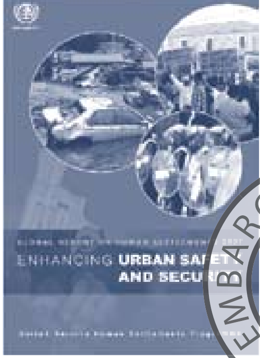

EMBARGOED - EMBARGOED - 1 OCTOBER 2007

GLOBAL REPORT ON HUMAN SETTLEMENTS 2007

UN-HABITAT

DISASTER
at a glance

The economics of disasters

When disaster strikes, it inevitably has an impact on urban economic systems, and more broadly, on national and international economies. Most cities are hubs of economic activity, and some are also important regional or even global financial centres. The scale of economic impact varies according to the spread, intensity and type of disaster, while the magnifying qualities of large urban economies, land markets and insurance policies also play a role, as highlighted in the UN-HABITAT report *Enhancing Urban Safety and Security: Global Report on Human Settlements 2007*.

- The World Bank and US Geological Survey calculated that **economic losses worldwide from disasters during the 1990s could have been reduced by US$ 20 billion if US$ 40 million** had been invested in mitigation and preparedness.
- As a proportion of World Bank lending, disaster lending has increased from 6 per cent during the period 1984-1988 to 14 per cent during 1999-2003. **Four times more disaster lending is spent in rural compared to urban areas.**
- The 2005 **Hurricane Katrina alone caused US$ 81.2 billion in economic damage** in the United States of America, making it the costliest natural disaster in the country's history.
- **In Pakistan, the 2005 earthquake cost US$ 5 billion in damages**, approximately the same amount the World Bank lent the country over the last decade.
- The 1998 **Hurricane Mitch resulted in losses equal to 41 per cent of Honduras' GDP**, while in the Maldives, 66 per cent of the country's GDP was wiped out by the 2004 Indian Ocean Tsunami.
- In Argentina's capital **Buenos Aires, land values in the flood-prone, middle/low-income Arroyo Maldonado area fell by 30 per cent following two consecutive years of flooding**. However, in middle/high-income areas, real estate agents have been found to mask flood risk, with no discernable change in the market price of flats except for temporary decreases following severe flooding.
- In the **UK, around 15 per cent of urban land, accounting for 1.85 million homes and 185,000 commercial properties, is known to be at risk from flooding**. Prioritizing local economic development over flood risk management has disastrous consequences, as demonstrated by widespread flooding in 1998, 2000 and 2007.
- **Economic loss to disasters is low for Africa** compared to other world regions, with the continent's total economic loss estimated at around US$ 10 billion from 1996-2005, but is high as a proportion of GDP.
- In **China, investments of US$ 3.15 billion in flood control measures over 40 years is believed to have averted potential losses of US$ 12 billion**.
- The Mexico City earthquake of 1985 revealed a financing gap, with few residential properties having insurance cover. Today, the World Bank and Mexico take a three-step approach to financial risk management: identification of risks, mitigation investment and the transfer of residual risk to insurance companies and capital markets.

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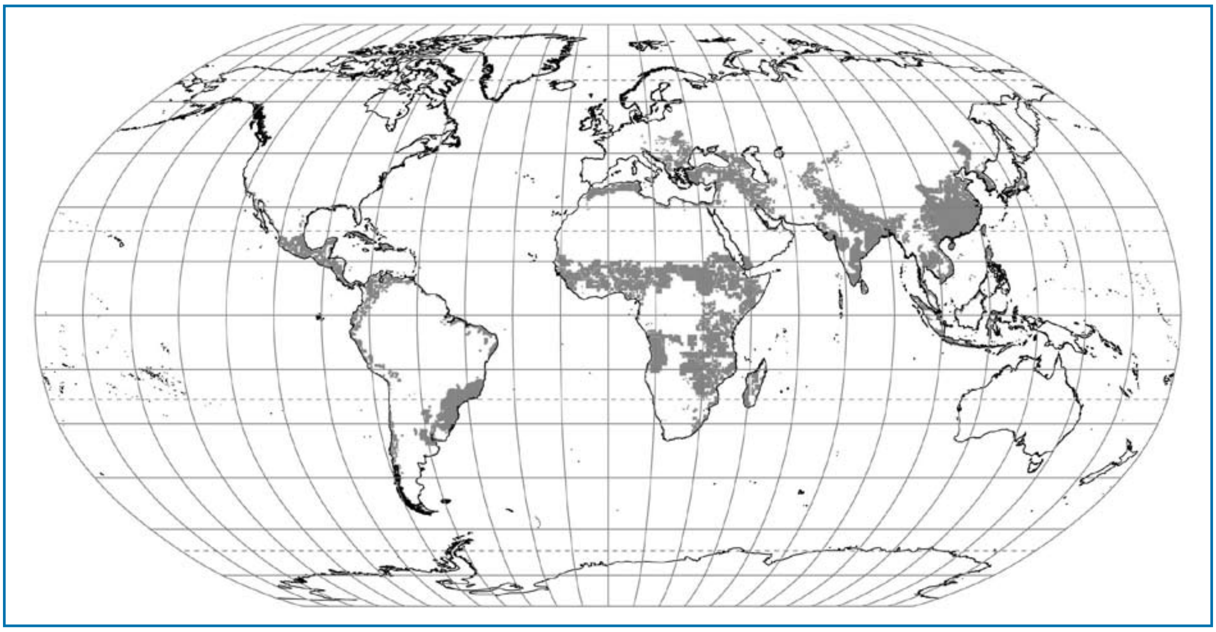
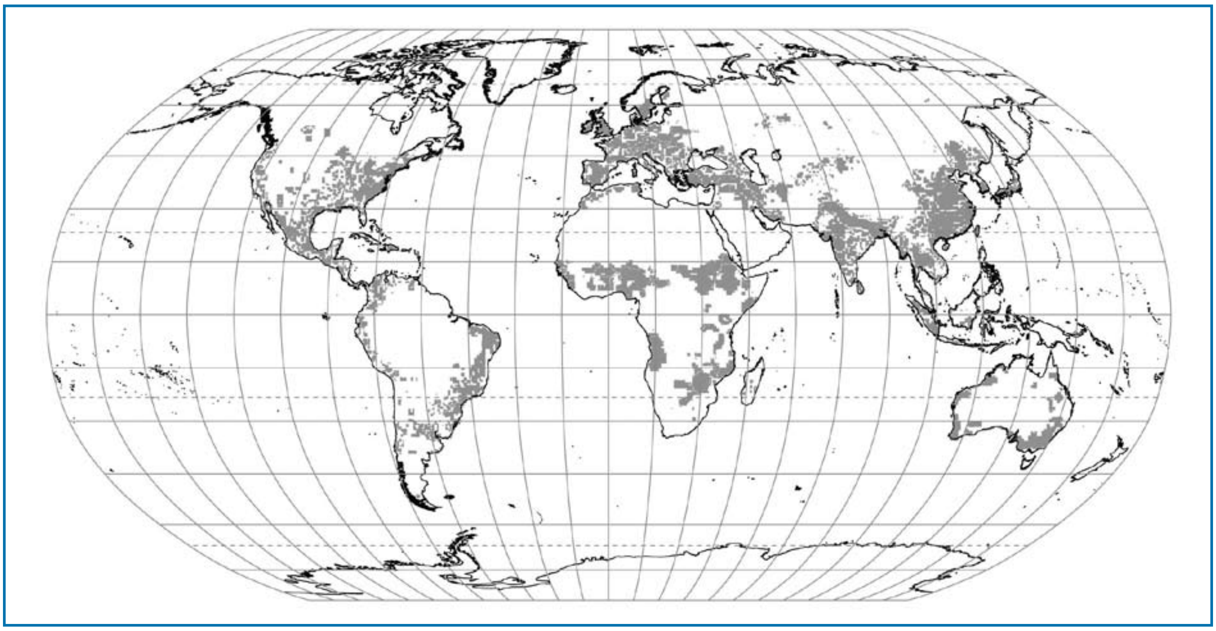
Global distribution of highest risk disaster hotspots indicated by mortality (1980–2001)



Source: Dilley et al, 2005

Global distribution of highest risk disaster hotspots indicated by total economic loss (1980–2001)



Source: Dilley et al, 2005

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