1.4 Natural disasters: case study experience

Disaster Risk Financing: Case Studies from Across the World

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Abstract

• May 2014 Floods affected 1/3 of Serbia

• No Adequate System for Recovery Was in Place

• Shift from Recovery to Prevention
Serbia: May 2014 Floods

- Floods affected **119 municipalities** (out of 165)
- 22% of total population affected by floods
- More than 30 municipalities sustained extensive damage
- 57 lives lost
- 32,000 families forced out of their homes
- Electricity production decreased by 25%, due to flooding of open-pit coal mine, a key source of lignite-based power generation
- The disaster caused a recession in Serbian economy – it **contracted by 1.8%** in 2014, instead of growing by 0.5% as projected
- Total estimated damages exceed **EUR 1 billion**
- Total disaster effects (including losses) **4.8% of GDP (EUR 1.7bn)**
- Total needs for recovery and reconstruction estimated at **EUR 1.35 bn**
- Estimates based on **Post Disaster Needs Assessment** implemented by GoS with assistance of WB, UN and EU
Ministry of Finance Challenges

- **No strategy in place** to meet the financial costs imposed by disasters
- **Cash Accounting Principle**: no accumulation of resources over years
- Lack of Fiscal Space due to **fiscal consolidation**: difficult to set aside considerable amounts of resources for contingencies
- Lack of **financial instruments**:
  - Very **low insurance** of both private and public buildings
  - Very **low contingency reserves** (< 1m EUR originally budgeted)
  - **Limited budget reallocation** possibilities (max 10% of each appropriation)
  - **Supplemental Budget** takes time
Government’s Preparedness

LACK OF ADEQUATE FRAMEWORK AND PROCEDURES ON PREVENTION AND PREPAREDNESS AND RECOVERY

The Law on Emergency Situations regulated response and emergency situation management in detail, but doesn’t address reconstruction and recovery after disasters.

The Law on Financial Resources for Recovery and Protection From Disasters not revised since its adoption in 1992 (times of “old” Yugoslavia) and could not respond to present-day needs.

DRAFTING A NEW SET OF RULES, LAW AND BYLAWS

KEY RESPONSIBILITIES OF LOCAL SELF-GOVERNMENTS

- Damage data collection (methodology adopted in 1987)
- Decision-making on damage degree
- 1st instance in complaint mechanism

UNCOORDINATED

- Data processing and verification
- Drafting of National Recovery Programs by sectors (including detailed information on damages, proposed measures and cost estimates)
- Fundraising (focal point for donors and lenders)
- Coordination of aid disbursement
- Supervision of implementation (including public procurement)
- Approval of payments
- Ensuring transparency through reporting (to GoS, general public and donors)
Government Challenges

NEED TO ENSURE:

- **RESPONSIVENESS**: Population affected by floods
- **TRANSPARENCY ACCOUNTABILITY**: General population and donors
- **MAKE COMPROMISES WITHOUT COMPROMISING THE OVERALL RECOVERY EFFORT**

Office for Reconstruction and Flood Relief established in the midst of floods as an *operative (not political) national authority* for relief and recovery.
Lessons Learned

**MORE EFFICIENT USE OF LIMITED RESOURCES**

**DOING MORE WITH LESS**

**ENHANCED CREDIBILITY IN THE RECOVERY PROCESS**

**ENHANCED CONFIDENCE IN THE PROCESS AMONG GENERAL PUBLIC**

**INCREASED READINESS AMONG DONORS TO PROVIDE (ADDITIONAL) SUPPORT**

In 7 MONTHS

**REPUBLIC OF SERBIA NEEDED TO:**

- **Develop a systemic approach** towards risk management and reduction
- Undertake activities and measures on **strengthening prevention**
- Plan and implement **investments based on understanding risk**
- Ensure adequate **data collection** and sharing
- Ensure the highest possible level of **protection of lives and assets** from new floods and other natural disasters
- Secure access to **immediate post-disaster liquidity** to meet emergency and recovery needs