NATIONAL SYSTEM FOR CIVIL PROTECTION
FINANCIAL INSTRUMENTS (FONDEN)

Financial Tools and Approaches for
Shock-responsive Safety Nets

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Due to its geographical location, Mexico is mainly exposed to **Hydrometeorological** and **Geological** natural hazards.

**OTHER HAZARDS:**
- Forest Fires
- Frost Damage
- Dryness
- Lightning Storms

**NATURAL HAZARDS IN MEXICO**
Established on May 6th 1986
As a consequence of 1985 earthquakes that affected Mexico City.

Inter-institutional coordination between three Government agencies (Federal, States and Municipalities), private and social sector.
Governors of the 32 federal entities

Lead by the President of Mexico, currently Enrique Pena Nieto

Federal Government Departments

- "It is a Mexican Federal Government agency, advisory council on civil protection, member of the National System for Civil Protection"
- Established on May 28th 2013
- Council members are sworn-in by the President of Mexico
August and September 2017:

2 Tropical Storms
3 Hurricanes
2 Earthquakes, 8.2 and 7.1 magnitudes
Due to the unprecedented occurrence of Tropical Storms and Cyclones on August and September 2017, State Committees for Civil Protection were set up.

Teams from the General Directorate of Civil Protection went to the states at risk to activate the Prevention Protocols.

Permanent monitoring of the States at risk and assistance to the areas affected by flooding.
President Enrique Peña and the Federal Cabinet immediately moved to the National Center for Disaster Prevention to activate the Assistance Protocol:

- Preliminary evaluation of the damage
- Establishment of the National Committee for Emergencies
- Activation of the MX Contingency Plan
- Declared a state of emergency for the States of Chiapas and Oaxaca, in order to activate the economic resources from the Natural Disasters Fund (FONDEN)
- Establishment of the Damage Assessment for Reconstruction Committee
- Deployment of Federal officers to the affected areas.
President Enrique Peña was informed about the earthquake and its damages while moving with his Cabinet to the State of Oaxaca, where he would be monitoring the removal of debris and the assistance to the community, instructing the immediate return to Mexico City.

Likewise, activates the Assistance Protocol:
- Conducts an observation flight over the territory and after the arrival he visited the affected areas.
- Meets with his Cabinet at the C5 facilities in Mexico City.
- Establishment of the National Emergencies Committee.
- Activate MX Plan.
- Declared a state of emergency for the States of Puebla, Morelos, Guerrero and Mexico City.
- Deployment of Federal officers to the affected areas.
On the Emergency Assistance is highlighted the decisive contribution of all the sectors of society.
The Solidarity of the Mexican people and other countries in the face of disasters was clearly demonstrated. Moreover, the society, institutions and government improvement on prevention and Emergency assistance.

INTERNATIONAL TEAMS
468 ELEMENTS
19 CANINES

14 COUNTRIES
UNITED STATES, SPAIN, ISRAEL, COLOMBIA, JAPAN, HONDURAS, PANAMA, EL SALVADOR, ECUADOR, SWITZERLAND, PERU, GERMANY, COSTA RICA, VENEZUELA

UNDAC TEAM (UN)

NATIONAL TEAMS:
238 ELEMENTS
JALISCO, GUANAJUATO, TIJUANA AND THE RED CROSS
The Natural Disasters Fund (FONDEN) is a financial instrument within the National Civil Protection System with the following characteristics:

- Integrates a respectful process of the competencies, responsibilities and needs of the various spheres of government
- Is based on the principles of co-responsibilities, complementarity, opportunity and transparency
- Supports state governments and Federal Public Administration institutions, to assist and to recover from the effects of natural disasters
- Is governed by the Rules of Operation of the Fund itself and the procedures derived from them

What is FONDEN’s Objective?

To respond to the effects of a natural disaster, unforeseeable, which magnitude exceeds the financial responsiveness capacity from the dependencies and parastatal entities, as well as the federative entities.
FINANCIAL INSTRUMENTS FOR NATURAL DISASTERS

- FUND FOR NATURAL DISASTERS PREVENTION (FOPREDEN)
  - PREVENTIVE

- NATURAL DISASTERS FUND (FONDEN)
  - RECONSTRUCTION

- EMERGENCY FUND
  - POPULATION ASSISTANCE
FUND FOR NATURAL DISASTERS PREVENTION

IT IS A PREVENTIVE FINANCIAL INSTRUMENT WHICH OBJECTIVE IS:

- Encouragement and promotion on preventive activities.
- Studies that aim to: reduce risks, prevent disasters, and reduce or avoid the effects of natural disasters.
- Risk mitigation for natural disasters and adjustments to its effects.

A Program, funded annually through the Federal Budget.

It is funded by a trust fund named 2068 Preventive Fund “FIPREDEN”, to allocate the economic resources to finance projects. The trustee is the National Bank for Public Works and Public Services S.N.C. (BANOBRAS).

In accordance to the Operational Rules of the Natural Disaster Prevention Fund, in force since 2010.

Can request access to the fund resources: State governments, academic and Research Federal Institutions, and, in general, any Federal Government Agency
EXAMPLES OF CURRENT PROJECTS FOR PREDEN

**Strengthening and updating of the Mexican Seismic Net**

**Chiapas 2010 Civil Protection School**

**National Water Commission 2013- Alert System on real time to protect population centers with high risk on the San Fernando and Soto La Marina river and extension of the Alert System to the lower basin on Panuco River**

**Ministry of the Navy 2014-Reinforcement of the monitoring network of the sea level - communication system for the consolidation of the Tsunami Alert National System**
Recovery, Reconstruction and the Procurement of Instruments for Risk Transfer

Reconstruction Plan

Is a Budget Account that provides the resources for the recovery and reconstruction of the goods with insufficient or without insurance, it focuses on:

- Finance the emergency assistance to the affected population.
- Finance the post-disaster recovery and the public infrastructure rebuilding (including the restoration of some of the environmental components)
- Finance the recovery and rebuilding of low income housing.

FONDEN Trust:

Once the Trust Fund is approved for a specific program, the resources are transferred to a sub-account dedicated to FONDEN Trust.

FONDEN Trust (through the National Bank for Public Works and Public Services S.N.C., BANOBRAES) acts as a contracting authority for the insurance and other risk management instruments.
The first Risk Transfer Bond for natural disasters in the international capital markets was issued on 2006 worth USD $160 million. It was a parametric catastrophe bond that covered 3 years of seismic risk in three big areas of the national territory.

During its fourth renewal on 2017, it increased to 360 million dollars, remaining as a triennial insurance for multiple risks of parametric catastrophes, including earthquakes and hurricanes.

Hurricane Patricia 2015 and September 7th 2017 earthquake.

The “Cat Bonds” absorbed 50% of the main losses after the calculation of the AIFR Worldwide agent and was able to collect 100% of the bond value in the case of the earthquake which reached a value of 150 million dollars.

The earthquake on September 2017 is the fourth time Mexico uses the “Cat Bonds” acquired by the World Bank as a Risk Management Strategy.
EMERGENCY ASSISTANCE FUND (FONDEN)

IT IS A FINANCIAL INSTRUMENT WHICH OBJECTIVE IS:

- To provide assistance and relief supplies on Emergency and Disaster situations, to properly and immediately respond to urgent needs to protect the life and health of the population, caused by the imminence, high probability or the event of a natural disaster.

ELEMENTS TO PRESENT IN ORDER TO ACCESS THE FUND RESOURCES IN THE EMERGENCY ASSISTANCE FUND (FONDEN):

1. In view of the imminence, high probability or the event of a natural disaster.
2. Exceed operative and financial capacity of the federative entity.
3. Emergency Assistance Fund (FONDEN)
4. Immediate Response Supplies Medication and services for the affected population

Groceries, bottled water, medication, healing supplies, blankets, sleeping bags, laminate, sacks, cleaning supplies and personal hygiene, tools, toilet leasing, showers, purification plants
These instruments allowed Mexico to confront the disasters effects:

- To respond to the population in a timely manner.
- Support state governments and federal institutions in reconstruction projects.
- Reactivate the economy in affected areas.
- Invest in preventive projects to develop more resilient infrastructure.

The Financial Instruments FONDEN are a reference of Mexico at the international level, nevertheless, the experience shows that it is better and cheaper to invest in prevention than spend in recovery/reconstruction.
PLAN TO STRENGTHEN THE NATIONAL SYSTEM FOR CIVIL PROTECTION

Strengthen the Preventive Programs and Projects

- Resilient construction
- Technology investment
- Scientific Studies investment

Reinforcement of the Civil Protection Culture actions in all sector

- National School for Civil Protection
- Dissemination

Strengthening of the Monitoring and Alert Systems

- National Risk Atlas
- Seismic Network
- Consolidate the Hydrometeorology Monitoring Center for the Caribbean
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