

1st Edition

Disaster Economics



Trainer's Guide



■ Disaster Management Training Programme



Trainer's Guide

Disaster Economics

This guide is a companion to the module on *Disaster Economics*. It is designed to help you present the material in an interesting and interactive manner. There are two parts to this guide. The first, "The Basics," gives some advice on presenting information to adult audiences. The second, "The Specifics," relates particularly to the module on *Disaster Economics*. It provides a step by step guide to present the material covered in the module, complete with overheads, group exercises, and reminders for taking breaks. Although this guide can be the basis for a complete and structured presentation, your creativity and response to the dynamics of the training session are essential to a valuable learning experience. Improvise as you see fit. Do your best to relate the material presented to the experiences and needs of the participants.



The Basics

Preparation

Careful preparation is the key to any successful presentation. If you are familiar with your audience, it is important to tailor the material presented to relate to their experience. Look over all of the material available, then select those materials suitable to the time constraints of the training session and the needs of the participants. Try to augment the materials with items that are “closer to home” for the audience. Related articles from local newspapers and magazines can strengthen the points being made and increase their relevance for individual participants.

In spite of your best efforts to keep on track, the discussion may go far afield from the material presented. This is not necessarily a problem, as long as the discussion covers related areas that are of concern to the audience and are related to the main points of the module. It will be up to you to decide if the material being covered is of value to the group. Time is always in short supply and should be used to the best advantage of all concerned. To make these decisions, you will have to be familiar enough with the material to know which parts can be left out or covered very quickly with your particular audience.

The physical environment of the training and the visual aids that you use can either strengthen or weaken your presentation. When properly attended to, small matters of detail can make a training run smoothly. The following are a few of these “small matters” that should not be overlooked:

- If you intend to use a flip chart for presentations or for group exercises, be sure to have an adequate supply of paper and markers.
- Check the markers to make sure they are in good working order.
- Make sure each stand is stable.
- Bring tape and pins if you need to attach sheets to a wall.
- Bring extra lamps for the slide or overhead projector.
- Test equipment before setting up for the presentation.
- Look over the room for the presentation and be aware of electrical outlet locations.
- Find out if you will need extension cords.
- Be aware of window and door locations, especially considering room temperature and ventilation.
- Arrange the screen and projector to allow for exit and entry from the room without disruption of the session.

The basics of adult learning

The participants in this training session are your colleagues. They bring with them many insightful experiences to enhance the session. As such, the basic tenets of “classroom learning” do not always apply. Remember the following points when giving a presentation for an adult audience:

- The participants will learn the material better if they can relate it to personal experience or to daily use application.
- As your colleagues, the participants will be more interested in the session as a whole if they can actively participate rather than simply listen.
- As adults, the participants are responsible for their own learning, and should be encouraged to ask questions that will provide them with what they really need to know.
- The learning objectives of the session should be defined at the outset.
- You should be flexible, but remember to cover the main points of the session.

The icebreaker

Often the most difficult and important part of the training session is the beginning. It is important to get off to a timely start and to set the proper pace in order to complete the session in the time available. Participants need to be introduced to one another and made comfortable in their surroundings. They also need to be quickly prompted to take an active role in the training. This may be done with an “icebreaker.”

One typical exercise is to divide the participants into pairs. Have them interview each other. After a few minutes, have the interviewers introduce their counterparts to the group as a whole.

Another exercise is to ask the participants to introduce themselves and to each give a short statement of their expectations for the course or a short narrative about experience they have had with the topic to be covered.

Whichever method you choose, the point is to quickly get all group members to participate actively, even if in a small way, as soon as possible.

The first ten minutes

You have your material, you have your audience, you even have an icebreaker ready to use. One way of getting started is listed below.

1. Begin promptly. Welcome the participants. Introduce yourself and the topic.
2. Use your icebreaker to get everyone involved in the process.
3. Review your learning objectives. Ask the participants for additional objectives they may wish to pursue.
4. Make it clear to the group that the session is to be interactive. Explain that active participation in the session is the norm. Encourage the participants to ask questions as they arise, and to freely add their own input on issues with which they have had personal experience.
5. Outline your schedule and strive to keep it. You may want to ask for a volunteer timekeeper to help keep the session on schedule.



Group exercises

To give some variety to the session and to keep the participants actively involved, you may want to mix in some group activities or exercises. Some of the basic types of activities recommended in this module series include:

Example 1

Divide the group into smaller groups and assign a short question or case study. Have the groups identify the pertinent issues to the session topic and have them compile by consensus a list of their conclusions. Ask that one of the group members be the reporter who will then present their findings back to all participants.

Example 2

Pose a general question to the group as a whole and then “brainstorm” the answers using a flip chart or the overhead projector to record the results. If the question serves as a “pre-test,” preserve the list, then review it after the material has been covered in the session.

Example 3

Role play scenarios. Work up a possible scenario that might occur in the participants’ day to day activities. Have the group break into sub groups who will take on the role of agencies or individuals responsible for different aspects of the scenario and have them work through the issues in this way.

Audiovisual aids

Audiovisual aids can greatly enhance your presentation. To be effective, they must:

- Clearly illustrate the topic at hand.
- Hold the attention of the participants.
- Focus attention on the essential points.
- Reinforce the message that the presenter is trying to get across.

This guide has a complete set of overheads included which can be used to present the topic. You can add to or delete from this collection of overheads as you see fit. Clear acetate sheets and colored felt tip markers will allow you to highlight areas on the overheads provided or to create instant overheads as needs arise. If you are going to rely on the overhead projector for your presentation, you should:

- Clean the lens and surface in advance.
- Set up the screen and projector in advance, if possible.
- Set up the screen as high as possible and at an angle to the wall.
- Face your audience, not the screen, and use a ruler or pointer to direct attention to the appropriate points as they are discussed.
- Turn off the machine when not in use.



The Specifics

Disaster Economics

The following guide is designed as an aid to the presentation of the module on *Disaster Economics*. Although the overheads provided and the cues to the presentation are a complete set, they are really only a starting point for your presentation.

If your available time is less than 3 hours for the full presentation, you will have to decide which points you will cover and those which you will not address. If your personal experience has given you additional insights or illustrations of the points presented, integrate them into your presentation. You may want to edit out or add overheads to the presentation.

Similarly, you must know your audience and their needs in order to make the presentation pertinent to the group. If the information is available early enough, you can alter the material to suit the particular needs of the trainees. Remember, the guide is for a “generic” presentation on this topic, and your input can help “bring the information home” to the participants.

Materials you will need

All of the usual items required for these presentations are listed under the first part of this guide: “The Basics.” Some additional items particular to this module are as follows:

- Copies of the training modules *Vulnerability and Risk Assessment*, *Disasters and Development*, and *Disaster Mitigation*. You may prefer to distribute these at the end of the session in order to keep the group more focused on the presentation.
- Copies of other illustrative documents you may have access to, e.g. case studies of the economic consequences of disasters or general materials on the subject of economics.

The presentation

This presentation is achievable in 3 hours if discussion is kept to a minimum, however, the optimum time to allow is 4 hours.

PART 1: DISASTER ECONOMICS (1 hour)

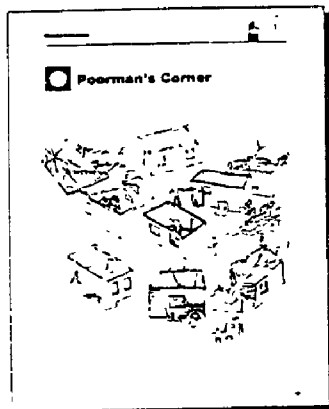


Welcome

Introduce yourself. Have participants introduce themselves, perhaps by using one of the icebreakers recommended in "The Basics."

Topic identification

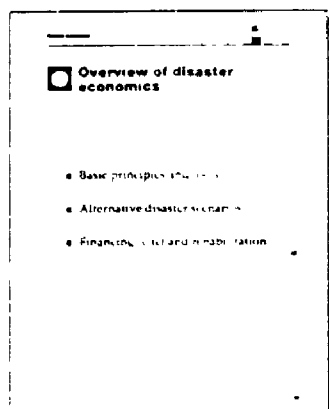
Introduce the topic of disaster economics. Explain your format, schedule, and arrangements for breaks and messages.



1

POORMAN'S CORNER

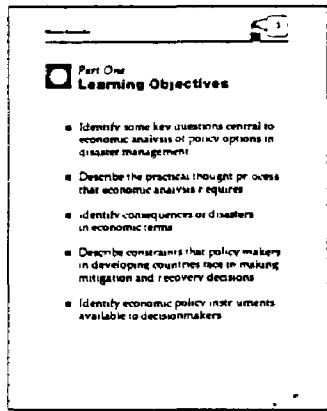
Introduce the session by describing the case of Poorman's Corner. Point out the lesson learned from this case—you can pay now or you can pay later. Indicate that this training session is designed to introduce concepts to help analyze disaster situations from an economic point of view.



2

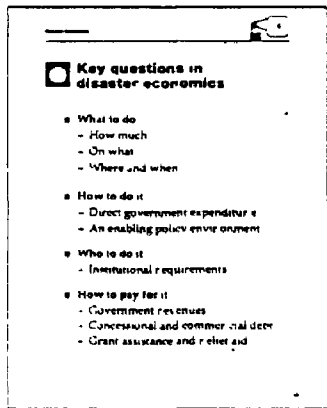
OVERVIEW OF DISASTER ECONOMICS

Provide an overview of the training session and discuss the flow of the material.


3

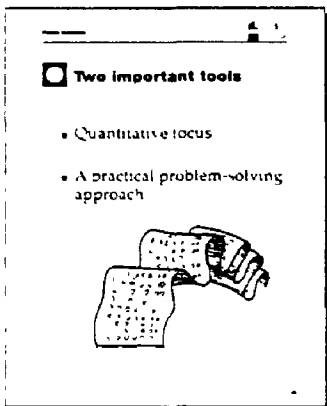
LEARNING OBJECTIVES—PART ONE

Review the learning objectives for Part 1. Ask participants if they have any comments or questions on these objectives. You may wish to have participants identify additional learning objectives. If so, list these objectives on a flip chart or wall chart.


4

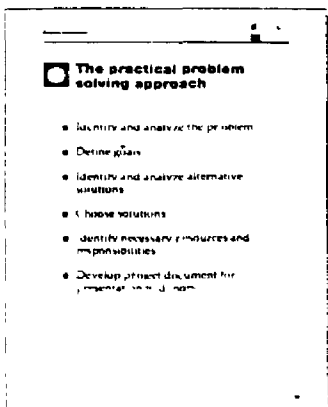
KEY QUESTIONS IN DISASTER ECONOMICS

Review the key questions of disaster economics. Note that since resources are often scarce economic analysis helps clarify what is most important in light of what is most feasible.


5

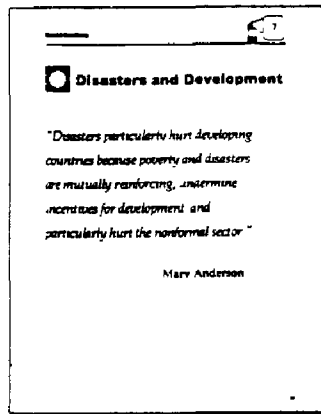
TWO IMPORTANT TOOLS

Indicate that the economic analysis approach relies on two primary tools. Quantitative analysis uses numbers to describe and analyze alternatives so that comparisons can be made. Practical problem solving is a deliberate process to help ensure that situations and solutions are sufficiently well thought through so the probability is high that the intervention will be successful.


6

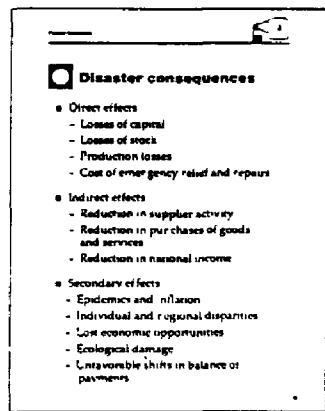
THE PRACTICAL PROBLEM SOLVING APPROACH

Describe the problem solving process and show how quantitative analysis is used throughout the process.



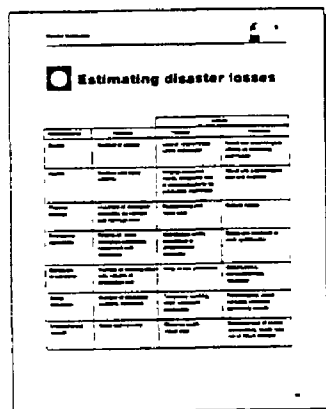
DISASTERS AND DEVELOPMENT

Use this quote to focus the participants' attention on developing countries. Discuss how disasters can particularly hurt developing countries. Introduce the next overhead to further understand disaster consequences.



DISASTER CONSEQUENCES

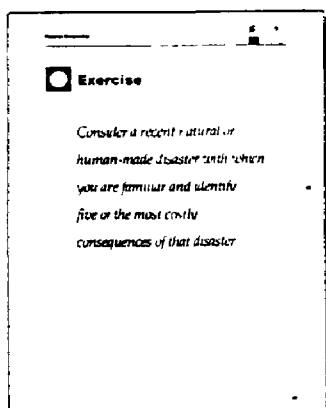
Review this list thoroughly to ensure that the differences between these categories of losses are well understood and that participants appreciate the range of economic problems resulting from a disaster. Choose your examples from developing countries. Ask participants to provide additional examples.



ESTIMATING DISASTER LOSSES

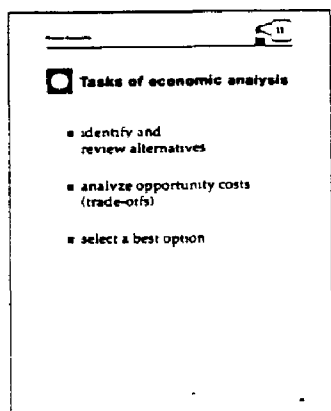
Use this figure to show how specific losses can be described and measured. Choose only a few examples from the figure instead of covering every point.

Note: Make copies of the figure and distribute one to each participant. (See *Handout Section at the back of the Trainer's Guide.*)



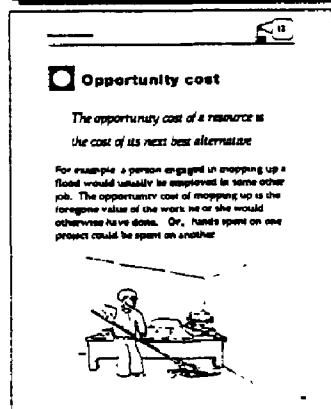
EXERCISE

Put this overhead on the screen and divide the group into pairs to discuss the question. Give each pair 10 minutes to identify some of the most costly consequences of disasters with which they are familiar. Solicit their ideas and record them on a flip chart. It may be desirable to group by type of disaster.



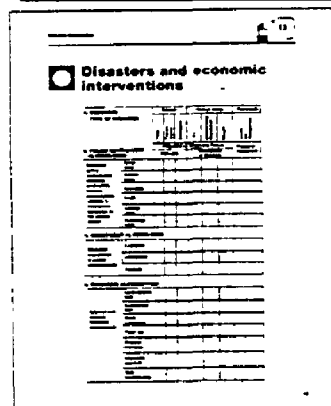
11 TASKS OF ECONOMIC ANALYSIS

Given that developing countries experience major losses from disasters, how can economic analysis help? In describing these tasks draw from the two examples provided or from your personal experience.



12 OPPORTUNITY COST

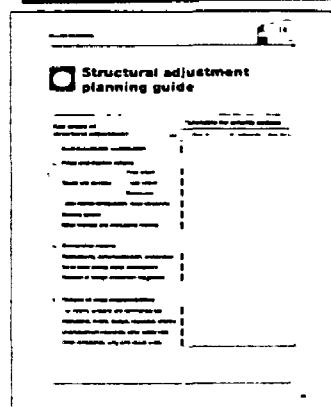
Discuss and define "opportunity cost". Ask participants to identify opportunity costs associated with mitigation or preparedness activities.



13 DISASTERS AND ECONOMIC INTERVENTIONS

Indicate that there are a wide range of possible interventions. Review the matrix and explain its structure.

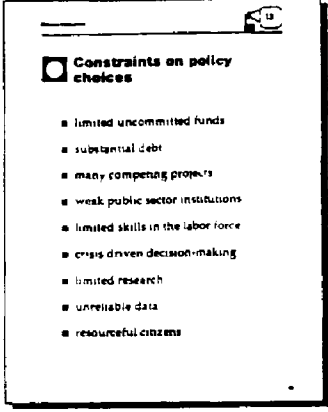
Note: This exercise may require active work by the trainer to clarify and explain various terms in the matrix. Have both overhead 13 and 14 available as handouts. (*See Handout Section at the back of the Trainer's Guide.*)



14 STRUCTURAL ADJUSTMENT PLANNING GUIDE

Disasters related to economic mismanagement have several unique interventions. Stress this point with this overhead.

Break into groups of six and ask people, based on their experience, to check boxes in the matrix for countries they can identify where such an intervention was tried. At least one group should do each type of disaster, i.e. natural, human made and economic. Allow 15 minutes to complete this task. When the group returns to plenary ask for examples of interventions and their consequences. *See the note for overhead 13.*



15

Constraints on policy choices

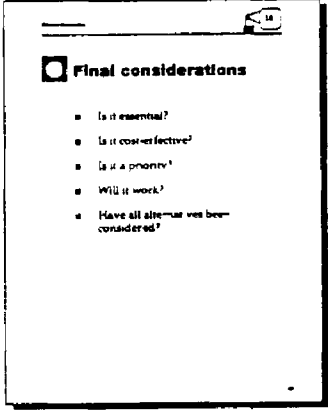
- limited uncommitted funds
- substantial debt
- many competing projects
- weak public sector institutions
- limited skills in the labor force
- crisis driven decision-making
- limited research
- unreliable data
- resourceful citizens



15

CONSTRAINTS ON POLICY CHOICES

Although a "best option" may be identified, the choice will be affected by the unique conditions in the country which often impose severe constraints on policy makers. Use the overhead to discuss conditions frequently found in developing countries.



16

Final considerations

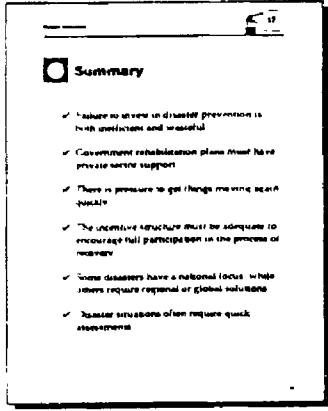
- Is it essential?
- Is it cost-effective?
- Is it a priority?
- Will it work?
- Have all alternatives been considered?



16

FINAL CONSIDERATIONS

Since so many projects compete for funding in a post-disaster recovery situation, it is essential to subject each project to a rigorous analysis to justify the expenditure. The above questions should be asked about each proposed asset reconstruction.



17

Summary

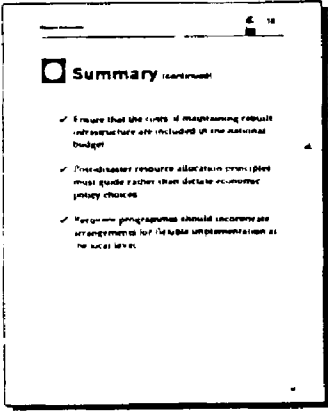
- ✓ Failure to invest in disaster prevention is both uneconomic and wasteful
- ✓ Government rehabilitation plans must have private sector support
- ✓ There is pressure to get things moving again quickly
- ✓ The incentive structure must be adequate to encourage full participation in the process of recovery
- ✓ Some disasters have a national focus while others require regional or global solutions
- ✓ Disaster situations often require quick assessments



17

SUMMARY

Review each of the points on the overhead as a means of providing a summary. Ask for clarifying questions or any examples that come to mind that haven't been covered previously. Indicate that after the break the group will examine some specific disaster situations to apply the principles just covered.



18

Summary (continued)

- ✓ Ensure that the costs of maintaining rebuilt infrastructure are included in the national budget
- ✓ Post-disaster resource allocation principles must guide rather than dictate economic policy choices
- ✓ Long-term programmes should incorporate arrangements for the implementation at the local level



18

SUMMARY

Continued from overhead 17.

BREAK (10 minutes)

This is a good time to take a break.

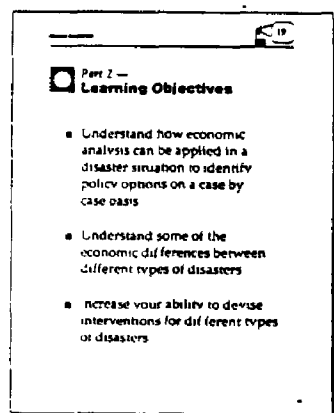
PART 2: ALTERNATIVE DISASTER SCENARIOS (1 hour)



Note: Part 2 contains five scenarios. They are intended to help participants develop skills in analyzing disaster situations from an economic point of view. The scenarios provide an incomplete picture of the disaster situation but can be used to stimulate critical questions.

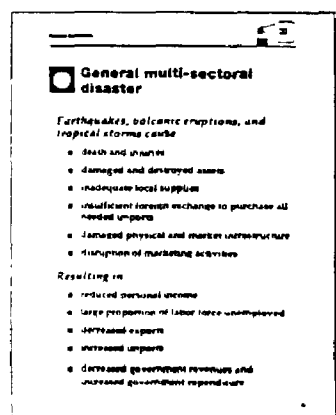
Each scenario addresses a different type of disaster. It may not be necessary or desirable to cover each type of disaster with every audience. Choose scenarios appropriate for the participants. You may even have a scenario from your own experience or there may have been a case study prepared especially for the country you are concerned about.

In completing this section, you may wish to assign each scenario to a small group to discuss or present the scenario(s) in plenary. If you choose a small group approach give each group approximately 20 minutes to work on the scenario before returning to plenary for group reports and discussion. A set of overheads is available for each scenario.


19

LEARNING OBJECTIVES—PART 2

Present the learning objectives for this section and explain how this material will be covered (see note above).


20

GENERAL MULTI-SECTORAL DISASTER

Use this overhead to review some of the consequences of a multi-sectoral disaster. Encourage the participants to identify some other consequences.

Questions

- Are there services and assets that should not be replaced?
- Can functions be transferred to the private sector?
- Which economic development programmes should be designed?
- How will basic services be provided during reconstruction?
- Which assets need to be replaced first?
- Which incentives and regulations are necessary to ensure mitigated construction?
- Which subsidies and credit schemes are required to finance private sector recovery?

21 QUESTIONS

Discuss each of these questions. Participants will not have enough information to design actual interventions. Therefore the focus should be on identification of ways that decisions could be made in each of these cases. Who would need to be involved? What type of data would be required? Where might the data come from? Will there be cultural or political realities that influence decision-making?

Ask participants to identify other questions that might be important in the early stages of recovery. Ask them to identify actual disaster situations where these questions have been addressed. In those situations what decisions were made? What was the impact of the decisions?

Disasters caused by economic mismanagement

Conditions

- overvalued currency
- cheap imports
- excess government expenditures
- increasing poverty
- limited production incentives
- shortages of goods and services

22 DISASTERS CAUSED BY ECONOMIC MISMANAGEMENT

Describe conditions frequently found in disaster situations caused by economic mismanagement. Ask participants to identify countries that they are familiar with in similar situations. Encourage participants to identify other conditions frequently found in such situations.

Structural adjustment strategies

- promoting market-oriented economy
- rehabilitating growth in key sectors
- removing infrastructural bottlenecks
- strengthening national economic management
- raising government revenues
- cutting government expenses
- implementing comprehensive social policies

23 STRUCTURAL ADJUSTMENT STRATEGIES


Introduce the concept of structural adjustment by discussing these strategies.

Structural adjustment planning guide

Key areas of structural adjustment	Proposed key policy actions
Macroeconomic stabilization	
• Long and short-term interest rates	
• Exchange rate	
• Government expenditure	
• Taxation	
• Public sector management	
• External sector	
• Trade liberalization and export promotion	
• Investment promotion	
• Improving infrastructure services	
• Public sector reform	
• Social and human resources	
• Education and training	
• Health and family planning	
• Environmental management	
• Disaster preparedness and response	

24 STRUCTURAL ADJUSTMENT PLANNING GUIDE

Use this overhead to review some of the key tools to promote structural adjustment.




25 **Some policy targets in structural adjustment**

- flexible and realistic monetary exchange rates
- effective interest rates
- tax rates which promote export
- prices which promote production and a return on investment
- public utility rates which cover costs of providing service
- an efficient and appropriately staffed civil service
- reduced publicly owned and controlled enterprises
- social programmes which protect vulnerable groups during transition




25 SOME POLICY TARGETS IN STRUCTURAL ADJUSTMENT

Discuss these points as some of the desirable policy targets in a structural adjustment package. Use material in the module to further the discussion of the policy issues involved in setting and achieving these targets. Identify other targets from your and the participants' experiences.




Focus on the consequences of such decisions for vulnerable groups. Have the group brainstorm programmes which would lessen the impact of the structural adjustments.



26 **Displaced populations and refugees**


Natural causes

Human-made causes

26 DISPLACED POPULATIONS AND REFUGEES

Use this overhead to introduce the subject—the economic consequences resulting from population movements. Ask the participants to identify population displacements that they are familiar with and note their causes.




27 **Strategies to settle people**

- repatriation
- local settlement
- resettlement

What are the economic consequences?

27 STRATEGIES TO SETTLE PEOPLE

Review the three available policy options for dealing with population displacement. Have participants identify economic consequences of population movements to the communities they move from, the communities they move to, the costs to the nations involved and to the international community. Identify the economic consequences to the migrating populations themselves. Discuss the specific consequences involved when expatriate communities are expelled.




28 **Disasters resulting from food insecurity**

- inadequate price and trade regime
- inadequate domestic production
- insufficient foreign exchange to purchase imports
- relief food is not long term solution
- household income levels inadequate for market prices
- hidden pockets of vulnerability

28 DISASTERS RESULTING FROM FOOD INSECURITY

Use this overhead to discuss the concept of food security and disasters resulting from food insecurity. Review the FAO definition in the module and then discuss each of the consequences above. If participants have experience in food security disasters ask them to review and critique the list, adding their own thoughts.



Key questions for policy review


- What crops can be produced?
- Local consumption or export?
- How much can be produced?
- How can imports be limited?
- What prices result in profit for farmers?
- What costs should be involved in establishing prices?
- Self sufficiency or self reliance?
- Large-scale farming or smallholder production?



29

KEY QUESTIONS FOR POLICY REVIEW

Discuss each of these questions. Participants will not have enough information to design actual interventions. Therefore the focus should be on identification of ways that decisions could be made in each of these cases. Who would need to be involved? What type of data would be required? Where might the data come from? Will there be cultural or political realities that influence decision-making?



Disasters involving environmental challenges


- earthquake-mitigated construction
- dams and other flood-control devices
- sea walls
- others?



30

DISASTERS INVOLVING ENVIRONMENTAL CHALLENGES

Mention that large scale construction and reconstruction projects are often appropriate investments for areas experiencing recurrent disasters of a similar type. In all these cases the notion of acceptable risk is involved (see the *Vulnerability and Risk Assessment* module for a discussion of risk and uncertainty). The economic question is at what point does mitigation cease to be cost effective.



The case of the Maldives


- 1200 small islands in the Indian Ocean
- 25% of population on one island and increasing population pressure
- reclaimed land
- vulnerable to high tides
- a sea wall proposed by outside consultants



31

THE CASE OF THE MALDIVES

Review the basic case with this overhead.



The alternatives

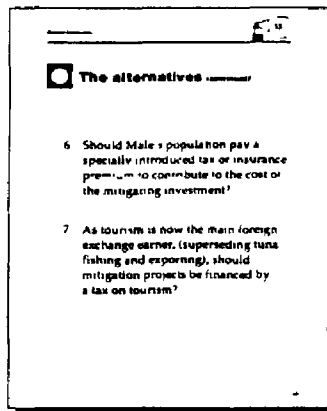
1. Should Male be the only island to be protected?
2. Should the other islands be developed and protected?
3. Is it better to pay for expensive mitigation investment, or take a chance that global warming will not occur?
4. Should Maldives become grant dependent on a single country?
5. Do the advantages of surrounding Male with a sea wall outweigh locating the wall at selected sites?



32

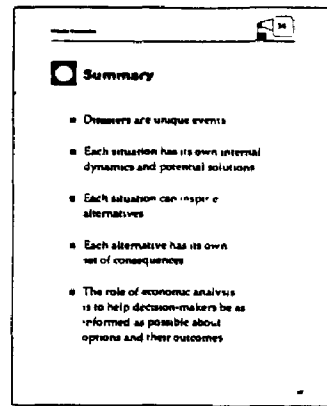
THE ALTERNATIVES

Discuss these questions (further elaboration appears in the text). Acknowledge that the group can't know enough about the Maldives to answer with certainty. Ask a question and get reactions. To promote discussion ask, for example, how decisions could be made in each of these cases. Who would need to be involved in making the decision? What type of data would be required? Where might the data come from? Will "numbers" be sufficient or will there be cultural or political realities that influence decisionmaking?


33

THE ALTERNATIVES

Continued from overhead 32.


34

SUMMARY

Review the purpose of Part 2 which was to use real world scenarios to promote the use of an economic orientation to analyzing policy options in disaster situation.

BREAK (10 minutes)

This is a good time to take a break.

PART 3: FINANCING OPTIONS (1 hour)

Part 3 — Learning Objectives


- Describe eight different types of creative financing tools that can be used to enhance disaster recovery and pay for recovery project financing
- Identify some of the counterproductive aspects of various creative financing tools

Types of creative financing

- debt swaps & blocked funds
- trust funds
- triangular food aid
- disaster insurance
- revolving funds
- central bank assistance

Debt swaps

- Commercial bank debt is purchased at discounted rates
- Debt interest is transferred to NGO or international agency
- Debt is repaid in local currency at a favorable conversion rate
- Proceeds are used to provide programme funding
- Desirable government policies are implemented



A debt swap in Bolivia

- Conservation International buys US\$650,000 of Bolivian debt at 85% discount
- Conservation International agrees to cancel debt in exchange for government agreement to:
 - Protect 6 million hectares of forest and grasslands
 - Create an operating fund to manage areas
 - Establish national commission to implement environmental programme
 - Administer the operating fund in collaboration with a Bolivian NGO

35 LEARNING OBJECTIVES—PART THREE

Review the learning objectives and discuss the situation where projects are identified and prioritized but need to be financed. This section covers some creative methods for financing disaster economic mitigation and recovery projects.

Note: Be careful in discussing these financing tools which can be quite technical. It is possible that participants may know more about the techniques than the trainer. Ascertain the knowledge and experience level of the participants and, if they are knowledgeable about the tools, involve the participants in presenting the material.

36 TYPES OF CREATIVE FINANCING


Briefly identify each of these options and indicate they will now be discussed at greater length.

37 DEBT SWAPS

Use this overhead to review the main aspects of a debt swap. Use the narrative in the module to explain the key points.

38 A DEBT SWAP IN BOLIVIA

Use this example to show how a debt swap actually works.



Problems associated with debt swaps


1. Be consistent with existing short- and long-term expenditure priorities
2. Avoid additional ongoing or recurrent costs
3. Be compatible with participating NGOs and international agencies
4. Generate enough additional resources to justify switching scarce staff
5. Requires economically sophisticated personnel at several different stages



39

PROBLEMS ASSOCIATED WITH DEBT SWAPS

Review some of the common problems associated with debt swaps.



Problems associated with debt swaps


6. Clarify the tax implications for banks, NGOs, and international agencies
7. Swaps may be inflationary
8. Creditor commercial banks don't want to become entangled in costly administrative issues
9. The use of experts is likely to be expensive



40

PROBLEMS ASSOCIATED WITH DEBT SWAPS

Continued from overhead 39.



Blocked funds


- similar to debt swaps
- appropriate for countries without large commercial debt
- debt held by private individuals and corporations



41

BLOCKED FUNDS

Briefly review blocked funds.



The Yemen Case

US AID PL480 Grain Sale


- surplus grain loaned to Yemen
- proceeds from grain sales financed self-help housing reconstruction program
- funds are in local currency - 70,000,000 YR
- admin - storage requirements may limit responsiveness



42

THE YEMEN CASE

Use this example from the module to show how a blocked fund transaction could be used in a disaster situation.



Exercise

Choose a country you are familiar with.


Identify a project that might be appropriate for a "debt swap" or "blocked fund."



43


EXERCISE

Use this exercise to get participants to identify projects that might be appropriate for a debt swap or blocked fund. Manage a group discussion.



Triangular food aid

- a donor buys food from a developing country
- the food is provided to another developing country
- one country gets foreign exchange and the other gets food






44


TRIANGULAR FOOD AID

Use this overhead to describe triangular food transactions. Ask participants for examples from their experience of programmes such as these. Identify the outcomes of these programmes.



Trilateral food aid

- a donor gives food to one country
- in exchange, that country gives a different kind of food to another country
- one country saves foreign exchange and the other gets food






45

TRILATERAL FOOD AID

Describe trilateral food transactions. Ask participants for examples from their experience of programmes such as these. Identify the outcomes of these programmes. Make sure they understand the differences between triangular and trilateral food aid.



Benefits of triangular and trilateral transactions


- stimulates food production
- promotes exports
- fosters trade
- helps countries manage food surpluses
- encourages system level improvements
- strengthens food management and administration
- aids in market restructuring and liberalization



46

BENEFITS OF TRIANGULAR AND TRILATERAL TRANSACTIONS

Use this overhead to review benefits from such transactions.




Drawbacks of triangular and trilateral transactions

- advance planning may be difficult
- infrastructure and management deficiencies make delivery unreliable
- may result in inadequate investment in storage and stocks
- operations are complex
- may result in inappropriate agricultural policies


47


DRAWBACKS OF TRIANGULAR AND TRILATERAL TRANSACTIONS

Review drawbacks and problems inherent in such transactions.



Trust Funds


- a flexible source of development finance
- appropriate for bilateral when limited knowledge or funds
- provides a mechanism for cost sharing
- promotes multilateral and bilateral cooperation
- provides a sectoral or programmatic focus for international appeals



48

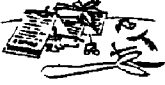
TRUST FUNDS

Use this overhead to review trust funds. Ask participants for examples of successful trust funds that they are familiar with.



Disaster insurance programmes


- provide for private sector participation
- promote mitigation
- create responsive recovery financing mechanism
- spread risk over a larger community
- can cover a wide variety of potential losses
- frequently unavailable in disaster-prone developing countries



49

DISASTER INSURANCE PROGRAMMES

Provide an overview of the benefits of insurance programmes. Then indicate that a special type of insurance—crop insurance will be covered.



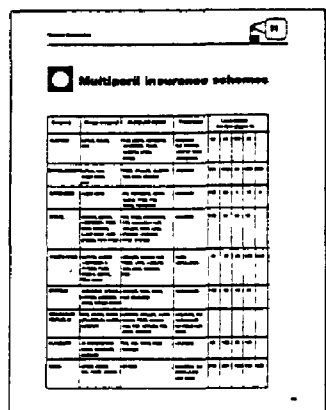
Key issues in crop insurance

- types of perils and crops covered
- individual area or group coverage
- period of coverage
- voluntary or compulsory
- public, private, or mixed


50

KEY ISSUES IN CROP INSURANCE

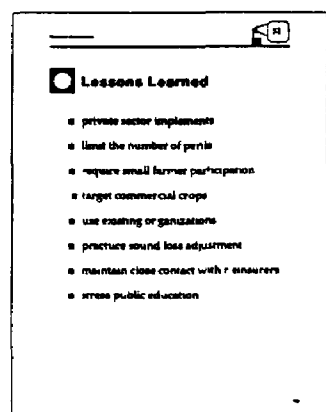
Use this overhead to discuss the key programme variables in establishing a crop insurance programme.



51 MULTIPERIL INSURANCE SCHEMES

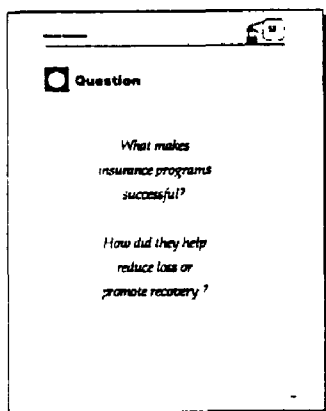
Use this figure to review existing crop insurance programmes and highlight differences between countries.

Note: Make this overhead available as a handout.
(See Handout Section at the back of the Trainer's Guide.)



52 LESSONS LEARNED

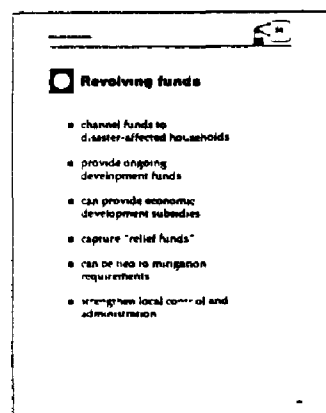
Review the Lessons Learned by FAO regarding crop insurance schemes.



53 QUESTION

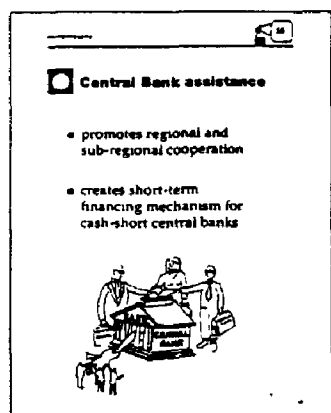
Identify insurance programmes that have been successful in fostering mitigation or recovery from disasters. What made them successful? How did they help reduce loss or promote recovery?

Divide participants into pairs and ask them to answer the questions. Give each pair 10 minutes to discuss the question. Ask for examples and manage the group discussion.



54 REVOLVING FUNDS

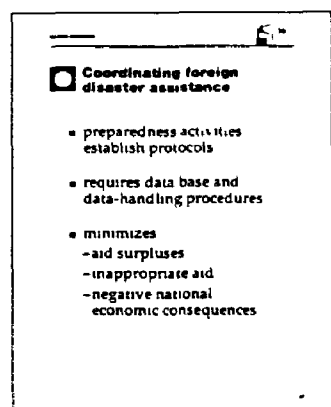
Discuss revolving loan funds. Ask for examples of the use of these funds in disaster recovery programmes.



55

CENTRAL BANK ASSISTANCE

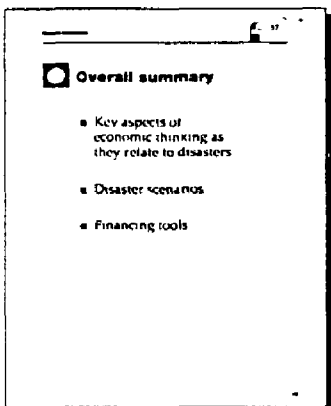
Briefly review Central Bank Assistance.



56

COORDINATING FOREIGN DISASTER ASSISTANCE

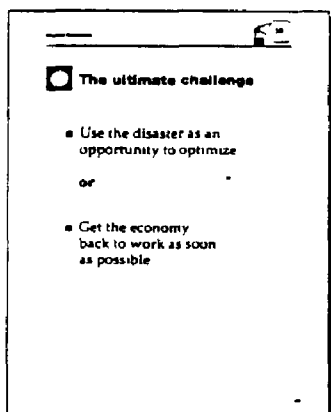
Discuss the importance of establishing pre-disaster capacity to handle disaster aid. Ask participants to identify successful programmes for monitoring aid and the negative consequences from failing to do so from their own experience.



57

OVERALL SUMMARY

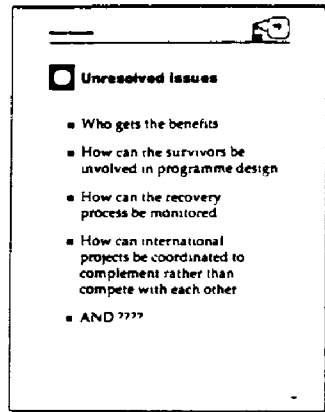
Provide a brief review of the topics covered in this training session.



58

THE ULTIMATE CHALLENGE

Discuss this as the ultimate test of economic analysis. Remind the participants that economic analysis is a way of viewing problems and opportunities to identify policy options and analyze consequences to allow decision-makers to choose "best" strategies and programmes.



59

UNRESOLVED ISSUES

Use this overhead to leave the participants wondering about unresolved questions and issues that could not be covered in this discussion but which inevitably present themselves in the complicated world of disaster economics.

Poorman's Corner



Overview of disaster economics

- Basic principles and tools
- Alternative disaster scenarios
- Financing relief and rehabilitation



Part One

Learning Objectives

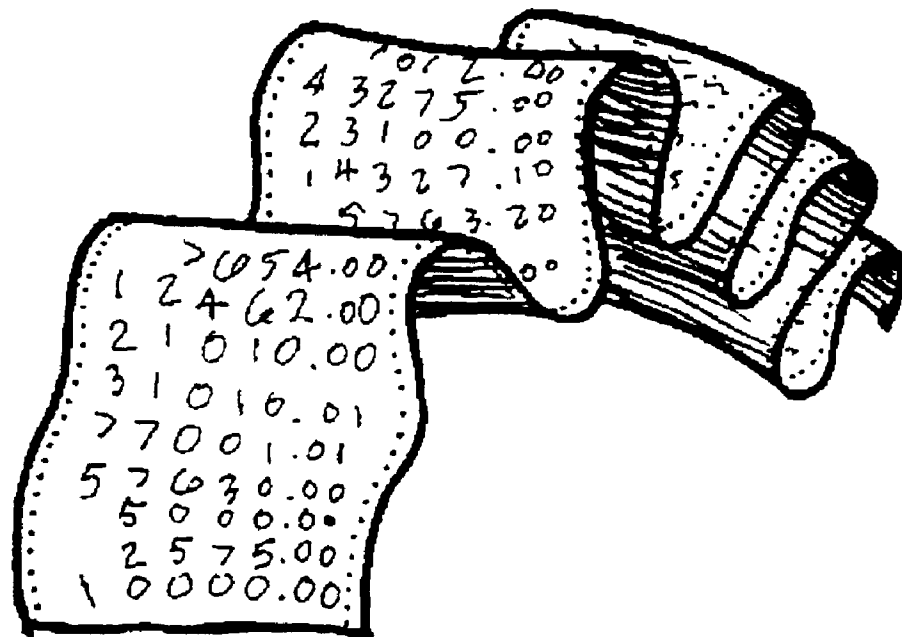
- Identify some key questions central to economic analysis of policy options in disaster management
- Describe the practical thought process that economic analysis requires
- Identify consequences of disasters in economic terms
- Describe constraints that policy makers in developing countries face in making mitigation and recovery decisions
- Identify economic policy instruments available to decisionmakers

Key questions in disaster economics

- **What to do**
 - How much
 - On what
 - Where and when
- **How to do it**
 - Direct government expenditure
 - An enabling policy environment
- **Who to do it**
 - Institutional requirements
- **How to pay for it**
 - Government revenues
 - Concessional and commercial debt
 - Grant assistance and relief aid

Two important tools

- Quantitative focus
- A practical problem-solving approach





The practical problem solving approach

- Identify and analyze the problem
- Define goals
- Identify and analyze alternative solutions
- Choose solutions
- Identify necessary resources and responsibilities
- Develop project document for presentation to donors

Disasters and Development

“Disasters particularly hurt developing countries because poverty and disasters are mutually reinforcing, undermine incentives for development, and particularly hurt the nonformal sector.”

- Mary Anderson



Disaster consequences

- Direct effects
 - Losses of capital
 - Losses of stock
 - Production losses
 - Cost of emergency relief and repairs
- Indirect effects
 - Reduction in supplier activity
 - Reduction in purchases of goods and services
 - Reduction in national income
- Secondary effects
 - Epidemics and inflation
 - Individual and regional disparities
 - Lost economic opportunities
 - Ecological damage
 - Unfavorable shifts in balance of payments



Estimating disaster losses

		Losses	
Consequences	Measure	Tangible	Intangible
Deaths	Number of people	Loss of economically active individuals	Social and psychological effects on remaining community
Injuries	Number and injury severity	Medical treatment needs, temporary loss of economic activity by productive individuals	Social and psychological pain and recovery
Physical damage	Inventory of damaged elements, by number and damage level	Replacement and repair cost	Cultural losses
Emergency operations	Volume of labor, workdays employed, equipment and resources	Mobilization costs, investment in preparedness capability	Stress and overwork in relief participants
Disruption to economy	Number of working days lost, volume of production lost	Value of lost production	Opportunities, competitiveness, reputation
Social disruption	Number of displaced persons, homeless	Temporary housing, relief, economic production	Psychological, social contacts, cohesion community morale
Environmental impact	Scale and severity	Clean-up costs, repair cost	Consequences of poorer environment, health risks, risk of future disaster



Exercise

Consider a recent natural or human-made disaster with which you are familiar and identify five of the most costly consequences of that disaster.



Tasks of economic analysis

- identify and review alternatives
- analyze opportunity costs (trade-offs)
- select a best option

Opportunity cost

The opportunity cost of a resource is the cost of its next best alternative.

For example, a person engaged in mopping up a flood would usually be employed in some other job. The opportunity cost of mopping up is the foregone value of the work he or she would otherwise have done. **Or,** funds spent on one project could be spent on another.



Disasters and economic interventions

1. SCENARIO: TYPE OF DISASTER		Natural			Human made			Economic
		Flood	Tropical Storms	Earthquake	War	Environmental Degradation	Drought	Severe Mismanagement
		Mitigation or Recovery Focus						Structural Adjustment
2. POLICY INSTRUMENT ALTERNATIVES		Domestic			International or Regional			
Domestic policy instruments affecting production, income, consumption, savings & investment decisions in the private sector	Direct taxes							
	Indirect taxes							
	Subsidies							
	Credit							
	Interest rates							
	Exchange rates							
3. INVESTMENT ALTERNATIVES								
Domestic investment in public infrastructure	Economic							
	Urban/rural							
	Services							
4. FINANCING ALTERNATIVES								
External and internal financing mechanisms	Concessional loan							
	Commercial loan							
	Grant assistance							
	Relief aid							
	Creative financing							
	Insurance payment							
	Debt rescheduling							

Structural adjustment planning guide

Key areas of structural adjustment		Timetable for priority actions								
		Year	1	2	3	4	5	6	7	8
1. Macroeconomic stabilization										
2. Price and market reform										
	Price reform									
Goods and services	Trade reform									
	Distribution									
	Labor market deregulation, wage bargaining									
	Banking system									
	Other financial and institutional markets									
3. Ownership reform										
	Restructuring, demonopolization, privatization									
	Small scale private sector development									
	Revision of foreign investment regulations									
4. Reform of state responsibilities										
	Tax reform, property and commercial law									
	Institutional, macro, budget, regulatory reforms									
	Unemployment insurance, other safety nets									
	Other emergency, long term social areas									

Constraints on policy choices

- limited uncommitted funds
- substantial debt
- many competing projects
- weak public sector institutions
- limited skills in the labor force
- crisis driven decision-making
- limited research
- unreliable data
- resourceful citizens



Final considerations

- Is it essential?
- Is it cost-effective?
- Is it a priority?
- Will it work?
- Have all alternatives been considered?



Summary

- ✓ Failure to invest in disaster prevention is both inefficient and wasteful.
- ✓ Government rehabilitation plans must have private sector support.
- ✓ There is pressure to get things moving again quickly.
- ✓ The incentive structure must be adequate to encourage full participation in the process of recovery.
- ✓ Some disasters have a national focus, while others require regional or global solutions.
- ✓ Disaster situations often require quick assessments.



Summary (continued)

- ✓ Ensure that the costs of maintaining rebuilt infrastructure are included in the national budget.
- ✓ Post-disaster resource allocation principles must guide rather than dictate economic policy choices.
- ✓ Recovery programmes should incorporate arrangements for flexible implementation at the local level.