



DISASTER RISK MANAGEMENT AND RESILIENCE
POLICY
Islamic Development Bank

Human Development Division
Resilience & Social Development Department
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Abbreviations

10YS	IsDB 10-Year Strategy
AAL	Average Annual Loss
ADB	American Development Bank
AFDB	African Development Bank
ABD	Asian Development Bank
ARC	Africa Risk Capacity
CAP	Common Alerting Protocol
CDRI	Coalition for Disaster Resilient Infrastructure
CREWS	Climate Risk and Early Warning Systems initiative
DRMR	Disaster Risk Management and Resilience
DRR	Disaster risk reduction
GCDS	Global Centre for Disaster Statistics
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GFDRR	Global Facility for Disaster Reduction and Recovery
HFA	Hyogo Framework for Action
IADB	Inter american Development Bank
IDF	Insurance Development Forum
IsDB	Islamic Development Bank
MDTF	Multi-Donor Trust Fund
PDNA	Post-Disaster Needs Assessment
P5P	President 5-Year Programme
RIMES	Regional Integrated Multi-Hazard Early Warning System
SDG	Sustainable Development Goals
SFDRR	Sendai Framework on Disaster Risk Reduction
SOP	Standard Operating Procedures
UNDP	United Nations Development Programme
UNDRR	United Nations Office for Disaster Risk Reduction
WB	World Bank

I. Purpose, objectives and background

1. Natural disasters pose major global developmental challenges affecting the lives of millions of people around the World. According to Global Assessment Report on Disaster Risk Reduction in 2019, the number of natural disasters caused by earthquake, landslide, floods, heatwaves, and climatological hazards continue to rise. Around 315 natural disaster events were recorded with 11,804 deaths. Over 68 million people have been affected by natural disasters with an economic loss of USD131.7 billion.
2. Estimated future annual average disaster losses in the built environment in IsDB Member Countries has been estimated at USD 24.6 billion, equivalent to about 8 percent of the global total¹. If expected losses associated with extensive and agricultural drought risk are added, total average annual disaster risk in Member Countries could be as high as USD 70 billion. This risk manifests as increasing levels of loss and damage to educational and health facilities, roads, water, sanitation and energy infrastructure, public buildings, agriculture and livestock, which in turn affect livelihoods and the capacity of governments to provide essential services and guarantee long-term conditions of health, education and prosperity.
3. At the end of 2018, the IsDB active operations portfolio included 903 operations with a total value of USD 27.53 billion, while in 2018, IsDB approved USD 9.84 billion in new financing. To put the magnitude of disaster risk into perspective, the generation of annual new contingent liabilities in IsDB Member Countries is now 7 times greater than the value of 2018 IsDB development financing. Unless this risk can be effectively managed and reduced, and resilience strengthened, the development gains made through IsDB investment are likely to be eroded or reversed.
4. Disaster risk is a challenge to lower-income Member Countries and those affected by conflict and fragility, reducing the potential for GDP growth and directly challenging the achievement of the Sustainable Development Goals (SDG). In several Member Countries future disaster losses now represent a significant proportion of social expenditure (health, education, social protection) or capital investment (infrastructure) budgets. In these countries, governments will be challenged to achieve social sector SDG such as 1, 3 and 4 or infrastructure related SDG such as 6, 7, 8, 9 and 11. At the same time, high levels of exposure and vulnerability to agricultural drought can challenge the achievement of SDG2.
5. Many Member Countries also have weak financial resilience to the impact of intensive disasters or weak social and economic resilience, due to conflict, fragility and low human development. Risk to well-being is greater than the risk of asset loss and disaster risk has a disproportionate impact on households and communities experiencing multi-dimensional poverty².
6. All development investment has the potential to either increase or decrease disaster risk. When this investment is not disaster and climate risk informed, a vicious cycle sets in, in

¹ All risk metrics from the Global Risk Model, developed for United Nations. See <https://www.unisdr.org/we/inform/publications/53086>

² Stephane Hallegatte, Adrien Vogt-Schilb, Mook Bangalore, and Julie Rozenberg, 2017, Unbreakable: Building the Resilience of the Poor in the Face of Natural Disasters, World Bank.

which new investment internalizes and locks in risks that in turn manifest as increasing disaster loss and damage. Conversely, if disaster risk management is fully integrated into development investment, a virtuous cycle is established, in which new development assets are resilient, disaster risks is progressively reduced, and sustainable development facilitated.

7. The purpose of the Policy is to set standards and strategic direction of IsDB to support Member Countries to manage risks and shocks of natural disasters and contribute to sustainable economic development in Member Countries.
8. The Policy is based on a technical study on disaster risks management and IsDB interventions in Disaster Risks Management (DRM) and emergency area, findings, and recommendations from a wide range of internal and external consultations with member countries and development partners. The Policy recognizes the diverse needs, trajectories and the levels of risks, vulnerability and stages of development of the 57 IsDB MCs.

II. Definitions

9. **Disaster:** A serious disruption of the functioning of a community or a society at any scale due to hazardous events interacting with conditions of exposure, vulnerability and capacity, leading to one or more of the following: human, material, economic and environmental losses and impacts.
10. **Disaster risk:** The potential loss of life, injury, or destroyed or damaged assets which could occur to a system, society or a community in a specific period of time, determined probabilistically as a function of hazard, exposure, vulnerability and capacity.
 - a. Intensive disaster risk: The risk of high-severity, mid- to low-frequency disasters, mainly associated with major hazards.
 - b. Extensive disaster risk: The risk of low-severity, high-frequency hazardous events and disasters, mainly but not exclusively associated with highly localized hazards.
11. **Disaster risk reduction:** is aimed at preventing new and reducing existing disaster risk and managing residual risk, all of which contribute to strengthening resilience and therefore to the achievement of sustainable development.
12. **Disaster risk management:** is the application of disaster risk reduction policies and strategies to prevent new disaster risk, reduce existing disaster risk and manage residual risk, contributing to the strengthening of resilience and reduction of disaster losses.
 - a. Prospective disaster risk management activities address and seek to avoid the development of new or increased disaster risks. They focus on addressing disaster risks that may develop in future if disaster risk reduction policies are not put in place. Examples are better land-use planning or disaster-resistant water supply systems.
 - b. Corrective disaster risk management activities address and seek to remove or reduce disaster risks which are already present, and which need to be managed and reduced now. Examples are the retrofitting of critical infrastructure or the relocation of exposed populations or assets.

- c. Compensatory disaster risk management activities strengthen the social and economic resilience of individuals and societies in the face of residual risk that cannot be effectively reduced. They include preparedness, response and recovery activities, but also a mix of different financing instruments, such as national contingency funds, contingent credit, insurance and social safety nets.
13. **Resilience:** The ability of a system, community or society exposed to hazards to resist, absorb, accommodate, adapt to, transform and recover from the effects of a hazard in a timely and efficient manner, including through the preservation and restoration of its essential basic structures and functions through risk management.
 14. **Build-Back-Better:** The use of the recovery, rehabilitation and reconstruction phases after a disaster to increase the resilience of nations and communities through integrating disaster risk reduction measures into the restoration of physical infrastructure and societal systems, and into the revitalization of livelihoods, economies and the environment.

III. Scope

15. The Policy is guided by IsDB-10-Year Strategy and President 5-Year Program (P5P) and is coherent with its decentralized organizational structure, strategic priorities and a new business model of the Bank. The Policy will also contribute to de-risk the new Global Value Chain Development interventions of the Bank. The Policy is fully aligned with the Sendai Framework on Disaster Risks Reduction (SFDRR). It will contribute to the achievement of the goal, objective and seven Global Targets of the SFDRR and to the disaster risk related targets of the Sustainable Development Goals (SDGs) in its 57 Member Countries.
16. At the same time, the Policy will provide a transversal vehicle to implement policies already adopted by IsDB in areas such as sectors, fragility and resilience, women empowerment, climate change and civil society engagement. These policies directly address underlying drivers of disaster risk and therefore contribute directly or indirectly to the disaster risk management and resilience in the member countries.
17. The Policy addresses disaster risks in all 57 Member Countries associated with earthquake, tsunami, volcanic eruption, riverine, coastal, surface-water and flash flooding, tropical cyclone wind, storm-surge, landslide, sand and dust-storms, drought, coastal erosion and other geological and hydro-meteorological phenomena. The Policy addresses disaster risk at all scales including both intensive and extensive risks.
18. Risks in other domains, for example health risks associated with epidemics and pandemics, environmental risks such as oil spills, air or water pollution, risks associated with conflict and displacement, financial, cyber and technological risks are outside the scope of this Policy but will be addressed through other relevant global practices and sectors, within the overall risk management approach of IsDB.
19. **Policy Framework:** IsDB develops its own framework for intervention that is centered on the dual challenges of managing disasters and building resilience. The main pillars of this Policy are: (i) managing Disaster Risk and Responses; (ii) Supporting Post-disaster Recovery Planning; (iii) Investing in Resilient infrastructure and disaster risk-informed, and (iv) Financing Disaster Risk Management. The Policy has six Guiding Principles namely; an

All-of-Bank Approach, innovation, evidence based, partnership, capacity building, inclusivity and solidarity, and triangular cooperation.

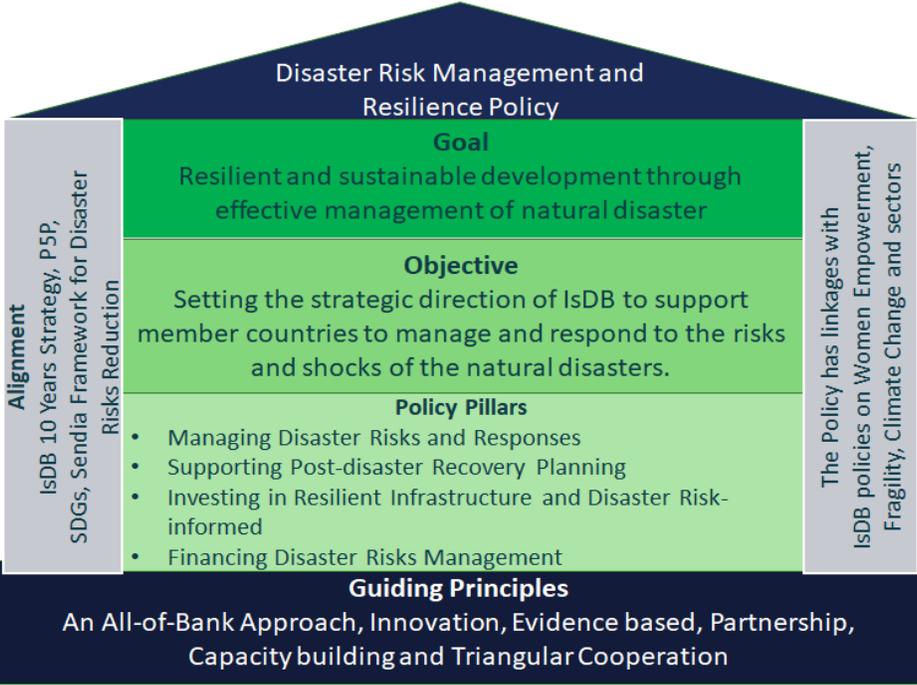


Figure 1: Policy Framework and Guiding Principles

Pillar I: Managing Disaster Risks and Responses

- 20. Impact Based Early Warning Systems: Early warning systems represent a low-cost, high-impact measure to save lives, through timely evacuations. They also play an important role in protecting livelihoods, infrastructure and basic services and can strengthen resilience in the agriculture, water and energy sectors. However, many early warning systems are currently ineffective due to a lack of integration and coordination at the national level and weak local capacities. As a result, exposed households and communities are often unprepared to take timely and appropriate action to reduce their risks.
- 21. Impact based early warning systems use hazard data and forecasts, to assess likely impacts in sectors such as water and agriculture. This minimizes risks ahead of the episode, reducing livelihood losses to farmers and other end users, as well as indirect disaster losses, for example through avoiding water and power shortages in dry episodes or flooding in wet episodes. In the case of rapid-onset hazards, impact based early warning systems greatly improve the focus and effectiveness of disaster preparedness and response by providing real-time estimates of who and what is at risk.
- 22. In this pillar, IsDB will partner with regional and global developers of early-warning systems in order to increase the availability of timely and accurate warnings in its Member Countries and to introduce innovations such as the Common Alerting Protocol (CAP) and multi-hazard Standard Operating Procedures (SOP), that strengthen the national and local institutionalization and integration of early warning systems. At the same time, IsDB will partner Civil Society Organizations (CSOs) to strengthen local level disaster preparedness planning in high-risk area, in line with its Civil Society Engagement Policy.

23. Disaster Risk Governance: The dominant paradigm for disaster risk governance in many Member Countries continues to be disaster management, with a heavy emphasis on disaster preparedness and emergency management. National disaster management offices located in interior or defense sectors, often lack the political authority and technical competencies to ensure disaster risk-informed development and resilient infrastructure. At the same time, development policies, plans and investments in other sectors may boost economic growth but may be neither resilient nor sustainable. The consequence is the generation and accumulation of new disaster risks.
24. Strengthening and transforming disaster risk governance is therefore an overall priority in this Policy given that appropriate governance arrangements, including legislative and institutional systems, policies and strategies, standards and budgetary allocations are essential to underpin and ground progress towards all the other Strategic Pillars. IsDB will work closely with Member Countries to align their arrangements for disaster risk governance with the SFDRR3, building on international best practice. IsDB will support Member Countries to identify and adopt innovative and nationally appropriate disaster risk governance arrangements that facilitate the integration of disaster risk management and resilience into the planning and evaluation of development investment in all sectors and in territorial and urban governance.
25. Risk Identification and Estimation: Unless governments understand their levels of risk, they are unlikely to find incentives to invest in disaster risk management. Risk estimations can provide those incentives and in addition generate metrics that allow governments to identify the most effective strategies to manage their risks and strengthen resilience, including, for example, through financial protection, risk-informed public investment, resilient infrastructure and impact-based early warning.
26. Most disasters that could potentially happen but haven't happened yet. As such, the past is not a good guide to the future and models based on limited historical data tend to underestimate the impact of future high-severity, low-frequency risks. Probabilistic risk models, resolve this problem by simulating those future disasters which, based on scientific evidence, are likely to occur but which may, as yet, not have occurred.
27. Identifying and estimating risk using probabilistic approaches is therefore essential to the design of interventions in the different Pillars. At present, however, few Member Countries have made progress in the development and institutionalization of risk models that generate relevant and useful risk metrics. At the same time, many risk models developed as part of international technical assistance projects have not been adopted or institutionalized by governments and national ownership is weak. IsDB will work to support Member Countries in the development of publicly owned, multi-hazard, probabilistic risk models, that produce risk metrics that improve the identification and estimation of disaster and climate risks and impacts for specific disaster risk management applications. Emphasis will be placed on strengthening national ownership and institutionalization, for example, through finance and planning ministries.

³ Under SFDRR Global Target E, all countries have committed to align their national policies by 2020.

28. Rescue and Emergency Response: As the Bank does not have comparative advantage in carryout humanitarian interventions, it will not play a significant role in the rescue phase of the natural disasters. However, given its strategic position and the significance of sharing solidarity with member countries, IsDB will provide emergency response projects to the member countries affected by natural disasters. In this regard, the Bank will closely work with Governments, international and local NGOs, UN agencies and other legal entities to deliver emergency response projects. The Policy calls for IsDB to strengthen the institutional capacity of the member countries to effectively respond to natural disasters. For emergency response, the Bank will use the “Guidance Note on Procurement in Fragile, Conflict-Affected States and Emergency Situations in IsDB financed Procurements”

Pillar II: Supporting Post-disaster Recovery Planning

29. In post-disaster recovery and reconstruction, the imperative to quickly restore basic services and rebuild often takes precedence over the careful planning needed to ensure resilience. In principle, the post-disaster phase represents a window of opportunity to reduce risk by “building back better”, in other words ensuring that what is rebuilt is more risk-informed and resilient than what was damaged and destroyed.

30. Affected countries may not have clearly identified their risks and may lack the capacities needed to survey loss and damage, identify needs and develop recovery and reconstruction plans and programmes. This undermines national ownership and can lead to an uncoordinated and ineffective approach to recovery and reconstruction.

31. The Post-Disaster Needs Assessment (PDNA) methodology was jointly developed in 2008 by the UN Development Group, the World Bank and the European Union, as a comprehensive assessment to estimate damages and losses, identify the needs of the affected population and plan the restoration of damaged infrastructure, houses, livelihoods, services, governance and social systems, with an emphasis on reducing future disaster risks and building resilience.

32. In this Strategic Pillar, the IsDB, will invest to strengthen national capacities in Member Countries to participate in PDNA processes, to assess the damage and the needs and to plan post-disaster recovery and reconstruction. It will also facilitate solidarity between Member Countries through mechanisms that enable South-South Cooperation.

Pillar III: Investing in Resilient Infrastructure and Disaster Risk-information

33. An unprecedented growth of investment in infrastructure is expected in the coming years, presenting both an opportunity and a challenge. The opportunity is that if these massive investments are disaster and climate resilient, then this will make an important contribution to resilient and sustainable development. Co-benefits include enhanced social and economic development, such as fewer schools or roads damaged in floods and earthquakes, and improvements in the quality, coherence and sustainability of public spending. The challenge is that a transformation is required now in how infrastructure is designed, constructed, operated and maintained and in the financial incentives, standards, governance arrangements and capacities required to facilitate resilient infrastructure.

34. Through this Strategic Pillar, IsDB will ensure that disaster risk management is fully integrated into all its own operations, for example in the infrastructure, agriculture, water, health and education sectors and in general into urban development. At the same time, it will support Member Countries to integrate disaster risk management into the planning and evaluation of public investment and into the design of disaster and climate resilient infrastructure and will work with city governments to achieve risk-informed and resilient urban development.
35. If the major investments made by IsDB and its Member Countries in infrastructure, urban development and agriculture are disaster and climate-risk informed, these investments will lead to a progressive reduction of disaster risk and contribute to resilient and sustainable development. This Pillar on resilient infrastructure and disaster risk-informed investment is therefore the central thrust of the Policy and it is supported by actions in the other Strategic Pillars.

Pillar IV: Financing Disaster Risk Management

36. The Policy will use existing financial resources already available in the Bank, such as the Islamic Solidarity Fund for Development (ISFD), the Cash Waqf Sukuk, the Lives and Livelihood Fund (LLF), and Transform Fund. The Policy calls for the Bank to use rapid, innovative and flexible financing response to disasters.
37. In the event of a major 1 in 10-year disaster, some Member Countries will be forced to divert funds from already tight budgets, re-allocate development loans to relief, and/or take on new international loans in order to recover and rebuild. If they are unable to mobilize timely resources, disaster impacts may cascade into negative social and economic outcomes, development resources may be diverted to cover recovery and reconstruction costs and losses and impacts may be transferred to affected households and communities, increasing the development deficit.
38. Financing Disaster Risk consists of a range of instruments that provide financial protection to existing assets and new investments, for example in infrastructure, in the case of major disasters. In this Pillar, IsDB will work with its Member Countries, the insurance sector and other partners to strengthen financial resilience.
39. To do so the Policy proposes that the Bank adopts an approach of layered disaster risk financing, through appropriate combinations of instruments such as contingency funds, draw-down contingency credit, contingent insurance that ensures payouts in advance of disasters; insurance pools for sovereign and household risk and other mechanisms. Building on its expertise on Islamic finance, IsDB will also seek to develop new and innovative sharia compliant takaful products for disaster risk financing. The Bank will develop an operational strategy which will have a resource mobilization plan that analyzes and maps the various financing sources (e.g. traditional and non-traditional donors, and international funds).

IV. Guiding principles

40. **An All-of-Bank Approach:** The Policy will be implemented across the global practices, country relations and services, and regional hubs of IsDB to ensure that all IsDB operations

contribute to reducing disaster and climate risk and strengthening resilience. Rather than stand-alone projects, disaster risk management and resilience will be integrated into all the operations of the Bank, in particular in sectors such as infrastructure, agriculture, urban development, water, education and health. The Policy will be implemented in close coordination with all concerned Departments and units in the Bank.

41. **Innovation:** The Policy is knowledge based applying appropriate technical expertise, knowledge and innovation to address the disaster risk challenges faced in Member Countries. It builds on contemporary international best practices in disaster risk management and the experience gained by other multilateral development banks and organizations to develop innovative technical approaches and financing solutions.
42. **Evidence based:** The Policy will be implemented using a solid evidence base of disaster risk and resilience metrics and indicators of capacity⁴ to design interventions appropriate to the specific challenges and needs of Member Countries in each of four *regions* of risk identified in the technical study.
43. **Partnership:** The Policy will leverage partnerships with established and recognized technical institutions in areas such as resilient infrastructure, risk financing, risk identification and estimation and early warning in order to access the capacities required to address the needs of Member Countries. The Policy will also encourage partnerships with other Multilateral Development Banks, non-traditional partners, foundations and organizations in the context of joint initiatives and programmes, in the member countries where operations from different Banks and organizations converge (for instance *United Nations Office for Disaster Risk Reduction*). Partnerships with civil society organizations will be encouraged to strengthen local capacities, in line with the IsDB Civil Society Engagement Policy.
44. **Capacity building:** The Policy will seek to strengthen the capacity of Member Countries in areas such as risk identification and estimation, disaster risk informed public investment, post-disaster recovery and reconstruction, early warning systems and others and will support Member Countries to strengthen their arrangements for disaster risk governance
45. **Inclusivity and Solidarity:** The Policy will ensure inclusivity, recognizing that disaster and climate risk poses a challenge to all Member Countries. At the same time, the Policy will encourage solidarity by strengthening mechanisms of Reverse Linkage cooperation between Member Countries, enabling countries with stronger capacities to support those with the greatest capacity gaps.
46. **South-South/Triangular Cooperation:** The Policy will ensure through this mechanism, that member countries address disasters risk issues by enhancing solidarity and forging partnerships amongst them.

⁴ Other multilateral development banks, such as the Inter-American Development Bank have already developed such a system of indicators and the Asian Development Bank plans to do so in 2019. See Islamic Development Bank, 2019, Position paper of disaster risk management and resilience.

V. Roles and responsibilities

47. The key roles and responsibilities of parties involved in the Policy as contributors, enablers and facilitators will be required for its successful implementation. As a strategic development partner, IsDB will play a key role in disaster risk management and building resilience at regional and global levels. The Bank will advocate national development policies and plans to take into account necessary elements of disaster risk management, resilience building for social cohesion and sustainable development. Given the complexity of the Policy, its implementation by IsDB will necessarily take a gradual approach, which will start with a piloting phase followed by a progressive scale up.
48. The IsDB shall increase its in-house capacity in terms of staff specialized in the disaster risk management and resilience to effectively support MCs. Internally, the Country Program Complex of IsDB will lead the operationalization of the policy with different roles being enacted by other entities and Departments of the Bank. IsDB will take any necessary action to safeguard its activities from any potential risk, and enmity associated with natural disasters. In addition, the Policy will raise awareness among different units and Departments of the Bank to increase understanding of disaster risks management and building resilience.
49. The Policy will develop effective Monitoring and Evaluation mechanisms. A key instrument is the quarterly monitoring report. This serves as a monitoring tool for portfolio operations, either under planning or implementation. In addition, to achieve the objectives of the P5P and the IsDB's 10-Year Strategic Framework, defined targets and indicators as stipulated in the disaster risks management and resilience results framework would be monitored through an annual review undertaken by an independent group of experts drawn from relevant and comparable MDBs and Regional Organizations. The review would report directly to the President's office and final recommendations would be implemented by the IsDB. Results will also be reflected in the IsDBG Annual Evaluation Report.

VI. Related policies

50. The Policy is related to 10-Year Strategy of the Bank, P5P and strategic priorities of the Bank. The Policy is also aligned with Sendai Framework for Disaster Risk Reduction. The Policy is consistent with best practices of development institutions, including MDBs and development partners.
51. The Policy has linkages with existing and/or planned country policy documents including the Country Engagement & Programming, the Member Country Classification, and dealing with de-facto Governments; and to various Operational Policy documents, and Operations Management & Administration documents. The Policy will also be related to other policy documents such as the Science, Technology and Innovation, Partnership Development, Resource Mobilization, Regional Cooperation and Integration, Reverse Linkage, Women Empowerment, Youth Development, Economic Empowerment, ISFD, Education, Health, Transport, Energy, Climate Change, Civil Society, Knowledge Management, and other relevant policies/strategies that may be operational during the Policy period.

VII. Version history

52. This is the first policy on Disaster Risk Management and Resilience of the Bank to be approved by the Board of Executive Directors. The policy takes into account the IsDB Board of Governors (BED) Resolution No. 14/00 adopted by the 3rd Annual Meeting on 16 Rabi Thani 1399H (14 March 1979) that provides the primary mandate of the IsDB's involvement in emergency responses.