



Banco Interamericano de Desarrollo
Inter-American Development Bank

**Disaster Risk Management Annual Report
2006**

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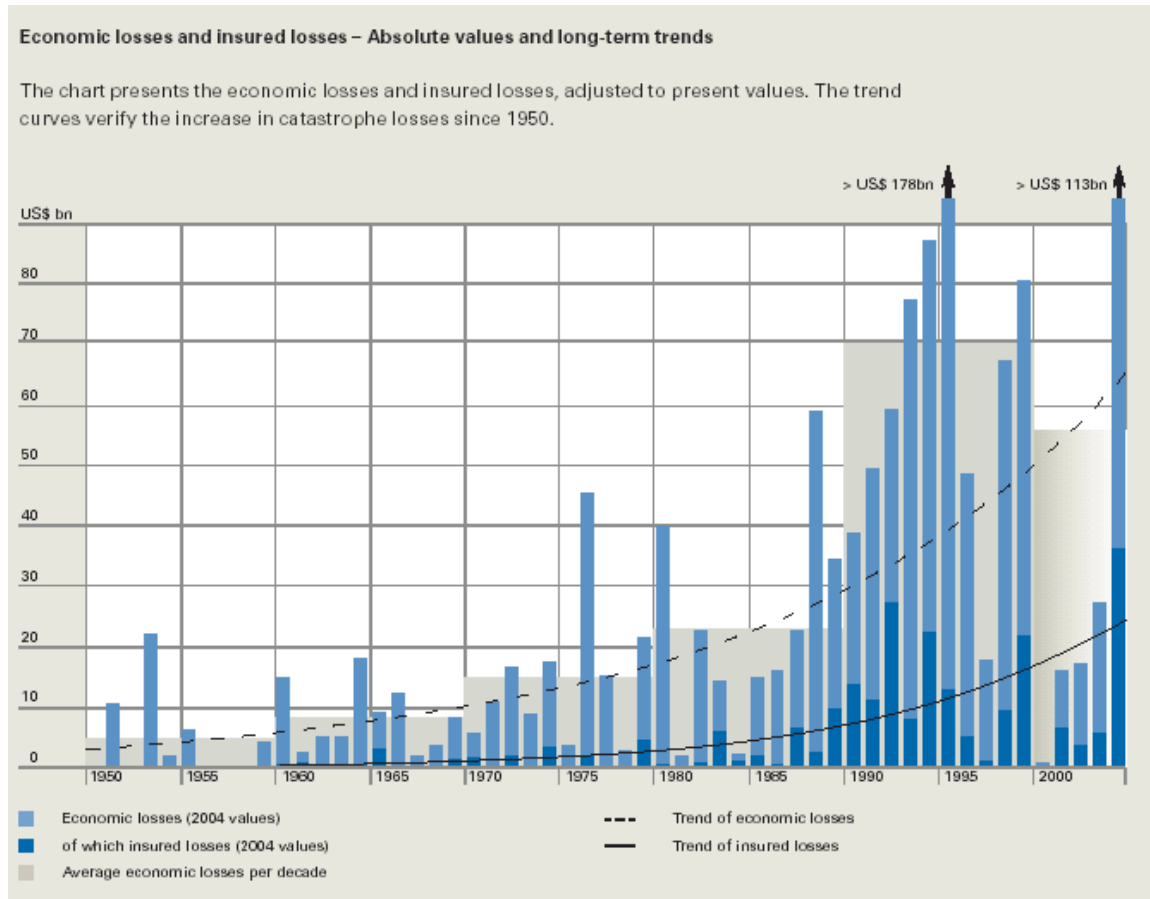
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Annex

1. THE NEED TO REDUCE DISASTER RISK IN LATIN AMERICA AND THE CARIBBEAN

There are two reinforcing trends, which make the need to reduce disaster risk in Latin America and the Caribbean urgent. The first is that disaster losses are rising due to growing vulnerability and increase in incidence and strength of weather related hazards, and the second is that the gap between potential losses and the capacity of many countries to finance reconstruction has reached alarming levels.

Increasing losses and growing vulnerability. The Latin America and Caribbean region is faced with a multiplicity of natural hazards. Disaster losses have been increasing as a result of rapid population growth in hazard prone areas, environmental exacerbation of vulnerable sites, and increasing occurrence and intensity of weather-related natural hazards. The increase in economic cost of disasters over the last two decades has outgrown GDP growth by a factor of five in the region. Nearly 5 million people in the region are affected annually by disasters, resulting in an average of 7,500 deaths per year. According to the findings by the Economic Commission for Latin America and the Caribbean of the United Nations (ECLAC) the region has incurred annual average losses in the amount of US\$7 billion since 1999, thereby surpassing average IDB annual lending.



Natural Catastrophes Worldwide. Source: Munich Re.2005

Resource gap. As a result of growing vulnerability and increasing disaster losses the capacity of governments in the region to finance reconstruction and recovery after a disaster has deteriorated. There is indication that at least half of the borrowing member countries of the Bank will not be able to finance reconstruction if struck by a major, likely disaster. Limited resources

for disaster rehabilitation invariably leads to inadequate reconstruction, in turn increasing disaster risk. A vicious cycle is created.

International disaster financing. Understanding probable losses (and reconstruction costs) due to natural hazards should motivate member countries of the IDB to develop planning options and tools to cope with risk, including the sustained budgetary resources necessary to reduce those potential damages. However, believing that international institutions and bilateral donors cannot credibly commit to withhold post-disaster aid, nations may still count such an aid as a principal source of reconstruction funds. This creates disincentives for countries to reduce losses and establish a viable financial protection strategy before a disaster occurs. International support for disaster relief and reconstruction now amounts to 8% of official development aid of the OECD countries. These resources, however, are typically directed at events with global publicity, and where a strong network of NGOs and international organizations are on the ground. International resources are typically scarce for other disaster events.



Cartoon by [Chris Britt/SJ-R](#)

2. IMPLEMENTATION OF ACTION PLAN FOR IMPROVING DISASTER RISK MANAGEMENT

The Bank is currently implementing its 2005-2008 *Action Plan for Improving Disaster Risk Management* (GN-2339-1). The Plan outlines a set of priority actions to be undertaken in the following areas:

- (i) Country programming and portfolio management;
- (ii) Bank policy, procedures and financial instruments; and
- (iii) Organizational strengthening in DRM.

These actions emphasize activities on risk reduction. They are designed to transform the Bank interventions in DRM from largely reactive, to ones that promotes proactive DRM as a requirement for sustained disaster loss reduction in borrowing member countries, and that safeguards the effectiveness of the Bank's development assistance.

The main accomplishments of 2006 may be grouped in the three pillars of the DRM Action Plan are outlined below.

2.1 Country Programming and Portfolio Management

Disaster Risk Management Indicators. Incorporating appropriate risk management in Bank-country dialogue, programming and portfolio management is the cornerstone of the Bank's proposed shift to a proactive stance aimed at improving risk management and enhancing development. Disaster Risk Management Indicators have been prepared to facilitate the incorporation of disaster risk concerns in country programming. With a national level resolution, the indicators will identify the high-risk countries in the region and, provisionally, the developmental and technical assistance needs for strengthening countries' risk management systems.

During 2006 the Indicators were completed for Bolivia and Nicaragua in 2006, in addition to those developed for 12 countries in 2005. For Ecuador, a follow-up analysis was carried out on the use of the Indicators in strategic decision-making. It included many consultation meetings with public and private sector parties, as well as a sectoral analysis of the main impacts that a major event could have in the country.

Detailed disaster risk assessments. Disaster risk assessments using catastrophe modeling were initiated for four countries - Bolivia, Guatemala, Jamaica and Peru - in order to identify potential needs for DRM, in the context of the development priorities of each country.

Country Strategy and Dialogue papers. During 2006, disaster risk management inputs were prepared for country strategies for Bolivia, Costa Rica, Haiti, Honduras, Jamaica, and Peru. In addition, a Regional Programming Strategy was prepared for the Caribbean Countries, led by INT. DRM concerns were incorporated in country dialogue papers for Barbados, Bolivia, Ecuador, and Guatemala.

Portfolio reviews. These reviews for high-risk countries explicitly consider the impact of disaster events on the achievement of development objectives, sustainability issues, and the implications for the overall performance of affected projects. Portfolio reviews were carried out for the Dominican Republic and Haiti.

2.2 New Disaster Risk Management Policy

Disaster Risk Management Policy. A draft DRM Policy and its Companion Paper were approved by the Bank's Programming Committee (CP-2884-4) and sent for the consideration of the Board of Directors.

The Policy has the following two objectives:

- (a) To strengthen Bank effectiveness to support systematic DRM among its borrowers through risk identification and risk reduction prior to the occurrence of disasters. This is done through two directives: *A-1 Programming*, and *A-2 Risk and Project Viability*
- (b) To provide post-disaster assistance without rebuilding vulnerability. There are three directives under this objective: *B-1 Loan Reformulation*; *B-2 Reconstruction*, and *B-3 Humanitarian Assistance*.

The five directives of the Policy are summarized in **Annex 1**. The preparation of guidelines for the implementation of the policy was initiated in 2006.

2.3 Financial instruments

Disaster Prevention Fund. Two new financial instruments were established by the Bank in 2006. The Disaster Prevention Fund (GN-2405-3) was created in March 2006.¹ Its objective is to finance technical assistance and grant investments for disaster prevention and risk management through government and private sector operations in Latin America and the Caribbean. It supports clients in managing risks related to natural hazards by reducing vulnerability, and by preventing and mitigating disasters before they occur; leveraging knowledge and good practice, and developing regional approaches to support disaster risk management. Projects in the amount of US\$5 million were identified by the member countries for financing (**Annex 2**).

The Multi-donor Disaster Prevention Trust Fund (GN-2427-1) was created in December 2006, with resources from the governments of Japan, South Korea and Spain, to finance technical assistance and grant investments for disaster prevention and risk management in its borrowing countries in Latin America and the Caribbean. The Fund will provide technical assistance grants for identifying and assessing countries' risks to natural hazards, preparing disaster prevention loans, designing prevention and mitigation investments, improving preparedness plans, employing environmental management and land use planning to reduce vulnerabilities and strengthening national and local institutions involved in disaster prevention and response.

Disaster Risk Finance Working Group. An inter-departmental working group was established, in order to review Bank strategies for further analyzing its own *ex-ante* and *ex-post* financing instruments and supporting risk transfer market development in Latin America and the Caribbean. The Working Group will also examine whether these instruments could be useful in offsetting the IDB's indirect exposure to disasters and whether the Bank could facilitate the intermediation of disaster-linked financial instruments. A discussion paper on the Bank's role, especially in risk transfer, is under preparation.

Events and papers. Two important events were held: (i) a *Disaster Finance Seminar* at the Bank's Annual Meeting in Brazil, March 2006 and (ii) a CDB-IDB co-organized *Regional Workshop on Management of Disaster Risk through Fiscal and Budget Planning* in Barbados, June 2006. In addition, two papers were published on disaster finance strategies (publication ENV-145, in Spanish) and insurance (ENV-146, both in English and Spanish) respectively.

2.4 Organizational Approach

Strengthening the Bank's capacity in disaster risk management is an important element of the Action Plan. This is being accomplished through training of existing staff, and improving communication in disaster risk management. In the process, the network of DRM focal points have been consolidated. In addition, the human resources working on the topic has been increased through hiring.

Awareness survey in the Bank. To identify needs for training and improved communication, a survey among Bank staff, upper management and the Executive Directors was carried out from September to December 2006. More than 260 persons responded. The results show that the staff is well aware of the importance of DRM. However, there is a lack of knowledge about the topic. Staff does not have the necessary training on how to incorporate DRM in their daily work. The respondents felt that the incorporation of DRM in the work priorities and operational work at the Bank had been inadequate. The results provided a good basis for the design of a training plan and

¹ The guidelines for its implementation were published in May 2006.

a disaster communication strategy for the Bank. The key findings of the survey are presented in **Annex 3**.

Training plan. A draft-training plan for enhancing capacity in DRM among Bank staff was completed in 2006. The training plan is to be implemented in the course of 2007 and 2008. It is focused on training staff in the implementation guidelines of the Policy and sensitization in disaster risk management.

The training modules will target: (i) country programming officers, in order to support programming and preparation of strategy documents in high-risk countries; (ii) sector specialists, to enhance their understanding of the importance of DRM for the effectiveness of Bank-financed projects, with emphasis on high-risk countries and sectors vulnerable to natural hazards, both in public and private sector operations; and (iii) the DRM Focal Points in Country Offices and at Headquarters, to develop DRM champions to support the implementation of the Bank's DRM policy and procedures across the organization.

It is anticipated that once implemented, relevant Bank staff and managers will have the knowledge, skills and tools required to appropriately integrate DRM into Bank programming and operations. In addition, the DRM network in the Bank will be sufficiently strengthened to support these activities.

Web page and Communication Strategy. The survey results showed that one of the main tools for the diffusion of information and knowledge management at the Bank is through the Bank's web page. The development of a specific DRM platform was initiated and the basic structure designed, to be implemented in the future.

The web page forms part of the Disaster Communication Strategy, which is to support the new role of the Bank in DRM. A draft strategy was elaborated through an inter-departmental group, formed by the disaster focal points of each Operational Department, SDS and personnel of EXR specialized in strategic communication. The strategy will be a source of knowledge and promote the systematization of information and exchange of know-how on DRM among the different units of the Bank. It will provide support for the incorporation of DRM in programming and in the project cycle, especially in the high-risk countries. It will also help establish strategic alliances with entities outside the Bank through information exchange.

Increased human resources. A Senior Specialist was hired in a turnover position to assist with the overall implementation of the Action Plan. Three Research Associates were contracted to support the Regional Operational Departments in meeting their commitments in the execution of the Action Plan. A Japanese Specialist was selected for a consultancy position to be filled in 2007 with the financing of Japan.

3. DISASTER RISK MANAGEMENT LENDING AND TECHNICAL COOPERATIONS

3.1 Financing in Prevention, Emergency Response, and Reconstruction

The IDB has ample experience in assisting countries prepare, reconstruct and recover from disasters and makes use of a number of specialized instruments, in addition to its regular loans in this effort. From 1996 to 2006 the Bank has allocated about US\$1.8 billion to disaster related financing. Bank activity has tended toward disaster rehabilitation and reconstruction with 52.4% of the disaster related loans portfolio, with 7.6 per cent for emergency response and 40 per cent

for prevention. The funding in pure disaster programs in 2006 was US\$8.8 million.² About 91 per cent of this amount was directed to prevention and nine per cent for emergency response.

Figure 1. Loans 1996 – 2006 (US\$1000)³

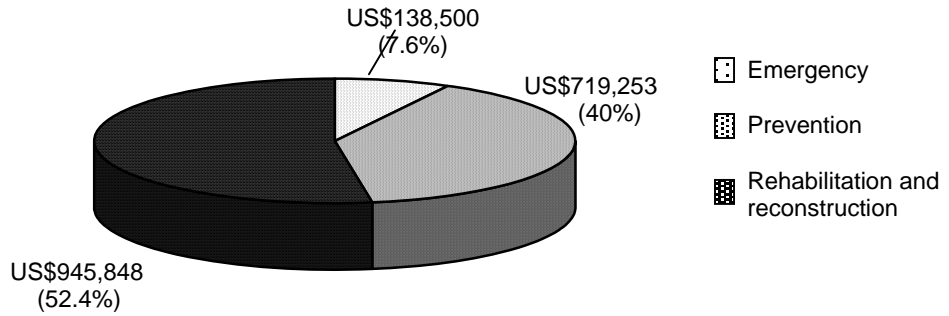
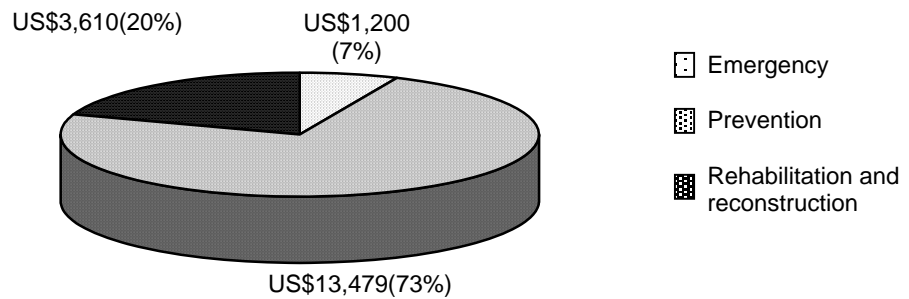


Figure 2. Technical cooperation 1996 – 2006 (US\$1000)⁴



3.2 Technical Cooperation and Loans Approved in 2006

The table below shows the DRM technical cooperation, as well as the loans that were approved by the Bank during 2006. This list does not include loans with DRM components provided by individual sectors.

Each one of the projects listed in the table is briefly described below (in the alphabetical order of the countries):

² This amount does not include possible disaster risk management components in sectoral programs.

³ Indicates both disaster loans and components in sector loans until 2002 based on the Evaluation of the Bank's policy and operational practice related to natural and unexpected disasters (Document RE-292). The 2003-2006 data includes only the disaster risk management loans, not disaster components in other operations.

⁴ Indicates technical cooperations based on data of the Evaluation of the Bank's policy and operational practice related to natural and unexpected disasters (Document RE-292) until 2002 and a separate review of statistics for 2003-2006.

Table 1. Technical cooperation and loans approved in 2006

Project #	Name	Date	Project type and subtype	Funds from IDB	Counterpart
BH-L1005	Master plan for coastal zone cities management	11/15/2006	Regular loan operation	\$ 3,842,000	\$ 958,000
BH-L1008	Preventive Natural Hazard Risk Management	12/20/2006	Loan operation: Disaster Prevention Sector Facility Credit	\$ 5,000,000	\$ 1,665,500
BO-T1035	Emergency Caused by rain, flooding and mudslides in Bolivia	2/14/2006	Technical Cooperation: Emergency TC	\$ 200,000	
CH-T1027	Emergency for Natural Disasters at the VIII Region in Chile	7/19/2006	Technical Cooperation: Emergency TC	\$ 100,000	
CH-T1010	Risk Management in Valparaíso	5/19/2006	Technical Cooperation: Trust Fund Operation	\$ 150,000	\$ 10,000
CR-T1022	National Emergencies System	4/20/2006	Technical Cooperation: Intraregional TC	\$ 14,928	
EC-T1071	Emergency Assistance Due to Eruption of Tungurahua Volcano	7/24/2006	Technical Cooperation: Emergency	\$ 200,000	
GU-T1040	Support and Implementation and Monitoring of Hurricane Stan	1/5/2006	Regular Technical Cooperation	\$ 148,000	\$ 17,000
GU-T1042	Communication Strategy for Post-Stan reconstruction	3/14/2006	Regular Technical Cooperation	\$ 100,000	
RG-T1205	Regional Disaster Risk Management for Sustainable Tourism in the Caribbean	11/1/2006	Technical Cooperation: Regional Public Goods Program	\$ 800,000	\$ 200,000
RS-T1236	Japanese Specialist to Support Action Plan Improving Disaster Risk Management	11/27/2006	Technical Cooperation: Trust Fund Operation	\$ 149,000	
SU-T1024	Emergency Assistance Due to Flooding in Southern Suriname	5/12/2006	Technical Cooperation: Emergency TC	\$ 200,000	
Total TCs				\$ 2,211,928	\$ 264,500
Total Loans				\$ 8,842,000	\$ 2,263,500

* *BH-L1005 Master plan for coastal zone cities management. US\$384,200*

Integrated management of coastal resources is critical for the sustainable development of the Bahamas, because most of the Country's territory lies in a coastal zone. As such, the coastal zone contains essentially all of the Country's social and economic activities, as well as its fragile and economically very important coastal ecosystems (fresh water systems, coastal wetlands, coral reefs, sandy shores, etc.). However, in order to achieve integrated management, it is necessary to improve the institutional and regulatory framework, the amount and quality of available data, and the existing planning process. This project aims to assist the Government of the Bahamas in developing and implementing a coherent, well-coordinated, science-based Master Plan for Integrated Coastal Zone Management (ICZM). The participation of stakeholders from the private sector and civil society will be encouraged throughout the process.

** BH-L1008 Natural Risk Preventive Management. US\$5,000,000*

The goal of the proposed project is to reduce the vulnerability, risks and losses from natural and man-made hazards by stressing prevention, and integrating Natural Risk Management in the development processes of the Bahamas. More specifically, work will target four areas: (i) Legal and institutional framework: This component will finance technical assistance to build up the institutional capacity of the principal agencies participating in the National Disaster Plan, and the capacity for DRM; (ii) Communications: This component will emphasize communication between local emergency command centers and the national emergency operations center; and between the chief commanders of local emergency command centers and other relevant parties, such as shelter managers; (iii) Shelters; and (iv) Community preparedness: This component will emphasize effective partnerships with civil society and local governments in the areas of public education and training, and protocols for the transmission of information prior to, during and after disaster events.

** BO-T1035 Emergency caused by rain, flooding and mudslides in Bolivia. US\$200,000.*

The objective of the proposed TC was to support the authorities of the Government of Bolivia in the execution of humanitarian assistance activities, to mitigate partly the situation of emergency caused by the torrential rains, floods, and mudslides. These actions helped to activate emergency services, enhance attention to the essential needs of the population and promote preventive measures relating to the public health and medical processing. The TC was required to support the country in adopting immediate measures to address the housing and nutrition needs of the people affected, as well as to avoid the spread of situations that might affect public health. Moreover, it was necessary to support evacuations and emergency assistance for the victims in the affected areas.

** CH-T1010 Risk Management in Valparaíso. US\$150,000.*

The main objective of this technical cooperation is to contribute to the implementation of a DRM strategy in Valparaíso, Chile. To this end, the consultancy will mainly address the following issues: (i) analyze the city's vulnerability, mainly of the area designated as cultural heritage by UNESCO, for seismic events; (ii) prepare a strategy for risk management for the short and medium terms; (iii) make recommendations and prepare guidelines regarding these risks for the Patrimony Master Plan of Valparaíso; (iv) prepare specific measures that could be financed by the Program of Revitalization and Development of Valparaíso (CH-L1004).

** CH-T1027 Emergency for natural disasters at the VIII Region in Chile. US\$100,000.*

The objective of this operation was to provide resources for the immediate distribution of building materials to the people directly affected by the flood in the province of Concepción in the VIII Region of Chile. The TC was primarily used to purchase building materials for emergency repair to housing, and for adaptation of environments for the temporarily shelter of the affected residents.

** CR-T1022 National Emergency Systems. US\$14,298.*

As a result of an intra-regional effort, this technical cooperation was approved between Chile and Costa Rica. The objective of this TC is to enable personnel from the National Commission of Emergency in Costa Rica to take advantage of the lessons learned from the operation of the National System of Emergency in Chile. It also aims to allow personnel to learn about methodologies for the reduction of vulnerabilities and attention to disasters to be implemented in Costa Rica, through experiences learned in Chile, and about the obstacles that the implementation of the emergency system faced in Chile, in order to facilitate its implementation in Costa Rica.

It will also present features that will allow the member countries to benefit mutually from this TC regarding training and transfer of technology applied to natural disasters.

** EC-T1071. Emergency Assistance Due to Eruption of Tungurahua Volcano. US\$200,000.*

The objective of the this cooperation is to support the National Direction of Civil Defense, an institution that is by law entrusted with coordinating the actions of response to this emergency, the purchase of equipment and the necessary supplies to attend the emergency. Among the items financed were communication equipment, temporary lodging, non-perishable food, drinking water, medical supplies and medicines.

** GU-T1040 Support and Implementation and Monitoring of Hurricane Stan. US\$148,000.*

The general objective of this operation is to support the strengthening of the necessary institutional capacity to coordinate the execution and monitoring of the Program of Reconstruction of the damages caused by hurricane Stan. The specific objectives are: (i) to reinforce the general coordination, by means of the physical-financial monitoring systems established by the Program; (ii) to initiate an acquisitions' and contracting monitoring process of the Program; and (iii) to make available, and to create the channels to disseminate, public information on the Program. In order to achieve the above objectives, the TC also provided financing for data processing services.

** GU-T1042 Communication Strategy for Post-Stan Local Reconstruction. US\$100,000.*

The objective of this TC is to positively impact the adoption of safe practices of reconstruction in the five departments most seriously affected by hurricane Stan in Guatemala (San Frameworks, Escuintla, Sololá, Quetzaltenango and Chinaltenango), through the strategic application of communication. This project has the following objectives: (i) to maintain a high level of sensitivity among all those involved in the reconstruction efforts on a local scale (e.g., municipal and departmental authorities, counsels of reconstruction, technical units of environment, etc.) regarding the importance of incorporating prevention in their plans, projects and works; and (ii) to contribute to the management of technical information at the local level to achieve better coordination among the actors and a safe and efficient reconstruction.

** SU-T1024 Emergency Assistance Due to Flooding in Southern Suriname. US\$200,000.*

The objective of this TC was to support the emergency efforts of the Government of Suriname in May 2006, to assist the population of the affected communities in southern Suriname. Based on the Government's assessment of the most immediate needs, the Bank's financial assistance helped to adopt urgently required measures to provide food, medication, water, sanitation, and shelter material to the affected population, and to implement the necessary public health measures.

** RG-T1205 Regional Disaster Risk Management for Sustainable Tourism in the Caribbean. US\$800,000.*

The Regional Public Good to be produced is a DRM strategy for the Caribbean tourism sector, which will include the development of standardized methodologies for: (i) assessing the natural resource base to reduce vulnerability to natural hazards and promote sustainability of the Caribbean tourism sector; (ii) carrying out vulnerability assessments and risk mapping in the Caribbean; and (3) enhancing cooperation among Caribbean Governments through collaboration among the regional entities CDERA, CTO, CROSQ, and the UWI, for the development of an action framework to reduce the vulnerability of the most significant economic sectors in the region to natural hazards.

** RS-T1236 Technical support of a Japanese specialist for the implementation of the DRM Action Plan. US\$149,000.*

The IDB is seeking to bring technical skills to support the implementation of the Bank Action Plan and to strengthen the institution's ability to successfully meet its objectives. The proposed Japanese specialist will be a central resource for the Bank in carrying out a subset of the key tasks of the Plan. The specialist will support the implementation of the Action Plan in three principle areas: (i) provide technical support to the regions that are responsible for implementing the national risk evaluations, and other technical work for country dialogue and portfolio management; (ii) provide technical support to project teams in the operational departments to help them review potential disaster risk and incorporate appropriate mitigation measures; (ii) establish effective partnerships to promote coordinated actions and mobilize resources to support countries' DRM.

4. REGIONAL DISASTER POLICY DIALOGUE ACTIVITIES

The Disaster Policy Dialogue was created 2001 as a forum of high level (vice-ministers) government officials to exchange experiences, and new, innovative knowledge on DRM practices around the world. It includes a hemispheric meeting once a year in Washington and several sub-regional events.

During 2006, the Policy Dialogue held the following meetings:

4.1 Hemispheric Meeting (Washington, DC) April 2006.

Discussion topic: Progress made in the Implementation of Disaster Risk Management Indicators in Latin America and the Caribbean.

For the VI Hemispheric Meeting, the IDB – at the Network's request – commissioned studies on “Disaster Risk Reduction Infrastructure and Loss Financing for Economic Development in the Caribbean – the Case of Jamaica and Grenada”, on “Potential Disaster Risk Reduction Strategy Elements for Ecuador”, on “Disaster Risk Management Indicators for Bolivia” and a document on “Disaster Risk Management Policy”. The participants gained new insights into the actual and potential application of the Disaster Risk Management Indicators Program developed by IDB/IDEA, as well as its current limitations. Of particular interest was the application of certain indicators to specific economic sectors – e.g. the oil or transport sector – with a view to designing strategies aimed at reducing disaster risks.

4.2 Caribbean Subregional Meeting (Barbados) June 2006.

Discussion topic: Advancing in Strategies for Dealing with Multiple Events: the Perennial Vicious Cycle of Natural Hazards in the Caribbean.

The Meeting highlighted the benefits of *ex-ante* DRM and enabled the participants to discuss ways in which to improve financial planning and budgeting for disasters. Moreover, during the discussions on the use of DRM Indicators, the participants came to appreciate the need for providing decision-makers at all levels of government and in the private sector with appropriate socio-economic information on the financial impact of disasters, in order to facilitate timely and appropriate decisions in the context of DRM.

4.3 Andean Subregional Meeting (Cochabamba, Bolivia) October 2006.

Discussion topic: Transforming Good Intentions in Concrete Actions.

The 2006 Andean Subregional Meeting was held on the eve of a subregional meeting hosted by the Andean Committee for Disaster Prevention and Assistance (CAPRADE). This gave officials responsible for Disaster Response an opportunity to meet and discuss DRM with officials in charge of preparing for disasters and mitigating the impact - through diligent risk assessment and risk reduction measures. As a result, the participants gained a greater understanding of the challenges inherent in incorporating DRM at all stages of development planning, budgeting and policy formulation, and the need to coordinate activities with all the actors involved.

5. COOPERATION WITH OTHER AGENCIES

5.1 Global Multilateral Agencies

The *International Code Council Foundation* awarded the Bank the 2006 Silent Defender Award to honor its actions in natural hazard risk mitigation.

International Strategy for Disaster Reduction (ISDR) of the United Nations. The IDB was invited and participate in the review of the ISDR's Global Platform for Disaster Reduction and contributed to the preparation of a review of progress of the international agencies in mainstreaming disaster risk reduction in their development programs. The document prepared by Tearfund under a contract with the ISDR showed that the Bank is more advanced than most other development agencies in disaster risk management.

*ProVention Consortium*⁵. The IDB contributed with its experience in mainstreaming disaster risk reduction in programming and project preparation work to the ProVention's research and publication *Tools for Mainstreaming Disaster Risk Reduction; Guidance Notes for Development Organizations*. The Bank also participated in the ProVention's Annual Forum in Bangkok, Thailand on February 2006, where risk reduction incentives was a central theme.

UNDP. As a continuation to past collaboration on the theme of Disaster Indicators, the IDB contributed to the design of the Global Risk Identification Program (GRIP) of the UNDP. GRIP helped identify pilot projects for the financing by the IDB through the Disaster Prevention Fund in several high risk Latin American countries.

The World Bank. IDB has been in constant cooperation with the World Bank especially on the themes of financial instruments and risk transfer. In 2006 the collaboration included the contributions to the design and implementing discussions concerning the World Bank initiatives of the Global Facility for Disaster Reduction and Recovery (GFDRR). The IDB coordinated its position concerning the Facility with the Asian Development Bank. The IDB also cooperated with the World Bank in the creation of the Caribbean Catastrophic Risk Insurance Facility (CCRIF). The World Bank staff contributed to the IDB's working group work on disaster risk finance. At country level there was coordination both in Central and South America in disaster risk management project preparation.

⁵ A consortium established in 2000, currently located at the IFRC. The aim is to address the increasing frequency and severity of natural disaster and their social.

5.2 Regional Organizations

Caribbean Development Bank. As part of a Joint CDB-IDB Joint Initiative on Mainstreaming Disaster Risk into National Planning in the Caribbean, the Presidents of IDB and CDB co-hosted a Technical Workshop on The Management of Disaster Risk into Fiscal and Budget Planning on June 26 and 27, 2006 in Barbados. The event provided an opportunity for the initial exploration of financial instruments and exposure to practical tools for the participants, including permanent secretaries from the Ministries of Finance and Planning. The IDB and CDB expressed their commitment to maintaining a high-level dialogue on this important topic, and to develop, in partnership with governments, a comprehensive list of strategic issues and priority needs in DRM for further discussion.

Caribbean Disaster Emergency Response Agency (CDERA). IDB Adaptation for Climate Change and Disaster Mitigation: Township Planning Strategies for Storm Surge in the Caribbean Project (IDB ACC Township Planning Project). This technical cooperation seeks to develop the capacity and methodology for incorporating risk associated with storm surge hazard into the long-term development strategies of Caribbean town-planners and emergency managers. During 2006 a risk assessment was completed for Portmore, Jamaica.

The Andean Committee for Disaster Prevention and Assistance (CAPRADE). The IDB and CAPRADE organized two meetings in a coordinated manner in Cochabamba, Bolivia in October 2006. CAPRADE attended to observe the Subregional Regional Policy Dialogue meeting for the Andes. The IDB presented its financial instruments, and especially the Disaster Prevention Fund at CAPRADE's VIII meeting with the presence of high level Andean country government officials.

Coordination Center for the Prevention of Natural Disaster in Central America (CEPREDENAC). CEPREDENAC participated, contributing to the discussions in the VI hemispheric meeting of the Natural Disaster Network of the Regional Policy Dialogue celebrated in Washington DC on April 2006.

Economic Commission for Latin America and the Caribbean (ECLAC). Disaster Information Program (ATN/JF-7906-RG) and five country studies with national seminars and a regional meeting were implemented by ECLAC with IDB funding.

Organization of American States (OAS). The OAS coordinated the preparation of an inter-institutional document *The Economies of Disaster Mitigation in the Caribbean*. IDB collaborated by preparing the Chapter II of this paper – *Natural Hazard Risk Identification, Risk Indexing, and Risk Management at a National Level*. The IMF and the World Bank contributed to the preparation of the other chapters. The Bank participated in two OAS organized workshops: (i) in Kingston, Jamaica on Disaster Risk Management in Sustainable Development and (ii) in Cochabamba, Bolivia, on Regional Networking in Disaster Reduction in October, 2006.

5.3 Bilateral Agencies

There were coordination work with USAID and GTZ regarding the preparation of the Training Plan to support the implementation of the Disaster Risk Management Policy. A series of activities under cooperation with Japanese Government has been implemented; Financial Instruments (ATN/JF-9351-RS), Country Risk Assessments (ATN/JF-0349-RS), Japanese Specialist for DRM (ATN/JC-10122-RS) and Information of DRM (ATN/JF-7906-RG).

A new trust fund – Multi-donor Disaster Prevention Trust Fund created under the coordination with the Governments of Japan, Korea and Spain.

6. PUBLICATIONS

The following documents on DRM aspects were published in 2005 and 2006, and disseminated in 2006:

- *Indicators of Disaster Risk and Risk Management*. Omar Dario Cardona. 2005. Summary report and technical report. In English and Spanish. Special Sustainable Development Department Publication.

http://www.iadb.org/sds/publication/publication_4161_e.htm

- *Gestion de riesgo de amenazas naturales en proyectos de desarrollo: Lista de preguntas de verificacion (“Checklist”)*. Kari Keipi, Sergio Mora Castro, Pedro Bastidas. 2005 (Spanish with English summary). Working Paper ENV-144.

http://www.iadb.org/sds/publication/publication_4010_e.htm

- *Strategies and Financial Instruments for Disaster Risk Management in Latin America and the Caribbean*. Stuart Miller and Kari Keipi. 2005 (English) 2006 (Spanish). Working paper ENV-145.

http://www.iadb.org/sds/ENV/publication/publication_2530_4102_e.htm

- *Exploiting International Financial Markets to Manage Natural Hazard Risks in Latin America*. Ivar Pettersen, John Skjelvik and Nils Krokeide. 2006 (English and Spanish). Working paper ENV-146

http://www.iadb.org/sds/ENV/publication/publication_2530_4296_e.htm

- *Applications of Risk Financing Techniques to Manage Economic Exposures to Natural Hazards*. Torben Andersen. 2006 (English). Working paper ENV-147.

http://www.iadb.org/sds/ENV/publication/publication_2530_4250_e.htm

DISASTER RISK MANAGEMENT POLICY DIRECTIVES

A-1. Programming

Dialogue with borrowing member countries. The Bank will seek to include the discussion on proactive disaster risk management in the dialogue agenda with borrowing member countries, in order to identify priority areas of intervention – to be discussed and agreed with the borrowers for the development of country and regional strategies, as well as operational programs.

The Bank will identify countries according to their level of exposure to natural hazards based on existing indicators and Bank experience, and suggest measures to reduce the risks. These measures may include policy reforms, specific institutional strengthening and land use planning activities, measures of financial protection (including risk transfer schemes), and investment projects conducive to reducing vulnerability at the national, regional and municipal levels.

A-2 Risk and Project Viability

Identification and reduction of project risk. During the project preparation process, project teams will determine whether the projects have high exposure to natural hazards or show high potential to exacerbate risk. The findings will be reported to the Bank through the social and environmental project screening and classification process. Project teams should consider the risk of exposure to natural hazards by taking into account the projected distribution in frequency, duration and intensity of hazard events in the geographic area covered by the project.

Project teams will carry out a natural hazard risk assessment for projects that are considered highly exposed to natural hazards or thought to have a high potential for exacerbating risk. Special care should be taken to assess risk for projects that are located in areas that are highly prone to disasters as well as sectors such as housing, energy, water and sanitation, infrastructure, industrial and agricultural development, and critical health and education facilities, as applicable.

B-1 Loan Reformulation

Redirecting resources from existing loans. As part of its response to a disaster, the Bank may tap resources from existing loans, after carefully evaluating the benefits and opportunity costs of loan reformulations and ensuring that adequate mechanisms are in place to for monitoring, auditing and reporting on the use of the redirected funds in a transparent manner. The Bank will define the amounts and proportions of redirected resources to be dedicated to prevention, in order to reduce the future vulnerability to disasters of the new programs to be funded. The criteria for loan reformulation will be set by project teams, taking into account the specifics of each emergency and reconstruction situation and the relevant Bank procedures for loan reformulations.

B-2. Reconstruction

Avoiding rebuilding vulnerability. Operations should include the precautions to be developed in project design, as well as current deficiencies in risk management policies and institutional capacity. A significant share of the new investment will be earmarked to reduce vulnerability to future disasters and improve the country's capacity for comprehensive DRM. Particular attention must be given to lessons learned from recent hazard events. The Bank will not accept that pre-disaster conditions persist in all or part of the affected area.

B-3. Humanitarian Assistance

Limited Bank role. Humanitarian assistance supported with Bank funding may be granted only if the government has formally declared a state of emergency or disaster. This funding will be provided only through emergency technical cooperations, to be implemented during or immediately after a disaster.

RATIONALE FOR DISASTER PREVENTION FUND AND PROJECTS IDENTIFIED FOR FINANCING IN 2006

1. Rationale.

The use grant Disaster prevention investments has been very limited in Latin America and the Caribbean. Reasons for this situation and needs for IDB action were analyzed. The IDB may help its clients through the financing with grant resources due to the following reasons:

- *Increasing supply for prevention financing.* Many countries in the region face significant shortfalls for post-disaster reconstruction finance. Also few countries in the region have established specific instruments to finance prevention and mitigation of disasters. The Disaster Prevention Fund provides resources to fill the gap.
- *Provision of more information for decision makers.* Even though the general awareness of the importance of the risk is growing, there is still a lack of detailed information about risks for both decision makers and the civil society. Experience shows that identification and preparation of investment projects with adequate and properly presented information about risk facilitate decision makers to prioritize investing in preventive measures. The fund finances risk identification and preparation of financial strategies.
- *Institutional strengthening for proactive DRM.* Good information alone is not enough for effective proactive DRM. It is necessary for countries to implement it. Most countries in the region however, lack institutional capacity to identify, promote and implement proactive DRM even if there were information. The resources of the fund may be used to strengthen key institutions in the countries.
- *Improving knowledge of the Bank about risk.* There are a number of “information gaps” between what is necessary to implement proactive DRM approach and what is achieved by the Bank. The lack of information misses opportunities for the Bank to identify risk as a priority in country programming not to setback their pace of development.

2. Projects identified for the financing of the Disaster Prevention Fund

The following table shows the project identified during 2006 for the financing with the Disaster Prevention Fund.

IDB Region 1

Country	Project	Estimated amount to be financed (US\$)
Bolivia	Capacity building of the Weather System to evaluate threats of intense rains	450,000
Bolivia	Capacity building of the Prefectura of Tarija for the management of natural disasters	250,000
Chile	CH-T1035 Early Warning Centers Pilot Project Profile sent to Programming Committee	800,000
ESTIMATED TOTAL 2007		1,500,000

IDB`Region 2

Country	Project name	Estimated amount to be financed (US\$)
Belice	Pilot project to implement national risk management plan at regional level	600,000
El Salvador	Disaster Management for Floods and Mudslides in the Rio Grande de San Miguel and Rio Paz basins	1,000,000
Haiti	Management of disaster risk in government investments in energy and transport	200,000
Mexico	Earthquake reduction risk in the cities of Baja California	250,000
ESTIMATED TOTAL 2007		2,050,000

IDB Region 3

Country	Project	Estimated amount to be financed (US\$)
Colombia	CO-T1039 Galeras Volcano - Formulation of an Action Plan to mitigate risks of volcanic activity	150,000
Ecuador	EC-T1081 Strengthening of the Risk Management capacities in Esmeraldas	150,000
Jamaica	JA-T1019 Coastal Zone Management	800,000
Regional	Strengthening the Prevention Capacity for disasters in the countries of OECS of the Caribbean	400,000
ESTIMATED TOTAL 2007		1,500,000
ESTIMATED OVERALL TOTAL 2007		5,050,000

DISASTER RISK MANAGEMENT SURVEY IN THE BANK

To verify training and communication needs to be addressed during the execution of the Disaster Action Plan, a survey was carried out at the Bank with more than 260 responses. The responses suggested staff is well aware of the importance of DRM. However, there is a lack of knowledge about the topic. Staff does not have the necessary training on how to incorporate DRM in their daily work. The respondents felt that the incorporation of DRM in the work priorities and operational work at the Bank had been inadequate.

Figure 1. IDB staff survey: Perceived importance of disaster risk management for the borrowing member countries

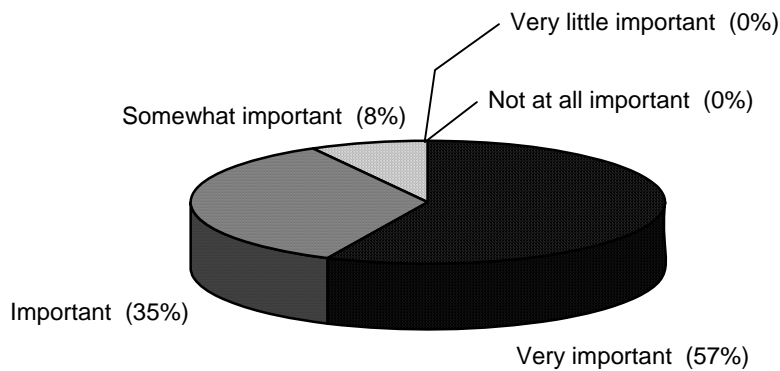


Figure 2. IDB staff survey- response to question: Is disaster risk management considered in project design?

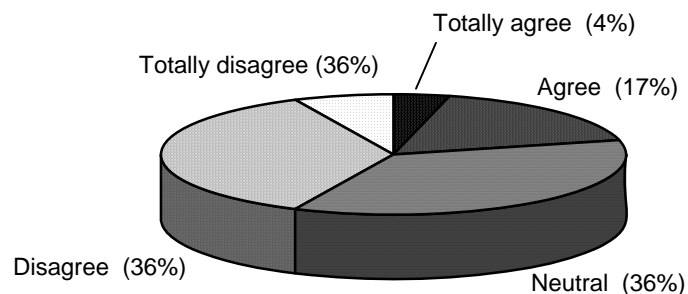


Figure 3. IDB staff survey: Main limitations for the integration of disaster risk management in IDB programs

