

# 1.4 Natural disasters: case study experience

## Disaster Risk Financing: Case Studies from Across the World

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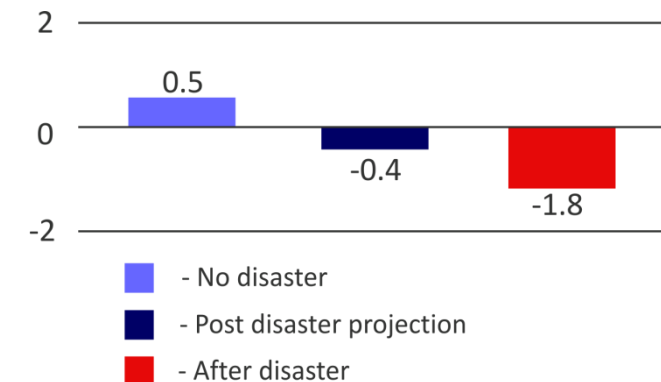
# Abstract

- 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

## IMPACT OF DISASTER ON SERBIA GDP GROWTH RATE IN 2014



# 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



TRANSPORT  
INFRASTRUCTURE



PUBLIC  
BUILDINGS



AGRICULTURE



SMEs



DAMAGED  
HOUSES



FLOOD  
PROTECTION  
INFRASTRUCTURE



POWER  
PRODUCTION  
AND  
DISTRIBUTION  
FACILITIES



CRITICAL LOCAL  
INFRASTRUCTURE

# 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
- 1<sup>st</sup> 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**

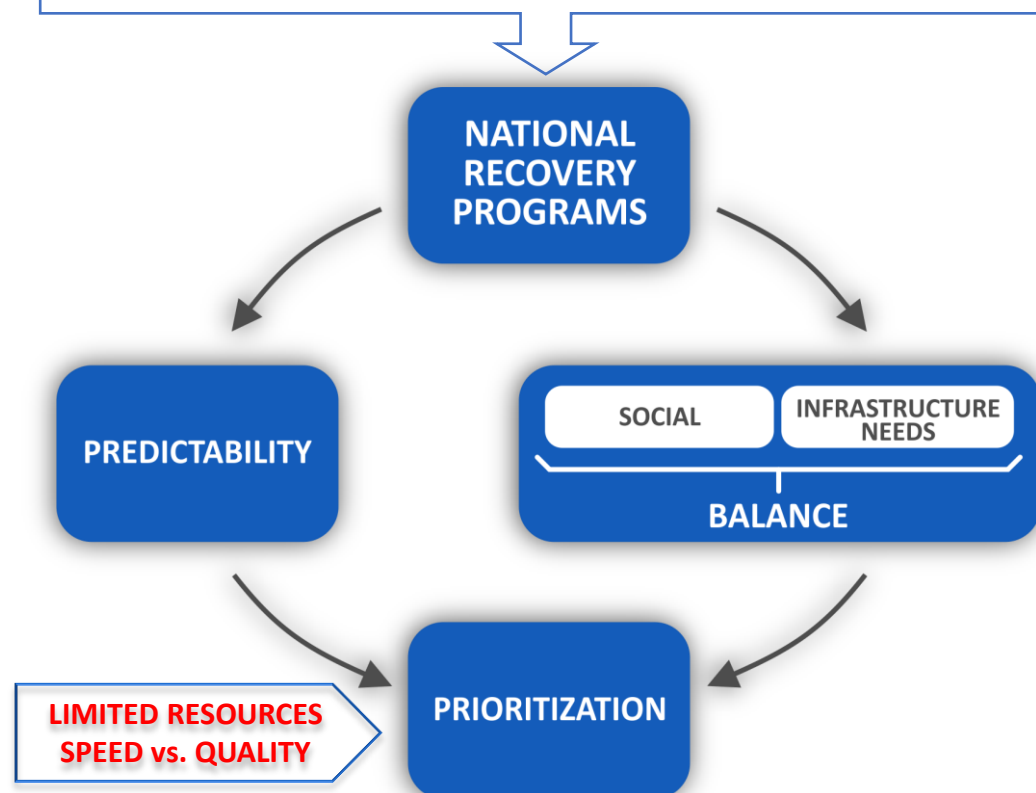
Population affected by floods

**TRANSPARENCY  
ACCOUNTABILITY**

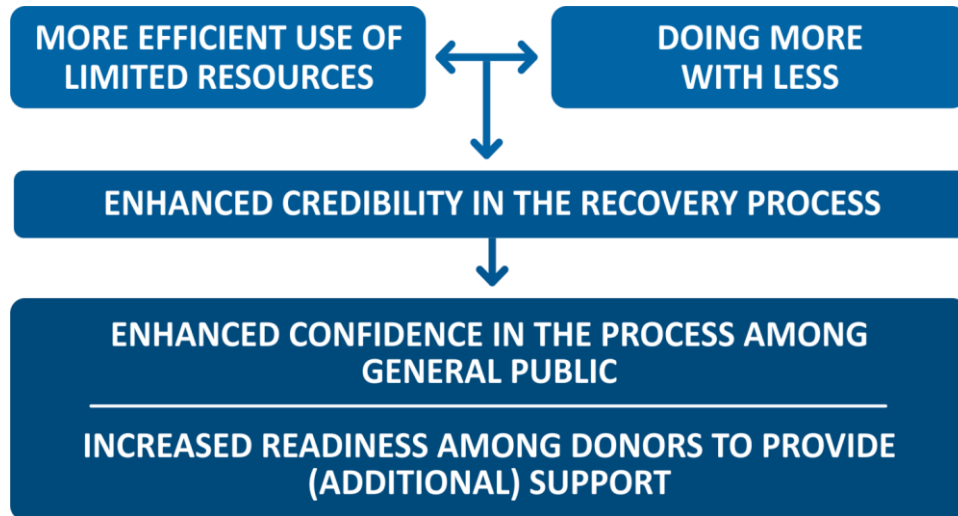
General population and donors

**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



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



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