

# Effectiveness of Assistance for Natural Disasters

Preston Auditorium

April 21, 2006

Opening Address delivered by

**His Excellency Ali Babacan  
Minister of State in charge of Economy  
Republic of Turkey**

April 21, 2006

Mr. President,  
Distinguished Guests,

I am very glad and honored to be here to address you on this important conference of "Effectiveness of Assistance for Natural Disasters" organized by Independent Evaluation Group (IEG). I would also like to share experience and lessons of my country, which is prone to natural disasters, mainly earthquakes.

Natural disasters have always been and increasingly continue to be a major threat to the wellbeing of citizens and economic development of countries, as the IEG's recent evaluation puts forward. I think this reality has been widely recognized after the recent disasters in Asia. Studies show us that in 1990s the annual average losses stemming from natural disasters have been US \$ 63 billion and this figure is estimated to reach to US \$ 300 billion by 2050<sup>1</sup>. We also know that the human cost is high. Over the 1984 – 2003 period more than 4.1 billion people, of which almost 2.6 billion in the second half of this period, were affected by natural disasters<sup>2</sup>. Both figures indicate that there has been an increasing trend in economic and social loss of natural disasters.

As we know, in developing countries losses due to disasters are much higher than the developed countries. Annual economic losses of developing countries, in percentage of GDP are 20 times higher than the developed countries. Developing countries have lost up to 15 % of their annual GDP because of catastrophic events<sup>3</sup>.

Distinguished Guests,  
These figures tell us that preventing the losses from natural disasters and managing the risks stemming from them is a main challenge for the development agenda.

It is true that what makes the developing countries more vulnerable to disasters is the lack of development itself, such as low quality of construction, lack of building code enforcement and land use practices. For this reason, I firmly believe that we need to

---

<sup>1</sup> Reducing Disaster Risk: A Challenge for Development, A Global Report, April 2004, UNDP

<sup>2</sup> Hazards of Nature, Risks to Development An Evaluation of World Bank Assistance for Natural Disasters, March 2006, IEG

<sup>3</sup> Reducing Disaster Risk: A Challenge for Development, A Global Report, April 2004, UNDP

build disaster risk into our development strategy. In order to eliminate those deficiencies, developing countries need to invest a huge amount of financial resources in capacity building and disaster preparedness activities, which is clearly beyond the scope of their capabilities. Therefore, technical and financial assistance of multilateral institutions and donor countries have critical importance for developing countries to overcome those bottlenecks.

Perhaps, the most effective way of providing assistance for natural disasters is to support activities aiming at preparing for disasters before they hit rather than post disaster relief activities. We know that it is impossible to completely eliminate the risks from natural disasters under the current technological setting, but it is quite possible to reduce their adverse impacts to a major extent. Such a proactive approach would decrease potential damages to both human life and physical wealth of a country, thus help save the resources.

It is a very well known fact that disasters are growing in number and economic losses have increased sharply. We also know where they are likely to occur in. However, the international community is still ignorant to take proper actions before the occurrence of the disasters, but rather wait to react after they occur.

I regret to say that the case was similar in Turkey, although our history is full of many catastrophic events, particularly earthquakes. Currently, 96% of the country's land is at risk of earthquakes, also 70% of the population is vulnerable to seismic risk and about 75 percent of industrial facilities are located in earthquake-prone areas<sup>4</sup>. The turning point in the change of our disaster management approach is the Marmara earthquake in 1999, which caused more than 18000 fatalities, physical damages and halt of the economic activities for a certain period, has been warning for us about the devastating impacts of natural disasters on the economy. Beyond the fatalities and injuries, the economic losses caused by the Marmara earthquake amounted to US\$ 9-13 billion. In other words, approximately 5-7% of GDP has been lost in this tragic event.

Let me say a few words about our long-standing collaboration with the Bank on our disaster recovery and preparedness efforts. The World Bank has been a leading lending institution after major natural disasters affected Turkey in the last 14 years, providing approximately US\$ 1.5 billion. After the Erzincan earthquake of 1992, following a wave of floods in Western Black Sea and the earthquake in Adana province in 1998, the Bank always there to help us . Through the Bank funded projects and programs Turkey was able to respond quickly and effectively to the urgent needs of the disaster victims such as immediate cash benefits for shelter and food. In addition, repair of physical infrastructure and the building of new disaster resilient permanent housings were successfully realized in a very short period of time. Let me express my gratitude to the World Bank for its massive financial contribution to disaster projects and also for its leading role in the coordination of donor assistance for these projects. In this regard, the Bank's technical and financial assistance to Turkey's post disaster recovery efforts is more than welcome and highly appreciated. However, we attribute higher value to the Bank's involvement in

---

<sup>4</sup> Doğal Afet Sigortaları Kurumu Web Page

the design of activities that aim at institutional capacity building and thus reducing the vulnerability of our country to future possible disasters.

Most of those institutional and regulatory deficiencies I mentioned before, which make developing countries more vulnerable to disasters are also valid for Turkey and these deficiencies aggravated the impacts of previous earthquakes. As I said earlier the enormous scale of problems after the Marmara earthquake awakened and forced us to implement bold and forward looking actions. In this regard, the MEER Project has also put a very comprehensive disaster management and institutional building agenda for Turkey. The activities consisted of a wide spectrum of institutional and regulatory measures like the establishment of a national emergency management agency, introduction of a disaster insurance scheme, and changes to several regulations related to natural disasters. Our government has been dedicated to pursue these measures and we have got a sparkling achievement and good improvement in several components.

In this respect, I am happy to state that a national compulsory disaster insurance pool was successfully launched in 2000 in order to offer earthquake insurance for private dwellings. This was a major step for Turkey to pass the financial risk of earthquakes from national budget to private sector by establishing long term reserves in financing future earthquake losses. The number of policies sold reached to nearly 2.5 million within a very short period of time. Please note that this is the 2<sup>nd</sup> biggest earthquake pool, ranking after the Japanese one. Initially, insurance scheme was made compulsory due the fact that insurance consciousness is very low in Turkey. With the introduction of compulsory earthquake insurance scheme, a reliable method of compensation is provided for homeowners without reverting to the government budget. Social solidarity and risk sharing are effectively maintained through payment of affordable insurance premiums. Meanwhile, a large amount of the risk is ceded to the international insurance markets, this likely to continue until sufficient financial resources accumulated within the pool. Through all aforementioned measures we succeeded to minimize the contingent fiscal burden of a possible disaster on the state budget.

The other major institutional component of MEER Project was the establishment of an emergency management agency. With the support of the Bank, we set up General Directorate of Turkey Emergency Management (TEMAD) with the overall responsibility of coordination and integration of the risk mitigation strategies and activities at the national level. During implementation, we recognized that it is not easy to build strong and sustainable disaster management institution in a short period of time. In this respect, we are working on a new law bringing together all elements related to natural disasters through which the roles and responsibilities of all related institutions before and after disasters and the cooperation and coordination among them will be defined clearly.

In this regard, I would like to mention that we share the view that although use of Emergency Recovery Loans (ERL) is well suited to fund urgent needs, they are less appropriate for longer term development activities, such as mitigation, reconstruction and institution building, which require a longer preparation and appraisal time. Depending on our experience from the MEER Project, I would further like to draw your attention to the issue that design and implementation of capacity building take

much longer time than the reconstruction activities. Usually there may be a good logic behind putting institutional building and reconstruction activities under the same financing package. However, the need for rushing in reconstruction activities might lead to some important elements for implementation of institutional components to be overlooked, which would take time to fix thereafter. Therefore, enough consideration should be given to the full participation of the key implementing agencies during the project design stage and leaving enough time for them to elaborate on the issues at stake in order to increase the ownership and thus decrease the possible delays in implementation period. This issue might become especially important if the Bank operation envisage a major change and restructuring in the current institutional setting as in the case of MEER project.

Dear Audience,

It is usually a hard choice for developing countries to divert their limited resources from short term development needs to preparation for an event that would be confronted at an uncertain time period. Investing in such activities even might be perceived as a luxury or a politically wrong action for the poorer countries. But it is hard reality that disasters may hit at any time and the cost of being caught unprepared become much more expensive. Figures from researches have convinced us that the rate of return on risk mitigation activities would be enormously high. For example, every additional dollar spent for structural system during construction might save up to 40 dollars in terms of losses from future damages, also every one dollar spent for retrofitting savings are up to 8 dollars<sup>5</sup>.

In close support of the Bank, we have moved forward to take proactive operations with a greater focus on vulnerability reduction. There has been a rising consciousness in Turkey about the importance of risk reduction and preparedness activities as it can be observed from the rising share of resources allocated for such activities with each successive Bank financed project. The share of loan allocated to risk mitigation and disaster prevention activities, which was 10.5% under the first investment loan in 1992 gradually increased to 27.6% under the second operation in 1998 and to 64.1% under the ongoing Marmara Earthquake Emergency Reconstruction (MEER) Project in 1999.

Having said all that I am now proud to say that Turkey is one of the groundbreakers in disaster mitigation and risk reduction. In recent Bank financed Istanbul Seismic Risk Mitigation and Emergency Preparedness Project we came to a point that the project solely devoted to earthquake risk mitigation. It is the first time in history that Turkey is fully able to display a proactive and strategic approach to disasters. Also, maybe it is one of the first projects in the world that completely focuses on risk mitigation and preparedness activities. The project has three main components: retrofitting of priority public buildings beginning from the most critical ones, enhancing emergency management and communications systems by improving the technical and institutional capacities of local public agencies and building code enforcement. Although we are going through a period of tight budgetary policies as required by our economic program, my government has the honor to take the initiative in starting this project as we firmly believe in the benefits of proactive measures and fully dedicated to the accomplishment of its objectives. We have started to employ our new proactive

---

<sup>5</sup> İSMEP Projesi Hazırlık Çalışmaları, Başbakanlık Proje Uygulama Birimi, 2005

approach in Istanbul because of the high seismic risk of the city and its economic and social importance for Turkey. Our aim is to replicate this project in other high risk areas of the country as our budgetary constraints permit.

I gladly note that the experiences and lessons drawn from the previous Bank financed operations have been taken into account in the construction of this new project, which I believe will improve the effectiveness of the assistance provided. Consistent with the IEG's finding that accelerated project processing is not always desirable, we have spent three years on project preparation in order to design a project that best fits the needs of the country. Through several consultation meetings the feedback from all related agencies has been taken into consideration in the project design.

While we have many accomplishments we are proud of, there are many challenges need to be addressed. In order to induce production of disaster-resistant buildings and thus reduce the vulnerability of Istanbul in particular and of Turkey in general, we also work on the changes to several legislations; better enforcement of building codes, finding right policy and incentive system to seismic reinforcement of private buildings and better land development regulation.

Dear participants,

Our government gives high priority to the decentralization of central government's functions and responsibilities including disaster management and took important steps in this direction through the local government and public sector reforms. ISMEP Project is well suited to this reform agenda since the implementation responsibility has been completely delegated to a local administration unit, i.e., Istanbul Province Special Administration.

Along all this developments at national and local levels I am glad to state that we have already incorporated disaster risk to our development strategy and plans, thus started to gradually reducing risk that turns natural events into disasters and even catastrophes.

Before closing, I would like to quote the statement in IEG report that "nature creates hazards, but the actions of people, societies, and governments create disasters". I firmly believe that if we are committed and engage our societies to take preparedness and mitigation measures at the adequate level many potential disasters will turn to be natural events. In this respect we need to prepare our institutions and communities to deal with disasters as a matter of routine.

I wish a fruitful discussion and hope your findings will lead to a change in the thinking of global community against disaster.

Thank you all for your patience.