Keynote Speech
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The World Bank

“Global Facility for Disaster Reduction and Recovery”

It is my pleasure to be here and present the keynote speech, looking at the new initiative to enable and accelerate the implementation of the Hyogo Framework. It is very important for us to realize that development has not been understood from its start. The International Development Bank for reconstruction and development with its launch in 1947, and during the first 20 years of its work it did not do development at all. Actually, its first development project was in 1964. The idea of development grew out of reconstruction of disaster damages and at the beginning, it was understood as a matter of construction and reconstruction of infrastructure, and we have heard that the processes of development grew more complex as we understood throughout the year. The need was for institutional capacity, human development, environment, poverty, and governance, and today it is further extended to risk and sustainability. So in fact, what we are doing today is bringing one more dimension to the understanding of the complex process of sustainable development. Reconstruction has always been a large portion of the World Bank activity, and the Bank has done self-standing reconstruction projects for 26 billion dollars. But, in fact, a lot of activity that is done for reconstruction goes somehow unnoticed because it is composed of re-allocation of funds that were otherwise dedicated to long-term development. In 20 years we have done self-standing 528 projects and these reconstruction projects have focused only on prevention.

We often have multiple disasters and now we are realizing that a particular attention has to be given to more vulnerable people; the elderly, the marginal group, the poor, and women. You can see that the share of the portfolio in natural disasters is increasing in every quintile and this number is growth under estimation because it does not touch on the real locations. Today we have understood that disasters are not a humanitarian issue to which you respond after it occurs as a curse to some communities, but it is really a development issue, part of the work of good management. Disasters erode development gains, for example, the last great earthquake in Pakistan is costing the government equivalent of three years of development aid. So, not only the government needs to repair because a numbers of years of progress have been erased. Also disasters affect the poor disproportionately, in particular in a time when rapid urbanization takes place. So the issue of development and the issue of poverty come together with the hazard risk. Disasters, which have increased in numbers and in losses, are a development issue as they eroded development gains, affected the poor more, caused damages that had increased 15 folds since 1950, and the climate related-disasters have increased dramatically. There are 86 countries in the world which have more than 30% of their GDP or 30% of their population at a high risk of catastrophe. This is our major concern.

The Bank has fulfilled major independent evaluation of its portfolio of disaster reconstruction in the last 20 years. In fact, there are several findings that are critical. First, crucial activities for
vulnerability reduction take more than three years. Also vulnerability reduction and prevention have relatively weak demand. The terrible event of the Great Hanshin-Awaji Earthquake and Indian Ocean Tsunami have changed the mindset quite a bit in the world as public opinions have been horrified with the scales and horrific circumstances of the populations of the affected area. But still, reduction, and management of risk remains something that is not very high on most governments’ agenda. Early action has a major impact on the future, and decisions that are taken in the first few hours, in the few days and first few weeks have actually tremendous impact on the directions of sustainability of recovery. So they have to be planned properly. Often, funds are needed immediately when the government is taken by the catastrophe. These funds are not available immediately, and therefore there is reallocation and diversion of funds needed for a long-time program, and then disruption of development is multiplied. Finally, in the United States, 50% of damages were insured, while in a poor county the maximum would be two.

There are some positive findings on the evaluation of the World Bank’s performance on reconstruction. The World Bank has demonstrated flexibility as many different types of activities were presented according to their various circumstances. The World Bank is working with multiple sectors and is not assigned to one sector. Work with donors in a shared response has improved as all donors are learning to work together more effectively and we have seen it for example during Hurricane Mitch and in Turkey in 2000. Also another positive outcome is that projects of reconstruction have had overall a very good outcome and sustainability.

There have been, however, some negative findings on the performances of the World Bank. First it has been reactive and tactical. It has not really been proactive. It has not thought to have a place in the country assistance strategy. Another finding is that emergency 3-year interventions sometimes are rushed in order to look good and in fact miss their development goals. Finally the poor and special groups require special attention, and the attention to them has to be documented so that we may do it better, we may monitor it, and we may improve our impact. In the Bank, there is no mechanism to bring experienced staff, experienced with reconstruction to a situation. So there is a kind of need for the team to demand, like there is a need for a country to ask for or request for help, and not an automatic system that proposes support.

The recommendation from the disaster reconstruction portfolio that came out of these extensive works is of relevance to us today. Prepare a strategy for disaster assistance. Prepare it in the World Bank, prepare it in development institutions, and prepare it wherever you are responsible for public management. Revise the policies of the Bank to address risk management needs of all borrowers. Increase the Bank’s capacity to respond quickly and automatically, participate in the development of instrumental finance risk transfer, my participation in this august’ assembly as part of this implementation, and mainstream risk management as part of prudent public governance.

There have been some lessons from the Indian Ocean tsunami and the Great Hanshin-Awaji Earthquake. However there are two or three comments that come which are of relevance to all. First, we have noticed that sources of funding have diversified recently and private sources have become possibly more important than the public traditional funding. Secondly, there is a multiplicity of institutions coming and in fact sometimes overwhelming which sometimes bring complexity. Hence common policies, practices and pre-arranged coordination procedures are needed. Finally, the
national government also needs a level of preparedness for emergency plans and we see these among even the countries that are most developed, richest and better prepared. So, it’s not just the poor country and less industrialized country that has a problem of institutional preparedness.

In the face of this learning, in the face of this expectation, in the face of these increased risks, the Hyogo Framework of Action gives us the mandate, all of us, to contribute to reverse the increased trend of vulnerability and disaster loss before 2015. The World Bank is taking this matter very seriously and this is why I shall be presenting to you the global facility for disaster reduction and recovery, which is our contribution to help bring all the partners together. It wants to build global and regional partnerships, foster coordination at all levels and use those networks that exist much more to develop the recovery platform, bring together all these emerging structures, mainstream risk densification, risk reduction, risk transfer. At the same time in developing strategies, every single bilateral donor and multi-national institution has to do that work of retrofitting its own procedures. Also, all national governments have to make sure that they are prepared. Link effectively this work with poverty reduction as we have seen that we cannot achieve MDGs if we do not take into account the vulnerability of the poor. Bridge the knowledge gap in risk identification, reduction, transfer and preparedness; help stimulate demand for disaster mitigation, vulnerability reduction and adaptation to climate change. In these the World Bank wants to contribute with intellectual, with technical and with financial leadership.

This through the Global Facility for Disaster Reduction and Recovery which has three tracks where track 1 builds networks, global and regional partnerships and fosters coordination at all levels (implemented through UN/ISDR); track 2 mainstreams risk identification, reduction and transfer in development strategies and national long-term development strategies (led by countries and executed with their chosen development partners); and track 3 accelerates recovery through a standby recovery financing mechanism for low income countries without access to market financing and who have initiated a disaster prevention scheme.

Finally, I emphasize that knowledge of risk must be at the core of decision making process. The governance and management would be comparable to those that have been done in other partnerships. We have many partnerships in the Bank and we know what has worked well. Usually we have a consultative group which has a strategic oversight, a Steering Committee that works and looks at work programming detail, and a Technical Advisory Group that is made of experts well-known worldwide to provide ad-hoc support. It is expected that this Charter would be approved on February 23.

So, thank you very much, thanking the beautiful City of Kobe for the fantastic view in my hotel room.
Keynote Speech

International Forum on Tsunami and Earthquake

Global Facility for Disaster Reduction and Recovery

New Initiative to

Enable Accelerate the Implementation
of the Hyogo Framework for Action

Kobe, January 15, 2007

Reny van Lierhagen

Senior Advisor, USAID

Reconstruction

Infrastructure

Development and Risks understood through long learning process

Post-WWII IBRD

Reconstruction

Infrastructure

Growing share of Dedicated Reconstruction portfolio

Share of World Bank Portfolio in Natural Disaster Lending (in $ billion increments)

Disasters are a Development issue

- Erode development gains
- Affect the poor more
- Major impact
- Are predictable (70% of GDP in risk areas)
- Increasing damage in 1990s + 1.6 times than of 1950s
- Concentrated: 46 countries 30%+ GDP at risk

Disasters are Growing in Number and Extensiveness

Increasing numbers

Increasing losses

Hotspots Global Risk Analysis Scientific Benchmark of Risks

World Bank & Columbia University - Margaret Zarrow, Daniel P. Sheehan, Marla Malek, Laura Brunn, Jonathan Agnew, Tandy Boebers, Elizabeth Graham, Greg Krol, Timu H ench, Greg Yaksich

Climate-related disasters are growing more

<table>
<thead>
<tr>
<th>Disasters</th>
<th>Mean number of persons affected in the last 30 years</th>
<th>Mean number of persons affected in the last 5 years</th>
<th>Proportion of increase between the two periods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drought</td>
<td>11,400,000</td>
<td>44,743</td>
<td>-82%</td>
</tr>
<tr>
<td>Earthquake</td>
<td>20,781</td>
<td>6,043</td>
<td>-71%</td>
</tr>
<tr>
<td>Flood</td>
<td>2,545</td>
<td>14,515</td>
<td>+466%</td>
</tr>
<tr>
<td>Sudden</td>
<td>1,243</td>
<td>333</td>
<td>-72%</td>
</tr>
<tr>
<td>Volcano</td>
<td>5,395</td>
<td>31,763</td>
<td>+922%</td>
</tr>
<tr>
<td>Stormsurge</td>
<td>62</td>
<td>3000</td>
<td>+49000%</td>
</tr>
<tr>
<td>Wildfire</td>
<td>995</td>
<td>2,823</td>
<td>+185%</td>
</tr>
<tr>
<td>Storm</td>
<td>5,927</td>
<td>21,225</td>
<td>+255%</td>
</tr>
<tr>
<td>Total</td>
<td>13,825</td>
<td>20,708</td>
<td>+42%</td>
</tr>
</tbody>
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Lessons from the Disaster Reconstruction Portfolio 1/3

- Critical activities for vulnerability reduction take more than 3 years
- Vulnerability reduction / prevention have weak demand
- Early actions have major impact & need planning
- Often immediate funding is needed & is diverted from long term programs
- Insurance against hazards does not exist in poor countries is unaffordable.

Lessons from the Disaster Reconstruction Portfolio 2/3

- WB demonstrates flexibility in 60+ types of projects
- WB deals with multiple sectors
- Projects have higher outcomes & sustainability than average

Lessons from the Disaster Reconstruction Portfolio 3/3

Some negative findings:
- Reactive & tactical, not proactive & strategic in Country Assistance Strategy
- Emergency 3 year interventions sometimes rushed & not optimized
- Recovery for the poor requires special action & needs better documentation
- No mechanism to bring experienced staff & relevant knowledge to borrowers & teams

Lessons from the Indian Ocean Tsunami and great Hanshin-Awaji Earthquake

- Sources of funding have diversified & traditional IFIs lost their allocated funding
- About 300 projects in a very short time
- Classical institutions being phased out
- New institutions & practices are needed
- National Governments need a level of preparedness and an emergency plan


- Major partners: contribute to reduce trends in vulnerability & disaster losses by 2015

Global Facility for Disaster Reduction and Recovery

- TRACK 1: Support ISDR to develop a coherent & coordinated approach to risk reduction
- TRACK 2: Assets natural disaster hotspot countries to mainstream disaster risks in development strategies
- TRACK 3: Provide speedy & predictable recovery financing in disaster-stricken low-income countries
**TRACK I: Global & Regional Knowledge & Research**

- A partnership between the World Bank and the Inter-agency Secretariat of the International Strategy for Disaster Reduction (ISDR)
- Enhance global & regional advocacy
- Support partnerships & knowledge management for mainstreaming hazard risk management
- Promote standardization & harmonization of hazard risk management tools, methodologies & practices
- US$ 5 million from the World Bank - DGLO

**TRACK I - Results to date:**

- Regional Risk Reduction programs
  - South Asia: disaster risk management
  - Eastern Europe: disaster risk reduction
  - Latin America: disaster risk reduction
  - Middle East & North Africa: disaster risk reduction
  - Asia Pacific: disaster risk reduction

- Global Information System for Disaster Management (GISDM)
- Global Network of Risk Management (GNRM)
- Global Climate Information System (GCIS)

- Support for national and regional programs
  - South Asia: Nepal flood risk management
  - East Africa: drought management
  - Central America: earthquakes and volcanic hazards

- Strengthening institutional capacity at national, regional & international levels

**TRACK II: Mainstreaming Disaster Reduction at the Country level**

- Led by countries
- Executed with development partners selected by countries
- Countries engage at the time of PRSP
- 80 countries at high risk with 50% of GDP or of population at risk
- Mainstream hazard risk reduction & mitigation into Strategic Plans, especially poverty reduction strategies & sector policies
- Never been done before
- US $ 300 million over 10 years

**TRACK II - Activities**

- Institutional framework for risk management including policy, legal & organizational elements
- National plans for multi-hazard early warning systems
- Country frameworks to catalyze investment in hazard prevention, mitigation, and preparedness
- Learning, research, and knowledge management for current and future risks

**TRACK II: Projects for cost-effective hazard risk mitigation in critical infrastructure**

- Strengthen education & health infrastructure in hazard-prone areas
- Promote disaster-resilient housing
- Use of community-based initiatives
- Promotion of traditional construction techniques

**TRACK II: Pre-disaster recovery financing strategies & plans**

- Insurance coverage for disaster risks
- Insurance for immediate post-disaster recovery
- Development of multi-hazard - multi-sectoral insurance schemes
- Microinsurance
- Contingent credits
- Reserve funds

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**Keynote Speech**
International Forum on Tsunami and Earthquake International Symposium

**TRACK II Catalyze investment in risk prevention, mitigation & preparedness**
- National Hurricane, Cyclones / Typhoon Risk Mitigation Program
- National Earthquake Risk Mitigation Program
- National Catastrophic Risk Financing Program
- National Disaster Risk Communication Program

**TRACK II Public-private partnerships for mainstreaming disaster reduction**
- Establish regulatory & market-driven economic incentives for improved risk-based monitoring & maintenance of key public & private infrastructures
- Put in place a cross-industry public-private partnership to monitor compliance

**TRACK II Learning, research, and knowledge management for current and future risks**
- Documenting lessons from national experiences of disaster recovery and mitigation
- Research in management of current and emerging risks
- Documenting traditional coping mechanisms
- Research on climate change management and adaptation
- Managing the risks due to sea level rise

**Track II Results to date**
- Work started in Malawi, Mozambique, Nepal, Nicaragua, Vietnam
- Enthusiastic donor response
- UK & Switzerland have already contributed
- Japan, Sweden, Australia & Denmark have expressed with details being negotiated
- EC, Canada, Germany, Spain and other donors support being discussed
- Many recipient countries keen to contribute

**TRACK II Phasing of countries**

**TRACK II Other Perspectives**
- Knowledge & Technology Transfer Fund
- Space Application in disaster reduction Fund
- Catalytic fund for Private-Public Partnership in disaster reduction and recovery

**TRACK III Accelerated Recovery**
- A Standby Recovery Financing
- For low-income countries without access to market finance and who have initiated a disaster prevention scheme
- Under design
- To be operated through a mechanism linked to the International Development Association
- Close cooperation with UN and IFIs

**TRACK III Features**
- Rapid & predictable funding for disaster recovery
- Enhance global preparedness for recovery
- Avoid reallocating development resources
- An incentive-based financing mechanism for low income countries to invest in ex ante risk management
**TRACK III**

- Phase 1: US$ 60 million
  - Greater institutional preparedness for accelerated recovery
  - Pre-disaster Coordination among all stakeholders
  - Pre-disaster agreements on tools, co-financing
  - Phase II (to be estimated)
  - Linked to 6% ex-ante investments
  - Rapid and predictable financing available for a sustainable disaster recovery operation

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**Governance and Management**

- Co-chaired by IF, UN, & World Bank
- Members: Contributing Member, International Co-Chair
- Co-Chair, IFDR, & IFDR-2 TAD

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**Timing to set the Operations Charter**

- Interim Operations Charter adopted September 20, 2006
- Constituting Interim governing bodies
  - Ad-hoc Steering Committee
  - Ad-hoc Consultative Group
- Approved
- Track I work program & results framework
- Track II 5 country program: Malawi, Mozambique, Nepal, Nicaragua, Vietnam
- Secretariat mandated to develop Operations Charter to be reviewed & approved February 23, 2007

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**International Forum on Tsunami and Earthquake**

- Arigato Gozaimashita!