam; Hurricane Mitch in Central America and the January 2001 earthquake in Gujarat, India are going beyond mere rebuilding to include components of capacity building for disaster risk management, and other measures to reduce the impacts of future hazard events.

The World Bank has joined a growing group of international agencies and governments—both donors and recipients of international assistance—that are reappraising strategies that focus solely on reconstruction without provision for improving a nation's resilience to future events.

Donors and recipients of reconstruction financing have come to question the efficiency and value of replacing critical infrastructure only to see these investments destroyed in successive disasters. Disaster relief, unsupported by prevention and mitigation measures, does little to improve a nation's resilience to future disasters.

Some concluding thoughts

Disasters are a tremendous challenge to development as they represent wiped out investments and undermine efforts to fight poverty.

The international community has come to regard the issue of disasters as a subset of the development issue, and the Bank is learning that measures taken to reduce the impact of disasters provide an effective vehicle to make substantial advances in the fight against poverty.

The Bank is taking positive steps to bring its strategies and procedures up to date and promote proactive ways to integrate disaster prevention and mitigation into its development work.

The Bank has long been a leader in providing reconstruction assistance, and is well placed to lead the way to a more proactive, prevention-oriented approach so that all development activities contribute to reducing disaster losses in client countries.

When 'regular' lending helps to reduce disaster losses in vulnerable countries, the Bank's mission of fighting poverty will be greatly enhanced.