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

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

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

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