

**DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK**

**DISASTER PREVENTION FUND**

**OPERATIONAL GUIDELINES**

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## DISASTER PREVENTION FUND

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# DISASTER PREVENTION FUND<sup>1</sup>

## I. BACKGROUND

Vulnerability to natural hazards is becoming one of the greatest threats to the economic and social development of many countries in the region. Recent disasters have shown that, in addition to irreparable losses of life, countries can also lose essential infrastructure and services. However, the capacities to undertake and manage prevention measures are still limited and require significant strengthening

The Inter-American Development Bank (the Bank) has over the last decade responded to this situation by providing financial and technical assistance to countries in the region for disaster prevention and responses. There is a need, however, to more proactively assist the countries in the region break the vicious cycle of disasters-reconstruction-disasters-reconstruction by reducing the risk before the next natural hazard event.

The Disaster Prevention Fund (DPF) holds an initial contribution of US\$ 4 million from the ordinary capital resources of the Bank in 2006 to be raised to US\$ 10 million in 2007 as defined in [GN-2405-3](#). The Fund will be replenished at the latest when its resources reach a low level of US\$2 million. The DPF is intended to provide non-reimbursable financing for: i) project preparation and public goods aspects of disaster prevention projects or components; and ii) risk assessments that serve to inform the programming of projects with the countries.

The DPF will support the mainstreaming of disaster risk management through disaster prevention across sectors consistent with Bank Action Plan for Improving Disaster Risk Management ([GN-2339-1](#)) and the draft Disaster Risk Management Policy ([CP-2884-2](#)). It will function in strategic coordination with on-going and future activities financed by the Bank's trust funds.

## II. OBJECTIVE

The objective of these operational guidelines is to establish the procedures for the use of funds from the Disaster Prevention Fund, in order to achieve the objectives of the Fund.

The objectives of the Fund are to: (i) support countries to manage risks related to natural hazards by reducing vulnerability, and by preventing and mitigating disasters before they occur; (ii) leverage knowledge, good practice, tools and government commitment for risk management solutions; and (iii) provide a vehicle for developing a shared approach to supporting disaster risk management in the region.

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<sup>1</sup> "Disaster" in this document refers to the consequences of a natural hazard only. Such hazards include: earthquakes, windstorms, hurricanes, landslides, tidal waves, volcanic eruptions, floods, forest fires, and drought, or a combination thereof.

### III. ELIGIBILITY CRITERIA

**A. Project funding**

The DPF will consider individual proposals up to US\$ 1,000,000. The beneficiary entity or entities will contribute a share of the total cost of each operation. This amount is to be decided on a case-by-case basis by the Manager of the corresponding IDB Department. The counterpart financing, part of which would be preferably in cash, shall be at least twenty percent (20%) of the total cost.

**B. Use of resources**

The resources of the DPF can be used to hire consulting services, purchase goods necessary to carry out studies, finance equipment for disaster prevention systems, training activities and any other activity compatible with the goals of the Fund. The amount per operation allocated to the acquisition of goods shall not exceed 30% of the cost of the project in accordance with applicable Bank policies ([GN-2349-6](#), [GN-2350-6](#)) and follow [procurement rules](#). Only on a case-by-case basis and in exceptional circumstances duly justified, a higher percentage of such resources could be allocated to the acquisition of goods for a particular operation. A request for a waiver must follow regular Bank procedures.

Proposal preparation costs accrued by hiring third parties to prepare the proposal can be reimbursed to the preparation unit, from the proposal’s budget, for up to 5% of the approved total cost, but not to exceed \$20,000.

**C. Eligible activities**

Fund resources can be used to finance individual non-reimbursable technical assistance operations within the three program areas: 1) support for project development, 2) strategic research, and 3) strategic planning and institutional strengthening. The Fund finances mainly local and national operations since the Bank has other available grant instruments for regional initiatives.

Area	Eligible Activities
<b>Loan and project cycle</b>	<ul style="list-style-type: none"> <li>▪ Project preparation costs for disaster prevention loans or disaster prevention components in sector loans.</li> <li>▪ Design of prevention and mitigation investments in high-risk areas, which could subsequently be financed by the Bank or other institutions.</li> <li>▪ Improved preparedness through the strengthening of early warning, communication technologies, public information and education systems.</li> <li>▪ Environmental management for natural hazard vulnerability reduction.</li> <li>▪ Regional support for disaster prevention for the Eastern Caribbean states through the Caribbean</li> </ul>

	Development Bank, in accordance with the established mechanisms between the IDB and CDB.
<b>Strategic research</b>	<ul style="list-style-type: none"> <li>▪ Identification and documentation of country and sector risk to natural hazards.</li> <li>▪ Pre-approved research to gather data after a disaster that can provide crucial lessons learned for managing disaster risk in the future.</li> </ul>
<b>Strategic planning and institutional strengthening</b>	<ul style="list-style-type: none"> <li>▪ Planning of reconstruction efforts in order to prevent renewed vulnerability.</li> <li>▪ Land use planning for vulnerability reduction.</li> <li>▪ Strengthening of national and sub-national institutions, capacities, policies and programs for risk management and disaster response.</li> <li>▪ Strengthening of national and regional insurance markets.</li> <li>▪ Creation of regional networks of experts for risk assessments, disaster prevention, disaster preparedness and reconstruction.</li> </ul>

**D. Non-eligible activities** The following activities will not be eligible for Fund financing:

- i. On-going maintenance of existing works and measures;
- ii. Projects that seek reimbursement for measures already undertaken;
- iii. Projects that are designed to protect or which provide a commercial advantage for profit seeking by private entities, and do not provide a public good;
- iv. Humanitarian aid.

**E. Country eligibility**

All Bank borrowing members are eligible for financing from the Fund. No country can be allocated more than thirty percent (30%) of the accumulated resources of the Disaster Prevention Fund. Regional programs shall be allocated no more than five percent (5%) of the Fund's accumulated resources. Regional projects for the Eastern Caribbean states are eligible if financed through the Caribbean Development Bank, in accordance with the established mechanisms between the IDB and CDB.

**F. Project eligibility**

The following criteria have to be met for the project to be eligible:

- (i) Explicit, direct or indirect, link to the Bank's project portfolio.
- (ii) Show of an appropriate level of commitment from the government to the accomplishment of the objectives of the operation, such as a financial contribution.
- (iii) Consistency in aligning with, or support the elaboration of, the Bank's country and regional strategies.

- (iv) Non-availability of other grant sources of funding administered by the Bank.<sup>2</sup>
- (v) Replicable for future Bank operations.

#### **IV. COORDINATION OF THE FUND**

The DPF will have a Coordinator whose main responsibilities include: overall coordination, promotion of presentation of proposals for the Fund, reporting and monitoring. The Coordinator works closely with the Bank's Disaster Focal Points and reports to RE2/FSS on the activities of the Fund.

Standard Bank procedures are used for the administration of the Fund.

The Coordinator receives and reviews proposals for funding from DPF and confirms eligibility in accordance with the criteria of section III of this document. The Coordinator will also certify availability of resources.

The Coordinator will be responsible for attending questions and providing guidance concerning the use of the DPF to project teams, ensuring that responses to inquiries and information on the fund are exchanged efficiently.

A framework for measuring the Fund's performance will be developed. The Coordinator will inform on the performance of the fund to the Programming Committee on an annual basis, and report on best practices in the projects and lessons learned from the use of the resources of the Fund.

The Coordinator will disseminate information on the performance of the Fund, inform on the availability of its resources through the Bank's website.

#### **V. PROCEDURES FOR APPROVAL OF PROJECTS**

Technical cooperation projects submitted for Fund financing will follow standard Bank policies and procedures for technical cooperations on processing, approval, contracting, disbursement, and reporting. The following are specific guidelines for the execution of the resources of the Fund.

##### **A. Preparation and submission of proposals**

Funding proposals can be generated by public or, with the non-objection of the government, by private entities. Proposals can also be initiated by the Bank. The Bank's operational departments submit proposals to the Fund. Project submissions will be received on a rolling basis and considered on a first-come-first-served basis. The DPF encourages the preparation of proposals in

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<sup>2</sup> Funding proposals must include the justification that other resources are not available for the financing as required by the *Criteria for appraising Bank programs eligibility for funding from the Special Programs/Grants of OC resources* (revised version, [GA-220-12](#)) as stated in paragraph 2.11.

coordination with organizations other than the Bank (e.g. governments, research organizations, international organizations and other donors).

**B. Eligibility analysis**

The Coordinator of the Fund receives proposals in the format of a [TC brief](#) and reviews the proposed projects for eligibility on the basis of the DPF guidelines. Responsibility for the technical quality of the proposals rests with the operational department presenting them.

**C. Approval**

Standard Bank procedures will be followed in the approval of proposals presented to the Fund. The President of the Bank approves individual operations above US\$ 150,000 in accordance with [GN-2405-3](#).

**D. Execution**

As a general rule, the execution of the operations financed with resources of the DPF will be the responsibility of the beneficiaries. For projects with a regional scope the executor will guarantee the coordination of activities with all the beneficiaries in the relevant countries. Executing agencies may be governments and public institutions of the Bank's borrowing member countries, and regional or sub-regional agencies. In exceptional cases, upon the express written request and justification of the beneficiary country or countries, the Bank may act as an executing agency.

The period of execution and disbursement of projects funded with the DPF should not generally exceed two years. Project teams should follow standard procedures when requesting period extensions and any substantive project modifications.

**E. Project monitoring and evaluation**

Operational departments must submit a TC Operation Completion Report (See Annex I) to describe the project outputs and outcomes as well as lessons learned. Projects funded with DPF resources that are linked to the loan portfolio should integrate project outputs and outcomes to the wider monitoring and evaluation processes applied by the Bank, such as programming and portfolio reviews exercises, loan project performance monitoring reports (PPMR) and project completion reports (PCR), and other such standard instruments. As appropriate the Coordinator will identify best practices and disseminate them accordingly.

## **VI. MONITORING OF THE FUND**

The Coordinator will, on a yearly basis, review the progress and assess the performance of the DPF. The Coordinator reports the findings to the Programming Committee, which informs the Board of Executive Directors on the Fund's performance. It is the responsibility of the Coordinator to periodically disseminate lessons learned from the operation of the Fund among stakeholders in accordance with section V.A. of this document.

**TC Operation Financed by Disaster Prevention Fund**  
**TC OPERATION COMPLETION REPORT**  
(Up to four pages)

<b>Beneficiary Country or Countries</b>	
<b>Project Name</b>	
<b>Project No.</b>	
<b>Project Team Members</b>	
<b>Executing Agency</b>	
<b>Amount: Bank / Local Counterpart</b>	
<b>Bank Approval Date</b>	
<b>Project Completion Date</b>	
<b>Objective &amp; Description:</b>	
<b>Evaluation of Inputs:</b>	
<b>Evaluation of Outputs:</b>	
<b>Overall Assessment:</b>	
<b>Lessons Learned:</b>	
<b>Recommendations and Follow-Up Actions:</b>	

Project Team should prepare this report no latter than six months after project completion date.