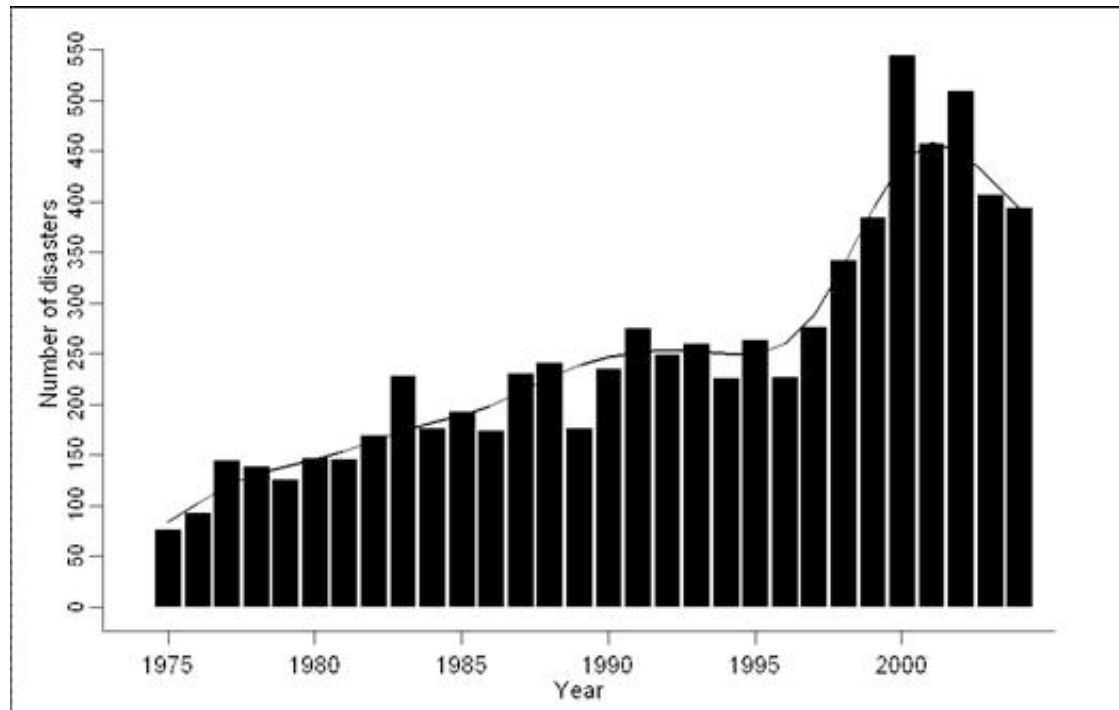


Hazards of Nature, Risks to Development

An Evaluation of World Bank
Assistance for Natural Disasters

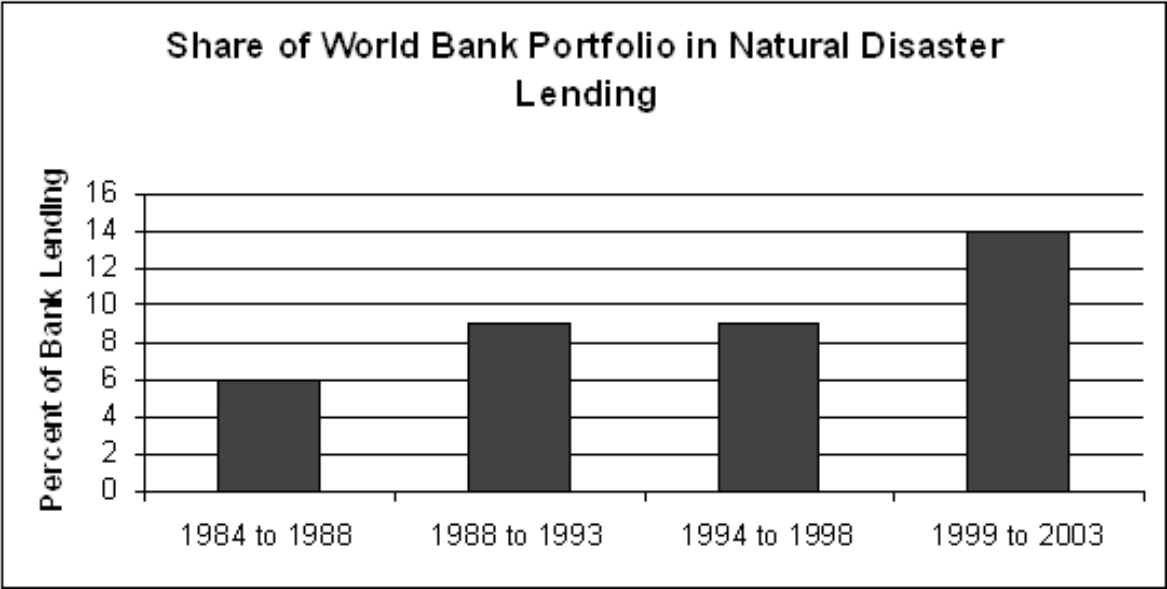
by Ronald S. Parker

Natural Disasters Are Growing In Number



Source: EM-DAT: The OFDA/CRED International Disaster Database-www.em-dat.net-Université Catholique de Louvain, Brussels.

**Bank Lending for Natural
Disasters Is Rising**



Source: IEG 2006

Bank Disaster Lending

- The Bank has lent for emergencies since its inception
- Reconstruction is in its name (IBRD)
- 110 countries have borrowed for natural disasters
- 528 projects (43 percent ongoing)
- More than 60 different activities
- 65 non-lending products since 1999

Bank Disaster Lending

(cont.)

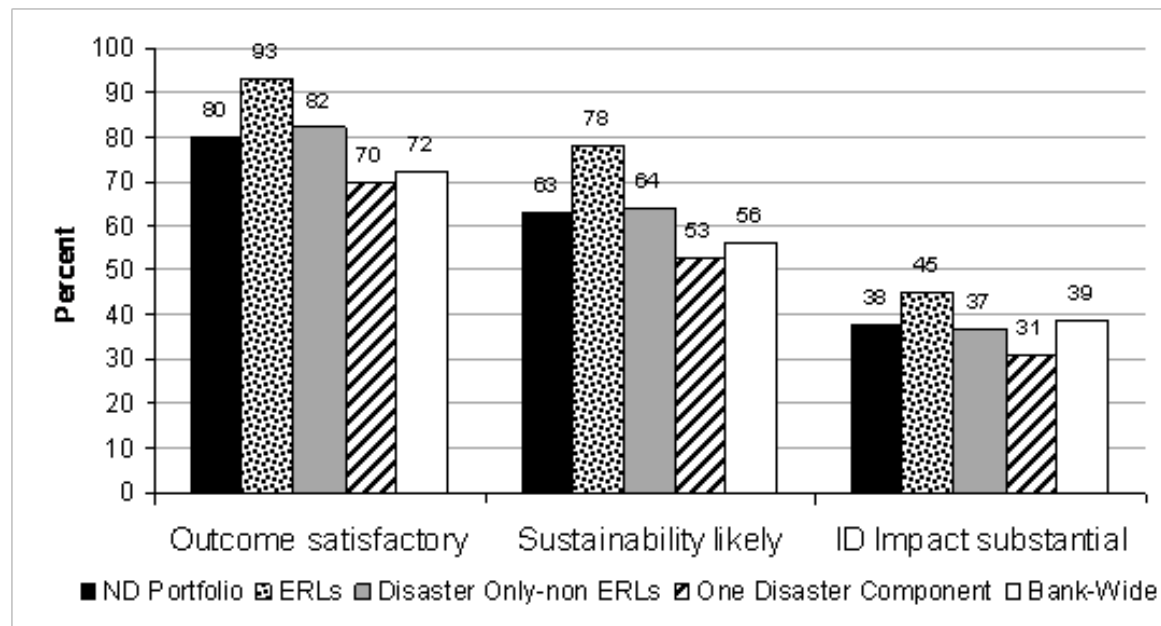
- Highest in Africa
- Largest in flooding
- Focused primarily on reconstruction
 - Just 21 (out of 528) projects are wholly devoted to prevention
- Responds to multiple disasters (25%)
- Increasingly focused on women, marginal groups, and the poor

Lending Highly Concentrated

- 10 Countries Account for 208 projects
- Top Borrowers for disasters:
 - India: 43 projects
 - China: 32 projects
 - Bangladesh: 28 projects
 - Brazil: 27 projects
 - Honduras: 15 projects
 - Turkey: 13 Projects
- The 10 largest loans represent 32 percent of the lending

Projects Have Better Than Average Ratings

Natural Disaster Portfolio Ratings: Projects Approved and Completed, 1984-2003



Key Findings

- The Bank approaches natural disasters in a manner that is reactive rather than proactive and strategic
- The recurrent nature of disasters leads to lending concentration (Bangladesh has 20 flood-related loans)
- The Bank has limited capacity to coordinate work related to natural disasters within the Bank and with other donors. It also lacks a mechanism to bring disaster-experienced staff and relevant knowledge to its borrowers and even its own task teams

When the Bank Is Being Reactive...

- It lends to disaster-prone countries repeatedly without taking disaster into account.
- Project objectives provide for short-term fixes and rarely address the root causes of disaster.
- Projects are rushed to approval but then disbursement is delayed.
- Project activities are compromised by disasters during implementation.
- Reconstruction projects build infrastructure that is not disaster resilient.
- Time required for implementation is consistently underestimated.
- Social issues are given too little importance.

Country Assistance Strategies That Should Discuss Natural Disasters Do Not

<i>Number of disaster projects in a country</i>	<i>No. of countries with this count</i>	<i>Number of their CASs with no discussion of disasters</i>	<i>(%)</i>
More than 8 disaster projects	16	5	31%
4 to 7 disaster projects	24	8	33%
2 to 3 disaster projects	33	15	45%
1 disaster project	24	15	62%
Total	97	43	44%

Source: IEG data.

When the Bank Is Being Proactive...

- Response teams and lessons to share with borrowers are identified in advance
- Risk assessment and mitigation receive adequate attention in projects and CASs
- Rapid financial support has a low opportunity cost
- Ways to increase disaster resiliency have been identified for sectors likely to be affected
- Lessons learned have been taken on board

Possible New Mechanisms to Help Lay off Risk

- Contingency lines of credit
- Catastrophe insurance pool
- Insurance for public buildings
- Drought insurance
- Micro insurance
- Catastrophe bonds
- Index-based insurance
- Catastrophe models to facilitate coverage

Recommendations

- Prepare a strategy that takes into account the differing vulnerabilities of borrowing countries
- Modify current operational guidelines so that they address the long-term development needs of borrowers
- Ensure that the Bank has sufficient specialized expertise available to respond quickly