

INTERNATIONAL WORKSHOP:
FINANCING DISASTER RISK MANAGEMENT IN INDIA

November 12-13, 2018, Jodhpur, India

Concept and Agenda

Background

In November 2017, Government of India constituted the 15th Finance Commission (FC-XV) to cover the period 2020-2025. Tasked with contouring the federal fiscal relations in India, the FC is also responsible for advising the Government on the nature and form of Grants-in-Aid to the States. Disaster relief is one of the three purposes for which grants are provided to the states and is increasinglyⁱ taking up a larger percentage of grants due to the rising frequency and intensity of disasters every year. Successive Finance Commissions have provided recommendations on various aspects of financing disaster management. Most recently, FC-XIV undertook a detailed review of the disaster response funds at national, state and district levels and provided pertinent recommendations for strengthening the financing and operations of these funds.

FC-XV begins their tenure in a disaster risk context marked by increasing frequency and severity of disasters. Since 2015¹, India has witnessed its first back-to-back droughts in nearly three decades - impacting 40%ⁱⁱ of the districts in the country, including areas that were not traditionally drought-prone; annual incidents of urban flooding, including unprecedented flooding in large cities and small towns alike; as well as disruptive cyclones in both 2016 and 2017. Adding to the fiscal burden of States is the increase in the intensity and frequency of localised disaster events that have significant impact on smallholders and vulnerable households across the country.

Also in 2015, the international community reaffirmed their commitment to addressing disaster and climate risks in development through the landmark 2030 Agenda, including the Sendai Framework for Disaster Risk Reduction, Paris Agreement on Climate Change, and the Sustainable Development Goals. India is a signatory to these international agreements and has already made significant strides towards their implementation. India has also committed to furthering the Addis Ababa Agenda on Financing for Development, Agenda for Humanity and the New Urban Agenda emerging in 2015-16. Effective financial management of disaster and climate risk will be critical for achieving the targets set in these agreements, especially those related to loss and damage. In this backdrop, it is imperative that FC-XV's deliberations take into consideration disaster and climate risks as much as post-disaster relief and recovery. To wit, focus on financing disaster risk management (DRM) rather than disaster relief alone.

Towards this, the XV Finance Commission, under the leadership of Chairperson Mr. N.K. Singh, is seeking to engage with existing good practices for financing disaster risk management through an international workshop. This engagement is aimed at informing priority actions for

¹ Planning period for FC-XIV was (2015-2020)

DRM financing in India, drawing especially from the experiences of other high-risk contexts. There's much to be learnt from (and learn regarding) the ways in which countries navigate the allocation of risks, responsibilities, and resources between different levels of government as well as between the public and private sectors. Ultimately, at the core of any financial allocation, is a series of decisions. And financing DRM comes with its unique web of decision-factors - including locus of risk creation/reduction, quantum of risk acceptance and the temporality of actions.

This makes it even more important to have platforms where stakeholders can explore the basket of financial options available to them, teasing out the merits and demerits of each, exploring the applicability and potential for contextualisation. In this regard, for example, the emergent shift from indemnity-based insurance to parametric insurance, the rise of regional and sub-national risk pooling mechanisms, use of catastrophe bonds and innovative credit facilities are just some of the upcoming practices that need a collective critical exploration. Further, the increasing attention towards risk-informed development planning also needs closer examination.

The proposed workshop seeks to provide such a platform.

The 'International Workshop on Financing DRM in India' is proposed to be held in November 2018, in Jodhpur, India. It is envisioned that the workshop will bring together and draw upon international good practices to inform FC-XV in making a set of recommendations for DRM financing in India. Given that FC-XV has requested United Nations Development Programme (UNDP) and Indian Institute for Human Settlements (IIHS) to draft papers to inform its recommendations on DRM financing, this workshop will provide a sounding board for discussing, validating, and crystallising the emerging findings and policy direction. Workshop participants will include representatives from countries with experiences of implementing innovative financial mechanisms and instruments for DRM; representatives from multilateral banks with experience of supporting DRM financing; representatives from the private sector particularly insurance; political executives and senior government officials; and public finance specialists.

Objectives

The workshop seeks to:

- Frame DRM financing issues at central and state levels in India;
- Take stock of international good practices in Public Financial Management (PFM) arrangements on DRM financing; and
- Identify priority issues and recommendations for DRM financing in India.

Outcome

Enhanced understanding of the nuances of DRM financing in a federal context, and a set of policy and fiscal recommendations for DRM financing in India.

Agenda

Day 1 (half-day), November 12, 2018

Time	Session
1530 – 1600	<p>Opening Ceremony: Introduction and Opening Remarks</p> <ul style="list-style-type: none"> • Mr. N.K. Singh, Chairperson, XV-Finance Commission • Dr. P.K. Mishra, Additional Principal Secretary to PM • Mr. R.K. Jain, Member, National Disaster Management Authority (NDMA) • Mr. D.B. Gupta, Chief Secretary, Rajasthan (TBC) • Mr. Junaid Kamal Ahmad, Country Director, World Bank India
1600 – 1645	<p>Framing the Issues for DRM Financing in India</p> <ul style="list-style-type: none"> • Mr. Krishna Vatsa, Recovery Advisor, UNDP: <i>Overview of the evolution of DRM Financing in India, its present status, and future orientation</i> • Mr. Aromar Revi, Director, Indian Institute of Human Settlements: <i>Financing Urban Resilience in India</i>
1645 – 1700	Tea/ Coffee break
1700 – 1900	<p>Session 1: Taking stock of Existing Funds in India: <i>Current status and comparative experience from other federal and high-risk countries</i></p> <p>This session will focus on the foundations of PFM system for DRM in India. The National Disaster Respond Fund (NDRF) and State Disaster Response Funds (SDRFs), as they have evolved through recommendations of successive Finance Commissions, provide the foundation for DRM financing in India. These arrangements, and their strengths and weaknesses, their size and source, and their overall effectiveness will be discussed in this session. The objective of the session would be to recommend improvements in the functioning of these funds and bring more innovation in their application. The key themes for this session will include:</p> <ul style="list-style-type: none"> • <i>Structure of the Central, State and District- Level Funds: How should the existing fund structure and management improve? How can they be more responsive to emerging needs of the DRM system?</i> • <i>Size of the funds: How should the allocation for these funds be determined? What are the criteria that need to be followed for determination of state funds? If the funds need to be devolved to the district level, how should it be determined?</i> • <i>Source of Funds: How should these funds be capitalized? Following the introduction of GST for the country, how should the funds be linked to taxes?</i> • <i>Provisions of DM Act: How could the funding arrangements be harmonized with the provisions of funds as stipulated in the DM Act?</i> • <i>PFM Arrangements for DRM in Other Countries: What can we learn from the PFM systems in developed and developing countries? What are the innovations in DRM Financing at the international level that could be applied in India?</i>

	<p>PANELISTS:</p> <ol style="list-style-type: none"> 1. Mr. Bibek Debroy, Member, NITI Aayog and Chairperson, Economic Advisory Council to the Prime Minister 2. Mr. Subhash Garg, Secretary (Economic Affairs), Ministry of Finance, Gol 3. Dr. K. Satyagopal, Commissioner of Revenue Administration (CRA) and Relief Commissioner, Government of Tamil Nadu 4. Ms. Ila Patnaik, Professor, National Institute of Public Finance and Policy 5. Mr. Fatchur Berlianto, State Asset Management, Ministry of Finance, Government of Indonesia 6. Rodrigo Sanchez, General Director, Agroasemex, Government of Mexico <p>MODERATOR: Dr. V.Thiruppugazh, Joint Secretary (Policy and Plan), NDMA</p>
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Day 2, November 13, 2018

Time	Session
0900 – 1030	<p>Session 2: Issues at the State Level</p> <p>This session will focus on the state-level financing for DRM. As the states are primarily responsible for disaster risk management, their access to predictable DRM financing is critical for their effective interventions. They disburse funds to the districts, which are finally utilized for disaster preparedness and response. The efficiency and transparency of utilization and disbursement is one of the most important elements of DRM system functioning in India. The key themes for this session will include:</p> <ul style="list-style-type: none"> • <i>How do the states utilize their SDRF? To what extent are these resources being spent on response, and what is the extent of disaster assistance being given to the people?</i> • <i>When the states access NDRF, what are the processes and results? How could these processes be improved? What are the constraints which states experience?</i> • <i>What are the other sources of DRM funding for the states? How do states access these sources? Do they allocate resources from their own budget?</i> • <i>What is the efficiency and transparency of disbursement from state to district-level, and finally from district to household level? How can these processes be improved further in terms of targeting, gender equity, and cashless transactions?</i> • <i>What are the experiences of sub-national funding in other countries? How do sub-national entities (states, provinces, municipalities) access resources for DRM in other countries?</i> <p>PANELISTS:</p> <ol style="list-style-type: none"> 1. Mr. P.H. Kurian, Additional Chief Secretary, Revenue and Disaster Management, Government of Kerala 2. Ms. Medha Gadgil, Additional Chief Secretary, Revenue and Relief, Government of Maharashtra 3. Mr. Amit Negi, Finance Secretary, Government of Uttarakhand 4. Mr. Bishnupada Sethi, Managing Director, Odisha State Disaster Management Authority

	<p>5. Ms. Y. Ringu, Director, Disaster Management, Government of Arunachal Pradesh</p> <p>MODERATOR: Dr. P.K. Mishra, Additional Principal Secretary to PM</p>
1030 – 1100	Tea/ Coffee break
1100 – 1230	<p>Session 3: Structuring DRM financing to meet diverse DRM needs (going beyond response)</p> <p>DRM financing in India has been primarily relief and response-oriented. At present, the NDRF and SDRFs do not provide for funding mitigation or recovery and reconstruction. These needs are becoming increasingly pressing and it is important to consider how these emerging DRM needs will be met at the state and district levels. There is a case for setting up mitigation funds and a stand-by facility to support recovery and reconstruction. Similarly, huge investments in infrastructure should be supported through accompanying risk reduction measures. The key themes for this session will include:</p> <ul style="list-style-type: none"> • <i>What are the emerging DRM needs and functions at the national, state and district levels? Should these needs be addressed through the NDRF and SDRFs? Should new windows be set up in the NDRF and SDRFs for supporting these needs and functions?</i> • <i>What should be the way forward for a mitigation fund? How should we establish consensus on funding disaster mitigation? Are there lessons from climate change mitigation funding which could be applied here? How should new instruments and facilities be made part of the PFM arrangements?</i> • <i>Can the Center and states come together to devise these facilities within the broader development framework? How can institutions like NITI Aayog and NDMA assist in the development of these services and instruments?</i> • <i>If large-scale recovery and reconstruction programmes in India have been implemented through World Bank credit, should there be a standard arrangement with the World Bank and other International Financial Institutions to support recovery and reconstruction? How do we finance small and medium scale disaster recovery?</i> • <i>What is the role of a Post Disaster Needs Assessment (PDNA) exercise in informing financing for recovery?</i> • <i>How do the PFM systems support mitigation and recovery / reconstruction in other countries? How have they diversified their PFM system to accommodate these needs? What are the legal / regulatory obligations which support these diversified financial mechanisms?</i> <p>PANELISTS:</p> <ol style="list-style-type: none"> 1. Ms. Zoubida Allaoua, Director, Climate and Risk Management, World Bank 2. Mr. Kamal Kishore, Member, NDMA, Gol 3. Ms. Paola Sherina Alvarez, Assistant Secretary and Spokesperson, Department of Finance, Philippines 4. Mr. Krishna Vatsa, Recovery Advisor, UNDP <p>MODERATOR: Mr. R.R. Rashmi, Advisor-TERI</p>

1230 – 1330	<p>Session 4: Risk Transfer Mechanisms</p> <p>Insurance and other market mechanisms (CAT Bonds, Reconstruction Bonds, etc.) have emerged as DRM financing instruments. Though their importance is recognized, they are not yet integral parts of PFM system in India. Successive Finance Commissions have encouraged the role of insurance, but they have not made specific recommendations. As the DRM financing becomes more diversified, the importance of these market instruments in risk management practices are bound to increase. The key issues are:</p> <ul style="list-style-type: none"> • <i>Should the government buy insurance for its assets and services and for payouts to the affected people?</i> • <i>Is there a feasible case for setting up internal insurance pools for infrastructure protection, and for recovery and reconstruction?</i> • <i>Should the government encourage setting up external insurance pools based on people paying premiums for their assets on the patterns of Turkish Catastrophic Insurance Pool (TCIP)?</i> • <i>Can the government approach global reinsurance markets to address low-probability, high consequence risk?</i> • <i>What are the experiences of alternative market instruments within the PFM system? What are the experiences of the stand-by facilities such as Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) and the Caribbean Catastrophic Risk Insurance Facility (CCRIF) in dealing with contingent liabilities of disasters?</i> <p>PANELISTS:</p> <ol style="list-style-type: none"> 1. Mr. Satish Raju, Head, South Asia Global Partnerships, Swiss Re 2. Ms. Nicola Ranger, Director, UK Centre for Global Disaster Protection 3. Representative, Turkish Catastrophic Insurance Pool (TBC) 4. Representative, Insurance Development Forum (TBC) 5. Expert on Infrastructure Financing (TBC) 6. Mr. Oliver Mahul, Disaster Risk Financing and Insurance Programme Manager, World Bank (Member, InsuResilience) <p>MODERATOR: Representative, Ministry of Agriculture (TBC)</p>
1330 – 1430	Lunch
1430 – 1600	<p>Session 5: Diversifying the sources of DRM Funds</p> <p>Private sector, philanthropic foundations, diaspora, and citizens have become important contributors to disaster response and recovery. In large-scale disasters, they provide financial, technical and in-kind assistance on a spontaneous basis. Governments need to recognize the importance of these sources, facilitate their contributions and improve accountability standards for the utilization of these resources. Key issues for discussion include:</p> <ol style="list-style-type: none"> a. <i>Are the existing mechanisms (Prime Minister’s and Chief Ministers’ Relief Funds) adequate and accountable for attracting contributions from these private and philanthropic sources? Do they facilitate earmarked contributions?</i> b. <i>Is there a need for setting up a specific funding facility for attracting private</i>

	<p><i>resources at the national or state levels? How can such resources be earmarked for specific purposes if people indicate such preferences?</i></p> <p>c. <i>If such a window should be set up as a public-private facility? How should it ensure greater transparency and accountability?</i></p> <p>d. <i>Are there good examples of mobilizing private resources for DRM in other countries?</i></p> <p>PANELISTS:</p> <ol style="list-style-type: none"> 1. Mr. Ajit Chaudhuri, General Manager – Community Services, TATA Sustainability Group 2. Mr. Nirankar Saxena, Dy. Secretary General, FICCI & Co-chair of Private Sector Advisory Group, UNISDR 3. Ms. Charlotte Benson, Principal Disaster Risk Management Specialist, ADB 4. Representative, WIPRO (TBC) 5. Representative, UNICEF (TBC) <p>MODERATOR: Representative, UNDP (TBC)</p>
1600 – 1630	Tea/ Coffee break
1630 - 1730	<p>Session 6: Emerging Recommendations for FC-XV</p> <p>This session will bring together recommendations from the six sessions, presented briefly by the respective session moderators. This will be followed by an open discussion wherein workshop participants will have an opportunity to supplement the emerging the recommendations.</p> <p>MODERATOR: Mr. Kamal Kishore, Member, NDMA, GoI</p>
1730-1800	<p>Closing Remarks</p> <p>Mr. N.K. Singh, Chairperson, XV-Finance Commission</p> <p>Dr. P.K. Mishra, Additional Principal Secretary to PM</p> <p>Mr. Junaid Kamal Ahmad, Country Director, World Bank India</p>

ⁱ Recommendations of the XIV Finance Commission

ⁱⁱ UNICEF India (2016) When Coping Crumbles: Drought in India (2015-16) ([link](#))