



Foreword

Natural disasters occur throughout the world, but their economic and social impacts have been increasing and are generally much greater in developing countries than in developed ones. Disasters can wipe out development gains and eclipse years of development investment.

In Mozambique, Bank lending financed the construction of 487 schools over a 20-year period, but just one recent disaster, the floods of 2000, damaged or destroyed about 500 primary schools as well as 7 secondary schools. The Kashmir earthquake of October 2005 caused an estimated \$5 billion in damage in Pakistan, roughly equivalent to the total official development assistance for the preceding 3 years, and equivalent to the amount the World Bank had lent to the country over the preceding 10 years.

Until recently, disasters were treated as one-time, random events by governments and the agencies that helped them respond. But we know from experience that disasters strike with regular periodicity—and repeatedly in some parts of the world. The potential for disaster is foreseeable to the extent that it is possible to predict generally where an event is likely to occur at some time in the near future (but not precisely when or its magnitude). Hence, low-lying coastal areas on the Bay of Bengal will experience more flooding, and small island states in the Caribbean and countries along the Gulf of Mexico will be repeatedly hit by hurricanes.

The Bank and much of the development community must take into account in their strategies how frequently disasters occur, and how often they strike the same countries. The Bank's lending shows that disasters follow a clear pattern: Ten borrowers accounted for 208 of the 528 disaster-related projects (39 percent) in the portfolio over the 1984–2005 period. Bank lending commitments also are concentrated—7.5 percent of projects received 32 percent of the financing.

Disaster is still sometimes treated as an interruption in development rather than as a risk to development in the approaches of both the country and the Bank. Of current assistance strategies for countries that have received Bank support in natural disasters, 44 percent did not mention them. Even in the 40 countries that have had 4 or more disaster projects, one-third of the strategies did not mention disaster. And, for the subset of countries that had an extensive history with disasters (more than 8), about a third did not mention disasters at all. Project loan documents rarely consider natural events as a risk, even in highly vulnerable countries, although 176 projects were adversely affected

by disaster during implementation. We need to find ways to integrate these risks more centrally into development assistance to improve effectiveness.

It should be recognized that the Bank has demonstrated considerable flexibility in its approach to natural disasters and has learned to manage large and small responses well. Bank staff have often been innovative and have demonstrated the capacity to manage massive reconstruction on many levels: more than 60 different kinds of activities have been undertaken in disaster-related projects, ranging from rubble clearance to construction of transport infrastructure systems.

The Bank has also demonstrated its ability to work with donors in a shared response and has adapted policies and procedures to ensure that assistance can be delivered expeditiously. Joint damage assessments have become an important mechanism for engaging with other donors and ensuring that borrower needs are met without overlaps.

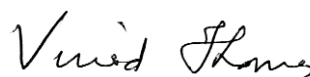
Almost 80 percent of Bank-financed natural disaster projects were rated satisfactory for outcomes, compared with the Bankwide average of 72 percent for the same period. These ratings reflect particular effectiveness in rebuilding physical infrastructure and in provision of materials and equipment. In general, though, disaster responses have tended toward the reactive and tactical, when a proactive and strategic approach would have had longer-term benefits. Furthermore, attention to the poor has been especially difficult to accomplish in disaster projects.

When disaster strikes, funds are needed immediately, and are often diverted from development because no contingency funding is available. The financial cost of responding to the most recent events has stimulated interest

in creating global and regional funding solutions. But even if these are eventually established and the Bank decides to be a part of such solutions, the Bank's engagement with client countries will have to ensure continued focus on avoiding the next disaster, rather than waiting for it to happen. Countries need to become more proactive rather than reactive, and Bank support to countries must do more to encourage this shift.

The funding mechanisms used by the Bank need to be rethought: balance of payment lending has been relatively quick-disbursing, but disbursement often does not take place in the post-disaster period. The Bank has increasingly used the Emergency Recovery Loan (ERL) in responding to disaster, even when other instruments may be more appropriate to achieving long-term reduction of vulnerability. Several attempts to establish insurance and contingency financing have helped focus government attention on the development issues of disasters, but too few have been completed and evaluated to judge their value. Finally, loan reallocations are used much more frequently than other types of Bank disaster responses in highly vulnerable countries, putting development goals at risk.

This report recommends several adjustments to the way the Bank currently handles natural disasters. First, it suggests revisions to policy to better guide staff and enhance flexibility of Bank responses to natural disasters. Second, it encourages increased Bank capacity to respond to disasters and to ensure that it can be mobilized quickly. Finally, it recommends that the Bank prepare a strategy or action plan for natural disaster assistance that includes an assessment of each country's level of disaster risk, and differentiation of approach on the basis of that assessment.



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