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Sistema Económico
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Système Economique
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Final Report on the Regional Seminar on Public Investment and Financial Mechanisms, Insurance and Reinsurance against Disasters in Latin America and the Caribbean: Recent Experiences

*Regional Seminar on Public Investment and Financial Mechanisms, Insurance and Reinsurance
against Disasters in Latin America and the Caribbean: Recent Experiences*
Mexico City, Mexico
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RAPPORTEUR'S REPORT

1. The "Regional Seminar on Public Investment and Financial Mechanisms, Insurance and Reinsurance against Disasters in Latin America and the Caribbean" was held on 22 and 23 November 2010 at the headquarters of the Ministry of Foreign Affairs in Mexico City. This event was jointly organized by the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA), the United Nations International Strategy for Disaster Reduction (ISDR), and the Government of Mexico through the Secretariat of Foreign Affairs (SRE) and the Secretariat of Governance (SEGOB).

2. The event was attended by delegations from Member States of the Latin American and Caribbean Economic System (SELA), namely: Argentina, Bahamas, Costa Rica, Cuba, Ecuador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Peru, Dominican Republic and Trinidad and Tobago.

3. Other participants included representatives of the following regional and international organizations: Central American Bank for Economic Integration (CABEL), Inter-American Development Bank (IDB), Caribbean Catastrophe Risk Insurance Facility (CCRIF), Coordination Centre for Natural Disaster Prevention in Central America (CEPRENAC), White Helmets Commission, Andean Development Corporation (CAF), German Technical Cooperation Agency (GTZ), United Nations International Strategy for Disaster Reduction (ISDR), Inter-American Institute for Cooperation on Agriculture (IICA), Office of Foreign Disaster Assistance of the U.S. Agency for International Development (OFDA/USAID), United Nations Office for the Coordination of Humanitarian Affairs (OCHA), United Nations Development Programme (UNDP), and the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA), as well as private companies specializing in security issues, such as the Peruvian Association of Insurers, Argentina's Sancor Cooperativas de Seguros Ltda, and Swiss Re. The complete list of participants is included in **Annex VI**.

4. The objectives of this Regional Seminar were: i) analyze models for the incorporation of disaster risk reduction in public investment, as well as the financial mechanisms, insurance and reinsurance against disasters which several Latin America and Caribbean countries have been implementing; ii) assess the views of the different stakeholders involved in disaster risk reduction on the public investment in disaster risk reduction and the financial mechanisms, insurance and reinsurance against disasters, particularly those established by regional and international financial organizations, government authorities of the Member States of SELA and specialized institutions of the private sector, and iii) evaluate possible regional initiatives to develop financial mechanisms, insurance and reinsurance against disasters as well as models for the mainstreaming of disaster risk reduction in public investment in the region.

5. During the Opening Session, the following authorities took the floor:

a) Ms. Cristina Ruiz Ruiz, Deputy Director General for Europe, Asia and North America of the Ministry of Foreign Affairs of Mexico, after greeting Ambassador José Rivera Banuet, Permanent Secretary of the Latin American and Caribbean Economic System (SELA), and Mr. Ricardo Mena Speck, Head of the Regional Bureau for Latin America and the Caribbean of the United Nations International Strategy for Disaster Reduction (ISDR), co-sponsors of the Seminar, welcomed all participants on behalf of the Minister of Foreign Affairs, Ambassador Patricia Espinosa Cantellano, and Ambassador Rogelio Granguillhome, Head of the Unit for Economic Relations and International Cooperation of

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the Ministry of Foreign Affairs. She referred to the importance of the issue in an international context that reflects the crises caused by natural disasters, the recurrence and consequences of which have both increased, reaffirming the need to design systems that incorporate disaster risk reduction in public investment and financial mechanisms. She reiterated the importance of the objectives of the Seminar and the significance of the mechanisms of insurance and reinsurance against disasters, which make possible to have programmes and funds available to meet the needs of the community, such as those created by hurricanes and earthquakes, and help boost the reconstruction. She said the Seminar will contribute both to generate initiatives for the strengthening of institutional capacity building and to foster international solidarity, as privileged ways to find answers to the enormous global challenges of our time.

b) Ms. Laura Gurza Jaidar, General Coordinator of Civil Protection, Secretariat of Governance of Mexico (SEGOB), acknowledged and thanked for the efforts made by the Permanent Secretariat of SELA, the United Nations International Strategy for Disaster Reduction (ISDR), the Ministry of Foreign Affairs of Mexico, as well as the Secretariat of Governance of Mexico, for organizing the Seminar. She referred to the importance of the Seminar's objectives for disaster risk reduction as regards public investment in the region and the contributions that can be done to reduce human, physical and fiscal exposure or vulnerability and the contingent liabilities arising from disasters. She also argued that we should be able to define innovative models, methodologies, indicators and/or procedures to identify or calculate the risk, as well as leading-edge risk retention and transfer financial mechanisms, through the formulation of a Comprehensive Risk Management strategy allowing us to achieve economic capability or resilience to face the consequences of natural phenomena. Then she referred to the Mexican experience in three fundamental aspects: i) Moving from a reactive to a preventive system through a culture of prevention, for which it is necessary and urgent to redress the balance between reactive and preventive spending, and to understand the opportunities and benefits it would bring in the context of a Comprehensive Risk Management approach, ii) Prioritizing and ensuring immediacy, control and transparency in access to and use of resources, which has made possible the design of various financial strategies to cover both the assets of FONDEN and all public infrastructure eligible to receive support from FONDEN, based on the creation of a solid and robust property and infrastructure database, which has enabled the placement of a new catastrophe bond against earthquakes and hurricanes on the international market, thanks, among others, to available analyses, data and geo-referenced information, all aligned with Mexico's National Risk Atlas; and iii) Strengthening existing financial instruments through three strategies: a) Generation of a revolution in financial instruments for disaster prevention and management (New Rules of Operation for prevention instruments, amendment to the guidelines for the issuance of emergency declarations and accessing the Revolving Fund) and creation of one single fund with the objective of financing and supporting risk prediction, identification, prevention, mitigation, preparedness, emergency handling, recovery and reconstruction, i.e., all the stages of an adequate Comprehensive Risk Management effort; b) Integration of a reliable and solid inventory of public property (at federal, state and municipal levels), and c) Implementation of risk transfer as a public policy to help provide insurance coverage for the country's infrastructure.

c) Mr. Ricardo Mena, Head of the Regional Bureau for Latin America and the Caribbean of the United Nations International Strategy for Disaster Reduction (ISDR), welcomed the representatives of the Secretariat of Foreign Affairs and the Secretariat of Governance, and the Permanent Secretariat of SELA, co-organizers of the event, and noted that the issue of public investment and financial mechanisms, insurance and

reinsurance against disasters are a priority for the ISDR and the UN, since they can help reduce vulnerability of societies and communities to natural hazards. He warned that the Millennium Development Goals agreed within the United Nations may not materialize if the necessary risk reduction measures are not taken. Thus the topics discussed at the Seminar are a priority both from the perspective of the Millennium Development Goals, and from the perspective of the implementation of the Hyogo Framework for Action.

d) Ambassador José Rivera Banuet, Permanent Secretary of the Latin American and Caribbean Economic System, thanked the Government of Mexico and the United Nations International Strategy for Disaster Reduction (ISDR), co-sponsors of the event, for their support and cooperation in organizing the Seminar, and he extended his gratitude to all participants for their attendance. Ambassador Rivera referred to the importance of the Seminar's objectives, which are in line with the agreements reached at the World Conference on Disaster Reduction, held in Kobe, Japan, in 2005, which led to the "Hyogo Declaration" and the "Hyogo Framework for Action 2005-2015: Building the Resilience of Nations and Communities to Disasters." He stressed that the issue of public investment and financial mechanisms, insurance and reinsurance against disasters is becoming increasingly important, especially at this time due to the intensity and frequency of disasters and the impact and consequences climate change is having on the environment. He noted that during the first half of 2010 alone, there were 162 large-scale disasters worldwide, which claimed about 230,000 lives and otherwise affected more than 107 million people, causing economic losses in excess of US\$ 55 billion. Of these totals, our region unfortunately occupies the first place in number of deaths with 224,124, and estimated disaster-related economic losses of over US\$ 40 billion. Sadly, two nations in our region topped the worldwide lists of death toll and economic losses caused by disasters, namely: Haiti and Chile. He also referred to the impact of disasters in Mexico and the importance of the Fund for Natural Disasters (FONDEN) through which it has been possible to quickly respond to affected communities' needs: Guatemala, following the eruption of Pacaya volcano and tropical storm "Agatha"; Belize, in the aftermath of tropical storms Alex and Matthew and hurricane Richard; and Colombia, after the declaration of State of Disaster as a result of heavy rains that hit the country. He noted that all these recent adverse events highlight the impact that climate change and global warming are having in Latin America and the Caribbean, and how the effects of disasters can be exacerbated by the emergence of epidemics and pandemics. Hence the urgent need to comprehensively address the issue of public investment and financial mechanisms, reinsurance and reinsurance in Latin America and the Caribbean. Finally, he referred to the commitment of the Permanent Secretariat to reducing disaster risk and the actions it plans to develop in late 2010, specifically the "Meeting on the Institutional Framework for Disaster Risk Reduction in Asia, Africa and Latin America and the Caribbean", to be held on 13 and 14 December 2010 in Panama City, and in 2011, the "Seminar on Private Sector Contribution to Disaster Risk Reduction. Private Sector Mechanisms for Emergency Management: Cooperation Opportunities for Governments", activities that were agreed within the framework of the XXXVI Regular Meeting of the Latin American Council of SELA.

6. Once the national authorities and the institutions sponsoring the event finished their speeches, Ms. Laura Gurza Jaidar, General Coordinator of Civil Protection of the Secretariat of Governance of Mexico (SEGOB), proceeded to formally declare the commencement of the "Regional Seminar on Public Investment and Financial Mechanisms, Insurance and Reinsurance against Disasters in Latin America and the Caribbean".

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7. The speeches of the Opening Session are included in **Annexes II, III, IV, and V** of this report.

A. DEVELOPMENT OF WORKS

8. The moderator introduced the Draft Work Programme of the Regional Seminar for consideration by the delegates, who approved it without amendment. Both the Programme and the supporting documents submitted by the Permanent Secretariat, as well as presentations by international and regional organizations and Member States are available on SELA's Web site: <http://www.sela.org>.

OPENING SESSION. PRESENTATION OF THE STUDY ON "FINANCIAL MECHANISMS, INSURANCE AND REINSURANCE AGAINST DISASTERS IN LATIN AMERICA AND THE CARIBBEAN". Antonio Romero Gómez, Director of Relations for Integration and Cooperation of the Latin American and Caribbean Economic System (SELA), made the presentation of the base document, entitled "Financial mechanisms, insurance and reinsurance against disasters in Latin America and the Caribbean" (*SP/SR-IPMFSRCDALC/DT N° 2-10*). After referring to the geographic location of the region and its exposure to natural hazards, he reviewed in detail the four components discussed in the base document, which are: i) Models, methodologies, indicators and procedures for identifying or measuring risks; ii) Financial mechanisms for risk retention and transfer; iii) Perception of financial protection mechanisms by risk management actors; and iv) Policy proposals and recommendations for financial protection against the risk of disasters. On this last point, the Permanent Secretariat of SELA mentioned four specific areas of public policy that should be prioritized for risk management: risk identification (involving individual perception, social representation and objective assessment of risk); risk reduction (which specifically involves social and physical vulnerability prevention and mitigation); financial protection (which relates to the transfer and retention of risk from the financial and public investment points of view); and disaster management (which involves preparation, warning, response, rehabilitation and reconstruction after disasters).

9. SESSION I: "FINANCIAL MECHANISMS, INSURANCE AND REINSURANCE AGAINST DISASTERS IN LATIN AMERICA AND THE CARIBBEAN: MULTILATERAL INITIATIVES IN PROGRESS." The session was moderated by Mr. Antonio Romero Gomez, Director of Relations for Integration and Cooperation of the Latin American and Caribbean Economic System (SELA). After a brief introduction to the subject, he gave the floor to the speakers.

10. Mr. Ricardo Mena, Head of the Regional Bureau for Latin America and the Caribbean of the United Nations International Strategy for Disaster Reduction (ISDR), gave a presentation on "ISDR: Public Investment for risk reduction and financial mechanisms, insurance and reinsurance against disasters" (*SP/SR-IPMFSRCDALC/Di No 16-10*), in which he highlighted the priorities of the "Hyogo Framework for Action 2005-2015: Building the Resilience of Nations and Communities to Disasters" and the indicators that have been developed to assess their fulfilment and progress. He also underscored the options that can be taken into account when disasters occur, and highlighted the risk transfer initiatives that have been implemented so far in the region. Furthermore, he stressed the importance of protecting public investment from disasters and the need to implement regulations and public policies in this direction in order to preserve the resources invested in development. He also referred to the efforts being undertaken within the ISDR and within the countries for the preparation of reports on the implementation and fulfilment of the Hyogo Framework for Action, and as regards the meetings they intend to convene in

2011, especially the Meeting of the Global Platform for Disaster Risk Reduction, to be held in Geneva from 8 to 13 May 2011, and the Meeting of the Regional Platform of the Americas, scheduled to take place from 14 to 18 March 2011 in Nuevo Vallarta, Mexico, two meetings organized by the United Nations International Strategy for Disaster Reduction (ISDR).

11. Mr. David C. Hatch, a representative of the United States of America in the Inter-American Institute for Cooperation on Agriculture (IICA), delivered a presentation on "Agricultural insurance in LAC: Current Status and Role of IICA" (SP/SR-IPMFSRCDALC/Di No 6-10), in which he stressed the Institute's commitment to the sustainable development of agriculture and the welfare of communities in the region. He referred to the current situation of Agricultural Insurance in Latin America and the Caribbean, and IICA's role in promoting such initiatives. Additionally, he offered a series of recommendations for the States to move towards defining policies and strategies for the purchase of agricultural insurance. In his intervention, Mr. Hatch referred to the experience that some countries in the region have in the field of agricultural insurance and, based on the experience of the IICA, he described a sequential framework to develop efficient agricultural insurance, which he called a complex and highly specialized process, from the technical, legal and scientific points of view, requiring careful and comprehensive studies and analyses of the areas that should be insured.

12. Mr. Ivan Morales, Executive Secretary of the Coordination Centre for Natural Disaster Prevention in Central America (CEPREDENAC) made a presentation on "CEPREDENAC and disaster risk reduction" (SP/SR-IPMFSRCDALC/Di No 5-10), in which he highlighted the organization's objectives which are focused primarily on contributing to reducing vulnerability and disaster impact as an integral part of the process leading to sustainable development in Central America and the promotion of policies and measures for prevention, mitigation, preparedness and emergency management. CEPREDENAC is the agency of the Central American Integration System (SICA) that specializes in disaster risk reduction. After explaining trends in disasters and the exposure of the Central American region to natural hazards, he went on to describe some of the main achievements made by the agency, with particular reference to the Central American Policy on Integrated Risk Management (PCGIR) and the 5 axes for action, which are: disaster risk reduction for a sustainable economic development; social development and compensation for the reduction of vulnerability; environment and climate change; land management, governability and governance; and disaster management and recovery. After presenting some background and the most noticeable actions taken by the agency, he explained the challenges to be faced and the actions to be developed in the medium term.

13. The moderator thanked the speakers for their presentations and invited delegates to discuss their contents.

14. The delegate of Mexico referred to the importance of carefully handling the terms and concepts expressed in the document prepared by the Permanent Secretariat in the light of all the steps forward that have been taken in the field of disaster risk reduction. In this sense, it is important to remember that disasters are not natural, and thus terminology should refer to disasters, not natural disasters.

15. The delegate of Jamaica thanked the organizers for the invitation to attend the event and said that one of their biggest concerns is the fact that, in Latin America and the Caribbean, there abounds old and poorly maintained physical infrastructure, which makes populations more vulnerable to disasters. He also stressed that the primary

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economic sector on which many Caribbean countries depend has been strongly affected by the impact of disasters and, consequently, access to more resources is needed to deal with these phenomena. However, he acknowledged that the impact of the global economic crisis has been an obstacle to obtaining such resources. He underscored that most Caribbean countries have joined the CCRIF as a risk transfer mechanism but, taking into account that it is a single mechanism and that it is necessary to seek a more diversified approach, he emphasized the usefulness of this meeting to explore and discuss additional models that can be applied in the context of disaster risk reduction.

16. The delegate of Costa Rica agreed with the comments made by the delegate of Mexico and noted that both natural disasters and socio-economic and technological disasters also affect public investment. Additionally, he wondered why agricultural insurance has not made substantial headway in the region.

17. The IICA representative said that the level of coverage is actually limited and not all sectors are covered for insurance against natural disasters in Central America. He also listed a set of factors that, in his opinion, help explain the situation.

18. The delegate of Cuba claimed that insurance providers have little presence in his country despite the high incidence of and exposure to disasters. The estimated losses in 2008 reached approximately US\$ 10 billion while covered losses amounted to just about US\$ 300 million, which were covered by the two insurance companies currently operating in the country. A higher insurance penetration is expected as a result of the economic changes taking place in this nation, which should help improve the ability of Cuba to recover from catastrophic losses.

19. The representative of the Central American Bank for Economic Integration commented on why agricultural insurance has not made significant headway in Central America. He argued that the problem fundamentally lies in that there is very little culture of insurance and risk management and disaster prevention, which is aggravated by little demand because agriculture in the region is basically for subsistence and profit margins are very small for the introduction of insurance. Therefore, a necessary condition for the promotion of agricultural insurance would be not only to develop a broader culture and understanding of these mechanisms, but also to move from subsistence agriculture to an agriculture that is economically profitable and productive.

20. The IICA representative noted that micro-insurance is a very important subject for the region and should be explored thoroughly because of the potential it has. In this regard, he said that it would be advisable to start with the promotion and dissemination of microcredit so that farmers can be educated on how to utilize these financing tools to improve agricultural productivity and then move on to micro-insurance to protect production. This is a strategy that could be implemented in the region with potential for success.

21. The CEPREDENAC representative agreed that disasters are actually not natural and said that there has been a conceptual breakthrough and a greater understanding of these phenomena over time. He also noted that it is necessary to understand that vulnerability and the impact of social factors in this new era of disaster risk reduction must be understood in a comprehensive and multidimensional manner. It is important to recognize the need to incorporate economic and financial actors in disaster risk reduction in order to fully understand this phenomenon in all its dimensions. Therefore,

room must be made for other sectors and actors as there is no budget that can withstand the reconstruction costs incurred as a result of disasters that occur in our countries. We are at an important time to find solutions together and a new thinking leading to a holistic vision of disaster risk reduction is required, where all sectors and actors should converge.

22. The representative of the United Nations International Strategy for Disaster Reduction noted that, considering precisely the need for such a new vision, it was proposed that the Ministries of Planning, Finance and Land Development of several countries in the region should participate in this meeting to present their experiences and share their specific models of how to apply the risk variable in public investment and land use. The purpose is to share experiences and develop partnerships with the Ministries of Economy, Finance and Planning, which have been the stakeholders least involved in the discussion of disaster risk reduction even though these actors are in a privileged position to influence and promote the changes needed to build resilient societies.

23. The IICA representative expressed his concern if it is not possible to obtain the support needed from the governments' high-level public authorities as regards disaster risk reduction and insurance and reinsurance against disasters in the next few years. We are addressing the issue at the technical level but it is imperative to bring this issue to the attention of the highest political level in the countries. Additionally, he said that the regional programme that is underway in the Caribbean is a good example to be replicated by other countries in the subregion.

24. The ISDR representative, in response to the IICA comment, claimed that it is precisely within the framework of the UN-sponsored Platform for Disaster Risk Reduction that meetings have been taking place with senior officials from around the world and that these encounters are held every two years. As a matter of fact, the next session of the Global Platform for Disaster Risk Reduction is scheduled to be held next year in Geneva, and public investment will be one of the central topics of the meeting. Another important event is the meeting of the Regional Platform for the Americas, which will be held in March 2011 in Nuevo Vallarta, Mexico, also with the participation of the highest government authorities responsible for this issue.

25. The representative of SELA took note of the remark made by the delegate of Mexico relative to the reference to natural disasters in the document and said that it would be adjusted accordingly. After reviewing the presentations made by the participants, he reiterated the interest of the Permanent Secretariat in addressing the issue of disaster risk reduction and recalled the commitment the Permanent Secretariat of SELA has made since 2008, following the seminars held in Caracas and Panama City, for the creation of a simplified mechanism for disaster management. This initiative has been gaining momentum as coordinated by the government of Mexico, and the Technical Advisory Group for the implementation of this unified action plan or mechanism has already been established. Thus, the SELA has been acting both as an articulator and as a forum for sharing experiences in the field of disaster risk reduction, and hopes to continue to contribute towards creating the necessary synergies to raise awareness and help develop a regional culture of prevention, as well as to promote the incorporation of the risk variable into development programmes.

26. The moderator thanked the delegates and participants for their interventions and for expressing their views during the debate, and then invited bilateral and multilateral development agencies to deliver their presentations.

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27. **SESSION II: "FINANCIAL MECHANISMS, INSURANCE AND REINSURANCE AGAINST DISASTERS IN LATIN AMERICA AND THE CARIBBEAN: RECENT EXPERIENCES IN LATIN AMERICA AND THE CARIBBEAN."** The session was moderated by Ms. Ana Lucia Hill, Director General of Civil Protection, Secretariat of Governance of Mexico (SEGOB). After a brief introduction to the subject, she introduced the speakers and then gave them the floor.

28. Mr. Rubem Hofliger Topete, Director-General of the Fund for Natural Disasters (FONDEN) of the Secretariat of Governance of Mexico (SEGOB), made a presentation entitled "FONDEN-SEGOB: Financial instruments for disaster prevention and management" (SP/SR-IPMFSRCDALC/Di No 17-10), describing the steps and procedures used by FONDEN for the activation of these financial instruments. He explained that FONDEN's overall strategy and regulatory framework, as well as its operating principles. He also referred to the fund's main challenges and priorities for the immediate future and the new rules that should be applied in the administration of these financial instruments to make them more effective and efficient, especially stressing the use of systematization and geo-referencing as tools to strengthen information databases and case documentation. Furthermore, Mr. Hofliger listed all the preventive aspects to be considered in the context of a comprehensive risk management policy. He added that the activation of financial instruments for disaster prevention and management requires prior performance of complex and detailed studies on the areas and communities to be insured for risk transfer with the purpose of minimizing the impact of disasters. He also detailed how they have been developing these financial instruments in Mexico, one of the pioneering countries in the region in the field of insurance and reinsurance against disasters, and the strategies of the Mexican government to manage catastrophic risks (e.g., earthquakes and hurricanes).

29. Mr. Salvador Perez Maldonado, Director General of Risk Management of the Secretariat of Finance and Public Credit of Mexico (SHCP), delivered a presentation entitled "SHCP-Mexico: Comprehensive Strategy of the Federal Government for Risk Management" (SP/SR-IPMFSRCDALC/Di No 18-10), in which he technically explained how the financial instruments for disaster prevention and management are activated. First, he referred to the geographical location of Mexico and its exposure to disasters from natural hazards and the severe economic impact that disasters have had on the country. Then he mentioned the first issue of Mexico's catastrophe bonds against earthquakes (CAT-MEX) in 2006, and the improvements and enhancements made in 2009 MultiCAT bonds against earthquakes and hurricanes. Finally, he underscored the need to have available risk studies and analyses and detailed survey information on roads, infrastructure, hospitals, schools, housing, etc., for the areas to be protected with these financial instruments, as well as other highly complex technical studies.

30. Mr. Raul de Andrea, General Manager of the Peruvian Association of Insurers and a member of Peru's National Platform for Disaster Risk Reduction, gave a presentation entitled "Recent experiences in Latin America and the Caribbean: Earthquake in Ica, Peru, on 15 August 2007" (SP/SR-IPMFSRCDALC/Di No 4-10). After referring to the characteristics of the earthquake that hit the department of Ica and the extent of the damage, he detailed the action plan implemented by the insured sector in the days following the event. Then he described the lessons learned by the insurance industry, the catastrophic insurance status in Peru, the deficiencies observed in disaster response and the corrective measures that should be taken to activate a new disaster response system.

31. Mr. Milo Pearson, Chairman of the Caribbean Catastrophe Risk Insurance Facility (CCRIF), made a presentation entitled "CCRIF: A Natural Catastrophe Risk Insurance Mechanism for the Caribbean Nations" (SP/SR-IPMFSRCDALC/Di No 3-10), in which he described this innovative mechanism that has been in use for several years, and with remarkable success, in the Caribbean subregion. The history of disasters that have affected the Caribbean region in the last 20 years and the related losses forced the countries to join together to address the adverse impact of such disasters. He highlighted the virtues of the insurance mechanism against natural hazards that the Caribbean region has implemented, which is the first multinational parametric insurance initiative to be developed. He also commented on the development of the second generation (G2) of the regional insurance platform model. The presentation elaborated on the technical and methodological aspects that make up the CCRIF.

32. The moderator thanked the speakers for their presentations and then invited delegates and participants to a debate on the views previously expressed.

33. The ISDR representative requested a clarification from the representative of Mexico regarding the parametric insurance implemented in that country, particularly if for earthquakes over magnitude 7.9 the insurance-triggering depth is greater or less than 200 km deep. Similarly, he asked the CCRIF representative about the climate change forecasting models they intend to use in the Caribbean to measure and identify exposure to climate change, taking into account that existing models are based on 60 km x 60 km quadrants which virtually cover all the Caribbean countries.

34. The representative of Mexico made it clear that the depth established in the new catastrophe bond is over 200 km deep, as compared to the 150 km depth in the 2006 CATMEX.

35. In answering the question from the ISDR representative, the representative of the CCRIF said that they have been using two models. The first one is the threat model to which he referred in his presentation. This is the updated model as initially recommended by EQUACAT and, for some time, it served its purpose, but over time they realized they needed a model focused on the Caribbean and, through the participation of Caribbean experts, a new model was developed and implemented.

36. The representative of Mexico inquired about the most significant challenges faced for risk transfer in Peru and, in the case of Mexico, the reason why the magnitude to trigger earthquake insurance coverage changed to 7.9 in the last bond from the previous 8.0.

37. The representative of Peru said that despite the good reception given to the possibility of issuing catastrophe bonds in the country, this initiative has not been implemented as yet due to the lack of information and clarity regarding the benefits that such bonds can provide. The issue was temporarily relegated and should be revived by clarifying the benefits and conditions for implementation.

38. The representative of Mexico emphasised that the 2006 CATMEX was actually improved this time and that one of these improvements was precisely that the triggering magnitude is now 7.9 instead of 8.0, improving the previous bond.

39. The representative of Jamaica referred to the intervention of the CCRIF representative who said that losses varying from 1.0% to 6.0% of the countries' GDPs are

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expected each year, and in that connection, he asked whether this percentage represents the expected impact of annual losses expressed as an annual percentage of GDP and if so, whether there exists any expectation that there may be a peak for this figure in case of occurrence of a hurricane or other disaster which is not managed in an appropriate manner.

40. In response to the intervention of the representative of Jamaica, the CCRIF representative said that the 6.0 percent figure of the annual GDP would only be applicable in the worst-case scenario. Thus, if a projection was made over a 20-year period and the weather does not vary greatly during this period of time or if the change is significantly moderated, the GDP percentage would fall, maybe less than desired, but it would certainly fall. These figures simply represent an average percentage of the countries' GDP that could be allocated to DRR.

41. The representative of Jamaica, in line with the previous answer, asked the CCRIF representative whether it is possible to determine, through future studies, the sectoral impact and more specifically, the impact on the economy.

42. The CCRIF representative replied that the option to conduct studies of greater complexity and technical details is currently being developed, since the eight countries that have joined this Climate Change Adaptation Programme were the first to identify and analyze the impact of climate change on their respective countries. In this regard, he said it is necessary to continue to collect the required data and conduct further technical and scientific studies to better forecast the impact of climate change.

43. As regards Mexico's FONDEN experience, the representative of Ecuador asked if all the projects submitted are subject to qualification and which qualification criteria are used, and also what role politics play in the acceptance of disaster prevention projects.

44. The delegate of Mexico noted that, thus far, federal agencies and government institutions had been submitting their projects to FONDEN from 1 January to 15 March each year, but with the new conditions and rules proposed for the fund which will come into force in 2011, the idea is to leave open the possibility for projects to be submitted throughout the year, where each project may be accompanied by all required supporting documentation and studies, with the collaboration of FONDEN technical staff and the support of the Scientific Expert Committee, so that each project can respond to the needs of the community for which that disaster prevention project was defined. Furthermore, he said that the main parameters to guide FONDEN's decisions on these projects are completeness and technical accuracy, and that the political variable is far from affecting such projects significantly. What prevails is the technical and scientific analysis.

45. Then, the moderator thanked for the interventions and gave the floor to international organizations.

46. SESSION III: FINANCIAL MECHANISMS, INSURANCE AND REINSURANCE AGAINST DISASTERS IN LATIN AMERICA AND THE CARIBBEAN: THE PERSPECTIVE OF THE REGIONAL DEVELOPMENT BANKS AND THE PRIVATE SECTOR. This session was moderated by Mr. Manuel Lobato Osorio, Head of the Insurance, Pensions and Social Security Unit of the Secretariat of Finance and Public Credit of Mexico. After a brief introduction to the subject, he gave the floor to the speakers.

47. Mr. Roberto Lopez Chaverri, Senior Executive of the Social Development Division attached to the Social and Environmental Development Vice President's Office at the Andean Development Corporation (CAF), delivered a presentation entitled "CAF: Financial Mechanisms, Insurance and Reinsurance against Disasters" (SP/SR-IPMFSRCDALC/Di No 10-10), in which he highlighted the vision and commitment of the institution to sustainable development and regional integration. In this regard, he stated that over 50% of the approved portfolio for sustainable development between 2004 and 2010 was aimed at facilitating appropriate financing in the event of natural disasters, through the provisional restoration of critical services, operations coordination, administration and/or management and institutional strengthening for prevention, as well as pre-investment and definitive reconstruction. He noted that CAF has a facility for timely and comprehensive financing in case of emergencies caused by natural phenomena and explained its benefits. Finally, he referred to the Disaster Risk Management Programme (PREVER).

48. Mr. Roberto Salinas, Insurance Specialist of the Central American Bank for Economic Integration (CABEI), delivered the presentation "CABEI Insurance Programme: A vehicle for catastrophe risk retention and transfer at regional level" (SP/SR-IPMFSRCDALC/Di No 9-10). After referring to the history of that institution as the main subregional source of funding since the 1960s, he highlighted the efforts that the Bank has been implementing in the field of catastrophe insurance and/or management. He mentioned the 2008 Strategic Insurance Programme for Central America and the Vehicle for Catastrophe Risk Retention and Transfer at Regional Level as instruments to reduce the vulnerability of the States, especially in the fiscal field, upon the occurrence of catastrophes.

49. Mr. Jorge Burgos, Senior Specialist in Capital Markets and Financial Institutions at the Inter-American Development Bank (IDB), gave a presentation entitled "IDB: Disaster risk financial management approach" (SP/SR-IPMFSRCDALC/Di No 15 -10), in which he detailed the institution's Disaster Risk Financial Management Approach (EGFRDN), an initiative that was developed in 2007 and includes three main action lines: institutional strengthening of risk financial management capabilities, development of risk financial management mechanisms and instruments, and development of insurance markets. He also referred to the Contingent Credit Facility (FCC) and the Catastrophe Emergency Insurance Facility (FSEC), their advantages and cases in which they have been implemented. Finally, he shared an assessment of the activities and achievements made during 2008-2010 and the future challenges facing this area.

50. Mr. Nikhil Da Victoria Lobo, Vice President of Swiss Re, made the presentation "Swiss Re: Financial mechanisms, insurance and reinsurance in case of disasters" (SP/SR-IPMFSRCDALC/Di No 7-10), in which he highlighted the background of this global reinsurer which began to operate in Switzerland in 1863 and now is mainly engaged in the business of corporate and public sector reinsurance. He explained the reasons why governments need risk transfer solutions, and in this connection, he identified a series of parametric solutions for disaster risk transfer. Mr. Da Victoria used Mexico's MultiCat Bond and the Caribbean Catastrophe Risk Insurance Facility as examples, and highlighted the benefits of such initiatives. Lastly, he gave an approximation of what the future might bring, not only in terms of natural hazards but also in terms of climate change and the importance of risk transfer in this regard.

51. Mr. Ruben Leonardini, Director of Claims at Argentina's Sancor Cooperativas de Seguros Ltda, delivered a presentation entitled "Argentina: Financial mechanisms, insurance and reinsurance against disasters" (SP/SR-IPMFSRCDALC/Di No 8-10), in which

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he highlighted some concrete examples of disaster-related insurance in Argentina, the 2005-2006 agricultural risk campaign, the hail event of 8 February 2006, the 2008-2009 drought, and the economic cost of these events to the affected provinces. He also stressed the importance of implementing policies to promote agricultural insurance, especially in the current context of the impacts and consequences of climate change which are beginning to be seen. He commented on the evolution of insurance in Argentina as a risk transfer instrument, acknowledged the limitations of the system and reviewed future prospects.

52. The moderator thanked the speakers for their presentations and then invited delegates and participants to a debate on the issues discussed.

53. The representative of Mexico made a brief summary of the presentations and then raised two questions to be briefly discussed by the panellists. First, he asked the speakers what conditions, in their opinion, determine the use of one insurance strategy or another, and what benefits each of them could offer.

54. The CAF representative said that CAF has developed work on the subject of disaster prevention in each country and that each nation assigns a different priority level to this issue. However, the bank is now analyzing the topic of insurance and reinsurance against disasters and raising awareness about the importance of this issue at regional level, and what it actually offers is a series of financing options that are triggered by the occurrence of an adverse event.

55. The CABEL representative noted that the use of one strategy or another depends on the risks to which a particular country is subjected and its economic capacity, since each nation has its own particular characteristics and therefore particular advantages and disadvantages to be considered, which should be identified in advance.

56. The IDB representative said the Bank has developed various financial instruments and facilities and that it is fully able to support countries in defining comprehensive solutions to address disasters.

57. The representative of Swiss Re stated that, based on his work experience in the insurance field, he has come to note that, just 4 or 5 years ago, these risk transfer mechanisms were only applicable to emerging markets, according to many analysts and specialists in this subject. However, with the passage of time, these instruments have clearly become part of the agenda of all countries, regardless of their size or level of industrialization, since as long as these insurance solutions are implemented, we will have more room to achieve the implementation of an efficient risk management strategy.

58. The representative of Argentina said that the insurance strategy begins to be considered as conditioned by increased production and productivity, since the ability to pay premiums for crop insurance heavily depends on these variables. Another important issue is related to health insurance for farmers who wish to be protected and require government support for the definition of a product that can meet their needs and aspirations.

59. Finally, the representative of Mexico expressed his opinion that insurance diversification seemed to be the recommended option as this approach offers the best coverage for the insured. He also said that the Mexican Government will soon announce its new national risk strategy.

60. Then, the moderator thanked for the remarks made during the debate, bringing the first day of the Regional seminar to a close.

61. **SESSION IV: PUBLIC INVESTMENT FOR DISASTER RISK REDUCTION.** This session was moderated by Mr. Alberto Aquino, representative of the German Agency for Technical Cooperation (GTZ), who, after making a brief introduction to this work session, gave a presentation himself.

62. Mr. Alberto Aquino, Coordinator of the Unit for Rural Economic Development of the German Agency for Technical Cooperation (GTZ), made a presentation entitled "Managing Risk in Sustainable Development Processes" (SP/SR-IPMFSRCDALC/Di No 12-10), in which he first gave an overview of disaster risk and vulnerability, and then delved into the fields of risk management and climate change adaptation in development processes, and the incorporation of these aspects in public administration, territorial planning and public investment. He also reviewed the index insurance design as a tool for climate change adaptation, as well as South-South cooperation in the context of risk management and climate change adaptation. Then he explained the causal factors of vulnerability, classifying them as direct and indirect factors, and highlighted the importance of implementing risk reduction initiatives in development processes through public administration, which can be reactive, corrective and prospective. Within these categories, he highlighted the territorial planning and the adoption of index insurance against weather risks. Finally, he underscored the usefulness of disaster insurance for governments.

63. Mr. Jorge Ecurra, Specialist in Disaster and Emergency Prevention at the General Directorate of Public Sector Multi-Year Programming of Peru's Ministry of Economy and Finance, delivered a presentation entitled "Peru: public investment in disaster risk reduction" (SP/SR-IPMFSRCDALC/Di No 13-10), in which he provided an overview of the Peruvian economic context, and then listed disasters that have occurred in Peru during the last 50 years, highlighting the lack of development planning. He also defined the guidelines for intervention, including public investment and financial mechanisms. Finally, he offered some guidelines for action on disaster reduction-oriented public investment and financial mechanisms aimed towards achieving development, and suggested that an agenda be developed that includes disaster prevention and management through risk transfer.

64. Ms. Cenia Correa, Technical Assistant for the Office of the Deputy Minister of Planning at the Ministry of Economy, Planning and Development of Dominican Republic, gave a presentation entitled "Managing Risk in the Dominican Republic: Hurricane Georges, before and after" (SP/SR-IPMFSRCDALC/Di No 19-10), in which she provided an overview of disasters in that country since the 90's and especially Hurricane Georges in 1998. She stressed the importance of risk management as a core component of development and, in this regard, she noted the work that the Dominican Republic has been doing, such as the National Risk Management Law, the National Emergency Plan, the diagnosis of institutional roles in risk management and the creation of the National Emergency Commission, as well as the legal framework for the action of first response agencies, who see risk management as a component of development. Then she referred to all the changes taking place in the Dominican Republic as a result of the extensive damage caused by Hurricane Georges, particularly those related to the National Risk Management System Law, risk management programmes, contingent credit lines towards

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addressing catastrophic events, and increased coordination with Planning and Finance, among others.

65. Mr. Rafael Alerzo Pimentel Rivera, National Coordinator of the United Nations Development Programme for the Dominican Republic, made the presentation “Dominican Republic: Programme for Post-Disaster Recovery (SP/SR-IPMFSRCDALC/Di No 24-10). This presentation describes the situation that occurred in that country as a result of the damages caused by Tropical Storm Noel (28 October 2007) and Olga (11 December 2007), and the activation of the national reconstruction process that began in response to the disaster, as well as the strategies and policies that were adopted in this context.

66. Mr. Luis Antonio Catalan, on behalf of the Public Investment Directorate of Guatemala’s General Planning Secretariat (SEGEPLAN), delivered a presentation entitled “Guatemala: Public investment for disaster risk reduction” (SP/SR-IPMFSRCDALC/Di No 14-10), in which he gave an overview of Guatemala’s geographical vulnerability to disasters, and listed a series of climatic events since the late 1990s, their effects and their impact on national development. Additionally, he highlighted the features of Guatemala’s National Public Investment System (SNIP), its objectives and components, and finally he presented a Guide for Incorporating Risk Management in Public Investment.

67. Ms. Natalia Torchia, Specialist in Environmental Information Systems at the Undersecretariat for Territorial Planning of Public Investment of Argentina’s Ministry of Federal Planning, Public Investment and Services, delivered a presentation entitled “Framework for Incorporating Disaster Risk Reduction in the Territorial Planning and Public Investment”, in which she stressed the objectives of the National Disaster Risk Reduction Programme as part of the National Land Planning and Development Policy. She outlined the specific actions that have been implemented, their strengths, and recommendations to include disaster risk analysis and assessment in the process for approval of public investment projects.

68. Mr. Luis Fallas, Special Projects Advisor to Costa Rica’s Ministry of Planning and Economic Policy, made a presentation highlighting the economic losses attributed to extreme natural phenomena at global, regional and national levels since the 1960’s to our days. He mentioned the different mechanisms and instruments for Disaster Management and Disaster Risk Reduction that have so far been implemented in Costa Rica. Lastly, he detailed a cost-benefit analysis for disaster risk mitigation and the lessons learned from this action.

69. The moderator thanked the speakers for their presentations and then invited delegates and participants to a debate on the topics dealt with.

70. The ISDR representative thanked the panellists for their illustrative and interesting presentations and then made some comments on them. He noted that several presentations had addressed how to conduct risk analyses in infrastructure/public works and the potential vulnerabilities this infrastructure may generate in the environment and the communities in which it is built. So a question that could be asked is to what extent the national public investment systems are considering these situations in the ongoing economic and social development projects that could be impacted by disasters from natural hazards. Another interesting aspect has to do with the factors to be considered for implementation of such policies and strategies affecting public investment.

71. The representative of Ecuador noted the importance that political variables seem to have on risk prevention projects and mentioned the case of Guatemala where projects are approved by Congress.

72. The CEPREDENAC representative said that it is clear that there are initiatives that help us establish a vision of development that is replacing the traditional disaster response approach and that, while it is important to consider the disaster cycle and the related vision, it is also important to gradually move towards the development planning cycle and all the complexities that this entails for the analysis of disaster risk reduction. It seems that we are facing a dilemma of how to use the development community to incorporate disaster risk reduction in development planning, and therefore we must seek ways to overcome the existing barriers so that we can get development actors directly involved.

73. The representative of Mexico made it clear that in the case of FONDEN, there are no political variables interfering with project authorizations, even though disaster risk reduction projects are also approved by Congress.

74. The representative of Costa Rica noted that public investment projects generate threats and vulnerabilities in the communities where they are developed and therefore designers you should perform a disaster risk analysis before these physical infrastructure projects can be implemented. He also claimed that another issue affecting public investment is short-termism. Most projects presented do not include pre-investment or pre-feasibility studies due either to political pressure or to the urgency with which they are developed because of the pressure from the communities in need of them and from international financial organizations. Furthermore, he noted that there is a lack of knowledge about how to incorporate the risk variable in public investment projects. As for the interference of politics in public investment projects, he said that, in his view, it is clear that this happens. He added that these situations often occur and have a role play, but that does not mean that political considerations prevail over technical analysis. In conclusion, pre-investment and pre-feasibility studies are as important to public investment projects as risk management analysis is to development planning.

75. The representative of Argentina said that new infrastructure can also actually create new vulnerabilities and so it is important to analyze the project's impact on the environment as well as the environment's impact on the project and this is accomplished through the use of strategic environmental planning and impact assessments. The decision making issue should lead to discussions on how to find ways to help decision makers understand the importance of incorporating the risk variable in public investment projects as well as the strengths and benefits that these studies bring to public works being developed in the communities. Decision makers at the political level, particularly presidents and ministers, must understand that the incorporation of the risk variable does not imply greater time consumption in public investment projects and instead helps ensure the resources invested in development as the new infrastructure will be better prepared to withstand the adverse effects of catastrophic events. After all, investing in risk prevention should be preferred to investing in reconstruction.

76. In relation to the issue of political interference in public investment projects, the representative of Guatemala said that project proposals go to Congress along with the list of projects to be completed and the corresponding budget, and projects must be backed by the necessary studies to ensure they will meet the needs and demands of the population and should also include impact assessments, he added. Then he noted that the training of human resources is very important in the issue of disaster risk reduction. He

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reiterated the importance of not rebuilding the risk despite the pressure and urgency to respond to which decision makers are subjected in disaster situations. He agreed that public investment projects should include environmental impact analysis.

77. The representative of the Dominican Republic said that public investment projects actually generate impacts on the environment and noted that it is important to recognize that one of the main risk rebuilders are the governments themselves and that this trend must change. He claimed that it is important to keep current and updated legal frameworks for public investment planning and to develop the necessary human resource training for incorporating risk management in technical and professional spheres and national public administration. While headway is being made in this area, it is necessary to make continued efforts to ensure success in the long term. Moreover, he noted that maintaining effective communication with stakeholders is essential to raise awareness of the need not to rebuild the risk. Regarding political interference, he argued that we are all political beings, and that politics is present in all social processes.

76. The representative of Peru claimed that we need to start working with rural areas and evaluate projects in wilderness areas to measure their environmental impact. He agreed that it is vital to incorporate the risk variable in public investment projects but it is also essential to keep updated and operative legal and technical standards, such as earthquake resistance standards, that allow us to advance in seismic microzonation projects. This should also apply to the standards for the construction of dams and reservoirs in order to avoid the impact of meteorological events that are causing so much damage in the region. The political pressure exerted by certain sectors in times of disasters can be counterproductive as it may lead to disregarding or minimizing the technical aspects of public investment projects. As regards decision makers, it is important to keep local and municipal public authorities informed and aware. It is also imperative that national centres of excellence, which produce technical and scientific knowledge, be in line with society so that knowledge production is based on the needs and solves the problems of the population. Thus, the information and knowledge they produce should be free and available to all citizens.

77. The CEPREDENAC representative said that there actually seems to be a consensus among the various actors who deal with disaster risk reduction, in the sense that they all demonstrate their interest in and the need for reaching decision makers at the highest level, which could help us all build a common agenda based on similar existing needs to promote the mainstreaming of the risk variable into public investment projects.

78. The representative of the German Technical Cooperation Agency thanked the speakers for their interventions and answers and said that the prime motivator of all presentations was the concern over the loss of public investment due to disasters. Additionally, he referred to what might be called general recommendations, placing particular emphasis on the issue of human resource training.

79. Based on the presentations and discussions that took place during the Regional Seminar, the delegations of the Member States of SELA adopted the following conclusions and recommendations:

B. CONCLUSIONS AND RECOMMENDATIONS

1. The "Regional Seminar on Public Investment and Financial Mechanisms, Insurance and Reinsurance against Disasters in Latin America and the Caribbean: Recent

Experiences" – organized by the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA), the United Nations' International Strategy for Disaster Reduction (ISDR), and the Government of Mexico, through the Secretariat of Foreign Affairs (SRE) and the Secretariat of Governance (SEGOB) of Mexico – was held in Mexico City, on 22 and 23 November 2010.

2. Participants took note and recognized the analytical quality of the work documents "Financial mechanisms, insurance and reinsurance against disasters in Latin America and the Caribbean: Recent Experiences" (SP/SR-IPMFSRCDALC/DT No 2 – 10), prepared by the Permanent Secretariat of SELA, and "Public Investment for Disaster Risk Reduction: A conceptual and methodological proposal" (SP/SR-IPMFSRCDALC/Di No. 2 – 10), prepared by the German Cooperation Agency and the ISDR. They also thanked for the presentations made by the representatives of international, regional and subregional organizations and the agencies of the United Nations system that participated in the meeting. The presentations made by the delegates of the Member States of SELA were very useful, as they promoted the exchange of ideas, experiences and proposals about such an important and complex subject as disaster risk reduction.

3. During the debates on financial mechanisms, particularly insurance and reinsurance, the delegations of the Member States of SELA highlighted the following aspects:

- a) In recent years, exposure to disasters has increased in frequency and magnitude; and the acute vulnerability of physical, productive and social infrastructures in our region to these phenomena has become evident. Therefore, the issues of financial mechanisms, risk transfer mechanisms in case of disasters, as well as protection of public investment vis-à-vis disasters have turned into top priorities on the political agendas of Latin American and Caribbean governments.
- b) The delegates recognized that there are various financial instruments that should be explored in order to implement an optimal strategy for financial protection and to outline effective methods to assess the ratio between economic and social costs and benefits involved in the risk reduction measures to be implemented. In this connection, participants agreed that the preferable insurance model should result from a true alliance between the public and private sectors, both at the national and regional levels.
- c) It became clear that some countries in the region have already gained significant experiences in designing and implementing risk transfer mechanisms in case of disasters, and that it is necessary to spread information about those experiences at the regional level.
- d) It was also clear that there is a great variety of products and mechanisms available to governments, provided by multilateral, hemispheric and regional organizations (such as IDB, CAF, CABI, CCRIF and the World Bank), the private sector, and particularly insurance and reinsurance companies. However, an efficient use of such mechanisms in order to obtain benefits calls for the conduction of detailed studies on the risks in areas and sectors covered by insurance, and on the financial capacity of states to effectively transfer risk and minimize the impacts of disasters.

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- e) The use of financial risk transfer mechanisms, such as insurances and reinsurances against disasters, must form part of a comprehensive strategy, with a multidimensional vision, and based on the broadest possible inter-institutional cooperation in the area of disaster risk reduction, in which the prevention should be attached priority. This should be an essential part of planning and public investment.
- f) The delegates noted with concern that insurances against catastrophic events in the region currently stands at barely 1.5% - 2% of total insurance premiums collected worldwide. Nonetheless, such premiums are considered to be very high in view of the levels of income and relative development of several of the region's countries. Therefore, participants deemed it advisable to reinforce efforts to expand insurance coverage against catastrophic events, among other instruments. To this end, information and social awareness-raising campaigns on the importance of this problem should be intensified.

4. Regarding the issue of public investment for disaster risk reduction, participants in the seminar highlighted the following aspects, among others:

- a) Participants underscored that the risk involves the existence of a threat in combination with vulnerability factors. Therefore, it is necessary to strengthen the design and implementation of policies, planning, institutional development and investment for disaster risk reduction, as an essential part of the development process.
- b) There was a discussion about the need to develop mechanisms for public investment and risk transfer that addresses not only high-impact and low frequency events (intensive risk), but also those events with a low impact but high frequency (extensive risk), which can lead to significant cumulative losses.
- c) Participants highlighted the positive impact of investments for an appropriate maintenance of infrastructure works, which contributes to reducing impacts and levels of damage due to natural threats.
- d) They also made emphasis on the need for public investment to be carried out in a manner that ensures quality, safety and sustainability of projects. For this purpose, such investment should include an analysis of the risks to which it might be exposed, as well as the risks that may arise as a result of such investment projects for communities, the economy and the environment.
- e) Participants took note of the difficulties resulting from the inappropriate use of the terminology related to disasters, underscoring the need to make a clear distinction between disaster management primarily related to disaster preparedness and response, on the one hand, and risk management concerning actions aimed at risk reduction in development planning processes, land ordering and public investment.
- f) In the case of existing infrastructure that does not meet the safety, quality and sustainability criteria, participants underscored the need to carry out reinforcement and improvement actions, particularly as regards infrastructure considered to be of critical importance, such as schools, hospitals, sewer systems, roads, bridges, ports and airports.

- g) Participants deemed it essential to improve capabilities of human resources working in the design, development and evaluation of public investment projects, so that they can include analyses of the risks derived from natural threats. Two priorities were highlighted in order to conduct such an action: i) to take benefit from sharing experiences and South-South Cooperation, and ii) to work with universities in order to achieve a cross-cutting inclusion of analyses of risks derived from natural threats.
 - h) Participants also recognized that it is a priority to link public investment with budget systems, so as to ensure the allocation of resources for investment projects, while considering risk analyses.
5. Participants highlighted the need to develop processes for post-disaster recovery, as part of risk reduction strategies. Such processes would include planning efforts in vital sectors, such as education, housing, productive activities, infrastructure, environment and natural resources. This would allow authorities to identify public investment priorities and establish mechanisms for participation and coordination of actions with the public and private sectors, national and local shareholders, as well as international organizations.
6. The delegations took note with interest of the upcoming “Meeting on the Institutional Framework for Disaster Risk Reduction in Latin America and the Caribbean, Asia and Africa”, to be held in Panama City on 13 and 14 December 2010. This event is organized by the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA), together with the Perez-Guerrero Trust Fund (PGTF) of the Group of 77, the United Nations’ International Strategy for Disaster Reduction (ISDR) and the Ibero-American General Secretariat (SEGIB). This meeting will allow regional institutions to generate the necessary synergies to make strides to achieve the highest possible level of coordination and cooperation for the development of the work agenda on disaster risk reduction in 2011.
7. Likewise, participants took note of the upcoming Meeting of the Global Platform for Disaster Risk Reduction, to be held in Geneva from 8 to 13 May 2011, and the Meeting of the Regional Platform of the Americas, scheduled from 14 to 18 March 2011, in Nuevo Vallarta, Nayarit, Mexico – with both events being organized by the United Nations’ International Strategy for Disaster Reduction (ISDR).

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RECOMMENDATIONS

1. It is necessary to raise awareness among all national stakeholders about the importance of risk transfer and investments in the process of disaster risk reduction, particularly among the Ministries of Planning, Economy and Finance, as well as the agencies specializing in disaster risk management in order to make strides towards the consolidation of resilient societies in Latin America and the Caribbean in the medium and long-term.
2. It was deemed advisable to deepen and improve studies on suitable and appropriate risk assessment and quantification models, in view of the available technical information. Similarly, it is necessary to outline efficient strategies for financial protection through different feasible instruments to prevent and deal with possible losses for the State and society in general as a result of the occurrence of natural phenomena on different scales.
3. It is of the essence for governments to promote more efficient funding strategies through *ex ante* actions. Available alternatives include the creation of reserve funds, contracting of contingency loans, insurance and reinsurance underwriting and the use of financial hedging instruments in capital markets.
4. Regional development banks should include risk analyses in their investment and pre-investment projects, so as to protect the resources allocated for financing development programmes.
5. It is important to study the possibility of creating small-scale, micro-insurance facilities, which can be used by small and medium-sized producers, particularly in the agricultural sector, which will also require adequate training on the use of such instruments as part of disaster risk reduction efforts.
6. It is necessary for governments to address the structural causes of vulnerability to natural threats that are directly linked to development processes which have not included considerations as regards disaster risk reduction.
7. Public investment projects should include risk analysis from their pre-investment stage, so as to ensure compliance with the principles of safety, quality and sustainability against the threats to which they may be exposed, including those derived from climate change.
8. Participants recognized the advisability of making efforts to raise awareness among political leaders and decision makers at the national and subnational levels about the importance of disaster risk reduction, as a key element to accomplish the Millennium Development Goals.
9. The delegations congratulated the Government of Mexico, particularly the Secretariat of Foreign Affairs and the Secretariat Governance of Mexico, as well as the United Nations' International Strategy for Disaster Reduction (ISDR) and the Permanent Secretariat of SELA, for organizing and supporting the conduction of this Regional Seminar.

After adopting the conclusions and recommendations, participants proceeded to hold the closing session of the Regional Seminar on Public Investment and Financial Mechanisms, Insurance and Reinsurance against Disasters in Latin America and the Caribbean.

C. CLOSING SESSION

Speakers at the closing session included Ms. Cristina Ruiz Ruiz, Deputy Director General for Europe, Asia and North America of the Secretariat of Foreign Affairs of Mexico; Ms. Laura Gurza Jaidar, General Coordinator of Civil Protection of the Secretariat of Governance of Mexico (SEGOB); Dr. Ricardo Mena Speck, Head of the Regional Bureau for Latin America and the Caribbean of the United Nations International Strategy for Disaster Reduction (ISDR); and Dr. Antonio Romero, Director of Relations for Integration and Cooperation of the Permanent Secretariat of the Latin American and Caribbean Economic System.

Agenda

**REGIONAL SEMINAR ON PUBLIC INVESTMENT AND FINANCIAL MECHANISMS, INSURANCE
AND REINSURANCE AGAINST DISASTERS IN LATIN AMERICA AND THE CARIBBEAN:
RECENT EXPERIENCES**

22 and 23 November 2010. Mexico City, Mexico

Venue: Secretariat of Foreign Affairs of Mexico. Plaza Juárez 20, 1st floor. Col. Centro.
Mexico City.

Objectives: i) Analyze models for the inclusion of the issue of disaster risk reduction in public investment and financial mechanisms, as well as insurance and reinsurance instruments in case of natural disasters, which have been recently implemented in various countries in Latin America and the Caribbean; ii) Evaluate the perceptions that different actors working with disaster risk reduction have about these financial mechanisms, insurances and reinsurances in case of disasters, particularly regional and international financial organizations, government authorities in the Member States of SELA, and specialized private sector institutions (insurance and reinsurance agencies); and iii) Assess possible regional initiatives to develop financial mechanisms, insurance and reinsurance instruments against disasters, as well as models for the inclusion of the issue of disaster risk reduction in public investment in the region.

Monday, 22 November 2010

Morning

8:30 – 9:00 **REGISTRATION AND ACCREDITATION**

9:00 **OPENING SESSION**

- Speech by the Deputy General Director for Europe, Asia and North America of the Secretariat of Foreign Affairs of Mexico, Cristina Ruiz Ruiz
- Speech by the General Coordinator of Civil Protection of the Secretariat of Governance of Mexico (SEGOB), Laura Gurza Jaidar
- Speech by the Head of the Regional Office for Latin America and the Caribbean of the United Nations International Strategy for Disaster Reduction (ISDR), Ricardo Mena
- Speech by The Permanent Secretary of the Latin American and Caribbean Economic System, Ambassador José Rivera Banuet
- Official opening of the Seminar by Laura Gurza Jaidar, General Coordinator of Civil Protection of the Secretariat of Governance of Mexico (SEGOB)

9:30 – 9:45 Coffee break

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9:45

INTRODUCTORY SESSION. PRESENTATION OF THE STUDY ON FINANCIAL MECHANISMS, INSURANCE AND REINSURANCE IN CASE OF DISASTERS IN LATIN AMERICA AND THE CARIBBEAN

Antonio Romero, Director of Relations for Integration and Cooperation of SELA

SESSION I: FINANCIAL MECHANISMS, INSURANCE AND REINSURANCE IN CASE OF DISASTERS IN LATIN AMERICA AND THE CARIBBEAN: ONGOING MULTILATERAL INITIATIVES

Moderator: Antonio Romero, Director of Relations for Integration and Cooperation of SELA

- United Nations International Strategy for Disaster Reduction (ISDR). Ricardo Mena, Head of the Regional Office for Latin America and the Caribbean
- Inter-American Institute for Cooperation on Agriculture (IICA). David C. Hatch, on behalf of the United States
- Coordination Centre for Natural Disaster Prevention in Central America (CEPREDENAC). Executive Secretary, Iván Morales

12:30 – 01:30 Debate

01:30 – 3:00 Free time for lunch

Afternoon

3:00

SESSION II: FINANCIAL MECHANISMS, INSURANCE AND REINSURANCE IN CASE OF DISASTERS IN LATIN AMERICA AND THE CARIBBEAN: RECENT EXPERIENCES IN LATIN AMERICA AND THE CARIBBEAN

Moderator: Ana Lucia Hill, General Director of Civil Protection, Secretariat of Governance (SEGOB) of Mexico

- Mexico: Fund for Natural Disasters (FONDEN), Rubem Hofliger Topete, General Director of FONDEN (SEGOB)
- Mexico: Integral Disaster Risk Management, Salvador Pérez Maldonado, Deputy General Director of Risk Management (SHCP)
- Peru: General Manager, Peruvian Insurers Association. Member of the National Platform for Disaster Risk Reduction of Peru, National System of Civil Defence (SINADECI), Raúl de Andrea
- Caribbean: Caribbean Catastrophe Risk Insurance Facility (CCRIF). Milo Pearson, President.

4:45

Coffee break

5:00 **SESSION III: FINANCIAL MECHANISMS, INSURANCE AND REINSURANCE IN
CASE OF DISASTERS IN LATIN AMERICA AND THE CARIBBEAN: PERSPECTIVE
OF REGIONAL DEVELOPMENT BANKS AND THE PRIVATE SECTOR**

Moderator: Manuel Lobato Osorio, Head of the Insurance, Pensions and Social Security Unit of the Secretariat of Finance and Public Credit of Mexico

- Andean Development Corporation (CAF), Direction for Social Development, Attached to the Vice-Presidency for Environmental and Social Development (DDSVDSA), Roberto López, Chief Executive Officer
- Central American Bank for Economic Integration (CABEI), Specialist in Insurance, Roberto Salinas
- Inter-American Development Bank (IDB). Senior Specialist in Capital Markets and Financial Institutions, Jorge Burgos.
- Swiss Re. Nikhil Da Victoria, Vice-President
- Sancor Cooperativa de Seguros Ltda. Head of Disasters, Rubén Leonardini

6:00 – 6:30

Debate

Tuesday, 23 November 2010

Morning

09:00 **SESSION IV: PUBLIC INVESTMENT FOR DISASTER RISK REDUCTION**

Moderator / Initial Presentation: Alberto Aquino, Coordinator of the Unit for Rural Economic Development. German Agency for Technical Cooperation (GTZ)

- German Agency for Technical Cooperation (GTZ). Steps to include risk management in development processes: a) from development plans, b) from territorial order, c) from municipal management, d) from public investment. Coordinator of the Unit for Rural Economic Development, Alberto Aquino
- Peru: Ministry of Economy and Finance. Specialist in Disaster Prevention and Emergency of the General Direction of Multi-Annual Programming of the Public Sector, GTZ, Jorge Escurra
- Dominican Republic. Vice-Ministry of Planning. Ministry of Economy, Planning and Development. Technical Assistant of the Vice-Minister, Cenia Correa
- Dominican Republic. National Coordinator. Post-Disaster Recovery Programme. United Nations Development Programme (UNDP) in Dominican Republic, Rafael Pimentel Rivera

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- Guatemala: General Secretariat of Planning (SEGEPLAN), Direction for Public Investment, Luis Antonio Catalán
- Argentina: Ministry of Federal Planning, Public investment and Services. Under-Secretariat of Territorial Planning of Public investment. Specialist in Environmental Information Systems, Natalia Torchia
- Costa Rica. Ministry of Planning and Economic Policy. Adviser for Special Projects, Luis Fallas

Coffee break

12:30 – 01:30 Debate

01:30 – 3:00 Lunch offered by the Secretariat of Foreign Affairs of Mexico

Afternoon

3:00

SESSION V: CONCLUSIONS AND RECOMMENDATIONS

Moderator: Antonio Romero, Director of Relations for Integration and Cooperation of the Permanent Secretariat of SELA

Remarks by participants

4:30

CLOSING SESSION

- Speech by the Director of Relations for Integration and Cooperation of the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA), Antonio Romero
- Speech by the Head of the Regional Office for Latin America and the Caribbean of the International Strategy for Disaster Reduction of the United Nations (ISDR) of the United Nations, Ricardo Mena
- Speech by the Deputy General Director for Europe, Asia and North America of the Secretariat of Foreign Affairs of Mexico, Cristina Ruiz Ruiz
- Speech by the General Coordinator of Civil Protection of the Secretariat of Governance of Mexico (SEGOB), Laura Gurza Jaidar.

**Speech by the Deputy General Director for Europe, Asia and North America
of the Secretariat of Foreign Affairs of Mexico, Cristina Ruiz Ruiz**

Ms. Laura Gurza Jaidar,
General Coordinator of Civil Protection of the Secretariat of Governance;

Ambassador José Rivera Banuet,
Permanent Secretary of the Latin American and Caribbean Economic System;

Mr. Ricardo Mena Speck,
Head of the Regional Office for Latin America and the Caribbean of the United Nations
International Strategy for Disaster Reduction;

Ladies and Gentlemen:

On behalf of the Secretariat of Foreign Affairs; our Foreign Minister, Ambassador Patricia Espinosa Cantellano; and Ambassador Rogelio Granguillhome, Head of the Unit for Economic Relations and International Cooperation, I am pleased to give you my warmest welcome to Mexico and particularly to this house. We, at this institution, are honoured to receive such a selected group of personalities from the countries of Latin America and the Caribbean and from regional and international organizations.

The issue before us today is of vital importance in an international context that reflects the crises caused by natural disasters, the recurrence and consequences of which have been on the rise recently. This reaffirms the need to design systems that incorporate disaster risk reduction in public investment and financial mechanisms.

At present, discussions are mainly focused on defining risk preparedness policies, establishing a culture of prevention, developing financial tools, and envisioning risk mitigation instruments, with the purpose of promoting the exchange of experiences and best practices for the incorporation of disaster risk reduction in public investment in the region.

Insurance and reinsurance mechanisms help provide strategies and funds to cope with the needs created by disasters such as hurricanes and earthquakes, and have proved to be essential to promote reconstruction.

It should be noted that as climate change impacts on the region grow worse and cause more extreme effects, it is increasingly important to have insurance coverage in order to address the risks associated with climate change.

The process of recovery in countries facing a crisis caused by any type of disaster usually requires an enormous and long-term effort due to the different vulnerabilities of each country, and to the lack of financial resources, basic infrastructure and services, among other factors.

The seminar for which we have gathered here today will give us a chance to learn firsthand the practices and experiences of countries and organizations which have already implemented disaster prevention instruments and identify common solutions in this area for our region.

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Undoubtedly, this forum will also allow us to generate initiatives to strengthen institutional capacity building and foster international solidarity as privileged ways to find responses to the enormous global challenges of our time.

I appreciate the active participation of the Latin American and Caribbean Economic System, the United Nations International Strategy for Disaster Reduction and the Office of the General Coordinator of Civil Protection of the Secretariat of Governance to make possible this seminar.

Again, please receive the warmest welcome, and I wish you all success in your deliberations. I am convinced that this forum will be productive and will generate options to go forward together in preventing and fighting disasters for the benefit of our societies.

Have a good stay in Mexico, where we hope you feel at home.

Thank you very much.

A N N E X I I I

**Speech by the General Coordinator of Civil Protection of the Secretariat
of Governance (SEGOB) of Mexico, Laura Gurza Jaidar**

I would like to recognize and acknowledge the efforts undertaken by the Latin American and Caribbean Economic System (SELA), and its Member States, the United Nations International Strategy for Disaster Reduction (ISDR), the Secretariat of Foreign Affairs of Mexico, as well as all my colleagues and collaborators at the Secretariat of Governance for the organization of this Regional Seminar on Public Investment and Financing Mechanisms, Insurance and Reinsurance against Disasters in Latin America and the Caribbean: Recent Experiences.

This is a great opportunity to leverage all the knowledge and experience on the subject accumulated by the representatives of international organizations, and officials from the Member States' public and private sectors, who are here on behalf of a variety of institutions, including several insurance and reinsurance companies. They will use the forum to discuss various topics, such as the presentation of studies on financial mechanisms, ongoing multilateral initiatives, recent experiences in Latin America and the Caribbean, perspectives of Regional Development Banks and the private sector regarding public investment in disaster risk reduction, the views of and agreements reached by regional institutions, among others. Active participation will allow us all to speak the same language and walk the same path towards common and useful milestones in our efforts to achieve the three fundamental objectives of the Seminar, namely:

1. To analyze models for the incorporation of disaster risk reduction in public investment, as well as the different financial mechanisms for disaster risk transfer, including the insurance, reinsurance and catastrophe bond schemes which several Latin American and Caribbean nations have been implementing;
2. To assess the views of the different actors in relation to public investment in disaster risk reduction, particularly regional and international financial organizations, government authorities of the Member States of SELA and specialized institutions of the private sector (i.e., insurance and reinsurance companies); and
3. To evaluate possible regional initiatives to develop financial mechanisms, insurance and reinsurance against disasters, as well as models for the incorporation of disaster risk reduction in public investment in the region.

Driven by the input from the various presentations, these objectives, on the one hand, should help reduce human, physical and fiscal exposure or vulnerability and contingent liabilities arising from disasters; and on the other hand, they should lead both to innovative models, methodologies, indicators or procedures to identify or estimate the risk and to new financial mechanisms for risk retention and transfer through the formulation of a Comprehensive Risk Management Strategy, enabling us to achieve economic capacity or resilience to face the consequences of natural phenomena.

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The Mexican Experience

Moving from a reactive to a preventive system, by creating a culture of prevention

There exists an urgent need to redress the balance between reactive spending and preventive spending, for which it is essential to understand the opportunities and benefits that such an adjustment would entail. For this purpose, the National Civil Protection System should take every step possible towards the creation and implementation of public policies and strategies to fight the structural causes of disasters while strengthening the level of resilience or resistance of an organized society, all based on an Integrated Risk Management Strategy.

Prioritizing and ensuring immediacy, control and transparency in access to and use of financial resources

Something I would like to share with you is that since 2008, we in Mexico began to develop a new project, the final product of which was the design of various financial strategies to provide coverage for FONDEN's assets and for every public infrastructure project eligible to receive support from FONDEN, all based on the creation of a solid and robust property and infrastructure database.

Due to the successful completion of this first phase, which has enabled us to place a new catastrophe bond against earthquakes and hurricanes (to be discussed in detail during the presentations today) on the international markets, last year we decided to initiate a second phase aimed at expanding the original objectives by leveraging what had been already accomplished. This phase is now underway.

It is *a comprehensive programme that seeks to extend the already developed database* with information on new assets; vulnerability functions and natural hazards; data on human exposure and potential victims; applications designed to display and analyze information to assist in disaster prevention and decision making in emergency situations, based on geo-referenced information, among others. All of this is aligned with the National Risk Atlas.

Strengthening existing financial instruments

This challenge involves three basic components:

a) Generating a revolution in the field of financial instruments for disaster prevention and management currently available in Mexico, through a strategy that includes three stages:

- i. Publication of new rules of operation for disaster prevention instruments as a first and fundamental step, giving more and better incentives to boost investment in prevention, in accordance with a Comprehensive Risk Management approach.
- ii. Amendment to the guidelines for the issuance of emergency declarations and the use of the Revolving Fund, incorporating the experiences of the states (design of new types of pantries, bulk products, water bags, among others).
- iii. Creation of one single Fund in the medium term, the objective of which will be to finance and support risk prediction, identification, prevention, mitigation, preparedness, emergency handling, recovery and reconstruction, i.e., all the stages of an adequate Comprehensive Risk Management effort.

b) Integrating a reliable and solid inventory of public properties (at the federal, state and municipal levels) so that it becomes the mainstay for decision-making, damage assessment, and modelling and creation of new strategies for the design of risk transfer schemes.

c) Transferring risk. This entails strengthening and encouraging, as a public policy, the provision of insurance coverage for the country's infrastructure through mechanisms designed to ensure resource availability to prevent a major disaster from seriously affecting public finances, both at federal and local levels.

A N N E X I V

**Speech by the Head of the Regional Office for Latin America and the Caribbean
of the United Nations International Strategy for Disaster Reduction (ISDR),
Ricardo Mena**

Good morning, Ms. Laura Gurza, Ms. Cristina Ruiz, Ambassador José Rivera, representatives of the Secretariat of Foreign Affairs, of the General Coordination of Civil Protection, and SELA, co-organizers of this important event.

We at the International Strategy for Disaster Reduction, and the United Nations in general, are very pleased to be a co-organizer of this event and to be here now with all of you, ladies and gentlemen, to discuss an issue which is of vital importance and high priority to the United Nations as is the issue before us in these next two days.

When we were discussing on the organization of this event, actually the original idea was to organize an event to address financial mechanisms, insurance and reinsurance against disasters, and obviously we are very interested in the topic, but then we suggested that, to take advantage of the occasion, it would also be very important to see the other aspect of risk management, the one related to public investment in risk reduction. That's how we reached an agreement to gather both groups in the same event, those who are working on the issue of disaster insurance and those from the government sector who are responsible for ensuring that all development processes incorporate the risk variable so that all public – and private – investment projects can be developed in a manner that helps reduce vulnerability to natural hazards.

I think that we all are fully aware that the Millennium Development Goals pursued by the United Nations may not materialize if the necessary risk reduction measures are not taken.

Consequently, as regards the implementation of the Hyogo Framework for Action, which we will discuss later, this issue at hand is a priority for us, but it is also a priority in terms of meeting the Millennium Development Goals.

Later in this seminar, I will deliver a presentation in which I will elaborate a little more on this subject, and for this reason I will not delve further into this point at this moment. All I have left is to reiterate our gratitude to the Secretariat of Foreign Affairs of Mexico, the General Coordination of Civil Protection of Mexico, and the Permanent Secretariat of SELA, for inviting us to participate in this important event, and I am sure it will be of great use for all of us gathered here.

Thank you very much.

A N N E X V

**Speech by the Permanent Secretary of the Latin American and Caribbean Economic
System (SELA), Ambassador José Rivera Banuet**

Your Excellency, Representative of the Secretariat of Foreign Affairs of Mexico;

Ms. Laura Gurza Jaidar, General Coordinator of Civil Protection of the Secretariat of Governance of Mexico;

Mr. Magdy Martinez, United Nations Resident Coordinator in Mexico;

Mr. Ricardo Mena, Head of the Regional Office for Latin America and the Caribbean of the United Nations International Strategy for Disaster Reduction;

Honourable National Authorities of National Systems for Disaster Risk Reduction in Latin America and the Caribbean;

Distinguished representatives of regional and subregional institutions specializing in disaster risk reduction and representatives of international organizations;

Representatives of public and private Mexican entities;

Ladies and gentlemen,

I am pleased to welcome you to this “Regional Seminar on Public Investment and Financial Mechanisms, Insurance and Reinsurance Against Disasters in Latin America and the Caribbean: Recent Experiences”, which we organized with the active collaboration of the Government of Mexico – through the Secretariat of Foreign Affairs and the Secretariat of Governance – and the United Nations International Strategy for Disaster Reduction.

The objectives of this Regional Seminar are as follows:

1. To analyze models for the incorporation of disaster risk reduction in public investment, as well as the different financial mechanisms for disaster risk transfer, including the insurance, reinsurance and catastrophe bond schemes which several Latin American and Caribbean nations have been implementing;
2. To assess the views of the different actors in relation to public investment in disaster risk reduction, particularly regional and international financial organizations, government authorities of the Member States of SELA and specialized institutions of the private sector (i.e., insurance and reinsurance companies); and
3. To evaluate possible regional initiatives to develop financial mechanisms, insurance and reinsurance against disasters, as well as models for the incorporation of disaster risk reduction in public investment in the region.

The subject matter in this activity we are opening today is considered a priority by the Member States of SELA in the field of disaster risk reduction, and is also among the main ones that were established in the Hyogo Framework for Action.

As many of you probably recall, the “World Conference on Disaster Reduction”, held in Kobe, Japan, from 18 to 22 January 2005, resulted in the adoption of the “Hyogo Declaration” and the “Hyogo Framework for Action 2005-2015: Building the Resilience of Nations and Communities to Disasters”, which defined five priorities for action:

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- 1) Ensure that disaster risk reduction is a national and a local priority with a strong institutional basis for implementation;
- 2) Identify, assess and monitor disaster risks and enhance early warning;
- 3) Use knowledge, innovation and education to build a culture of security and resilience at all levels;
- 4) Reduce underlying risk factors; and
- 5) Strengthen disaster preparedness for effective response at all levels.

Risk transfer is a central aspect within these general guidelines for action, and is expressly referred to in item 4 on reducing underlying risk factors. In this regard, it has been recognized that there is a need to “promote the development of mechanisms for the sharing of financial risks, particularly insurance and reinsurance against disasters.”

The relevance of this issue for our countries is beyond question. According to figures from the Centre for Research on the Epidemiology of Disasters, during the first half of 2010 alone, there were 162 large-scale disasters worldwide, which claimed about 230,000 lives and otherwise affected more than 107 million people, causing economic losses in excess of US\$ 55 billion. Of these totals, our region unfortunately occupies the first place in number of deaths with 224,124, and estimated disaster-related economic losses of over US\$ 40 billion.

Sadly, two nations in our region topped the worldwide lists of death toll and economic losses caused by disasters, namely: Haiti and Chile.

The earthquake that shook Haiti on 12 January 2010 claimed about 222,570 lives, and affected some 3.7 million people, causing damage in excess of US\$ 8 billion.

Furthermore, the earthquake in Chile on 27 February 2010 killed about 562 people, affected more than 2.6 million people and caused damage estimated at US\$ 30 billion.

But we also have cases like that of Mexico, which has been badly hit this year by heavy rains throughout the country, reaffirming the importance of having funds available to address these urgencies. Thanks to Mexico’s Fund for Natural Disasters (FONDEN), the affected communities could be helped more quickly.

Guatemala was also affected by the eruption of the Pacaya volcano and by tropical storm Agatha in early June, as well as by heavy rains in August and September, which caused serious damage to the economy and infrastructure of this sister country, claiming the lives of more than 274 people.

Belize is another country in the region which was seriously affected since mid-year by tropical storms Alex and Matthew and by hurricane Richard, which caused heavy rains and strong winds, resulting in considerable economic losses that affected many communities in that nation.

The adverse events that we have witnessed in 2010 show the significant impact that climate change and global warming are having on Latin America and the Caribbean, and how disaster-related damage may be aggravated by the emergence of epidemics and pandemics, such as the one that currently affects Haitian brothers.

These disaster-related situations that the region has been facing demonstrate the urgent need to address in greater depth and detail the issue of public investment and financial mechanisms, insurance and reinsurance in Latin America and the Caribbean.

The Member States of SELA – and therefore the Permanent Secretariat – are convinced of the importance of disaster risk reduction, and that is why we have been supporting various activities in this regard.

Last year the Permanent Secretariat of SELA, together with the Government of Mexico – through the Secretariats of Foreign Affairs and Governance – the Ibero-American General Secretariat (SEGIB), and the Spanish Agency for International Development Cooperation (AECID), organized two seminars on “Response Mechanisms to Natural Disasters: Experiences in the Andean Region and the Southern Cone” (held on 3 and 4 September 2009 in Caracas) and “Experiences in Mexico, Central America and the Caribbean (15 and 16 October 2009, Panama City), aimed at establishing a simplified strategy for natural disaster management. To this end, a working group comprised of several specialized regional and subregional institutions and supported by a technical advisory committee was created under the coordination of Mexico.

As a follow-up to the agreements reached at these regional seminars, the “Working group meeting for the development of a proposal to establish a simplified mechanism for disaster risk reduction and management in the countries of Latin America and the Caribbean” was held on 7 June 2010 here at the headquarters of the Mexican Secretariat of Foreign Affairs. It was organized by the Government of Mexico, with the collaboration of the Permanent Secretariat of SELA and the Ibero-American General Secretariat (SEGIB). This meeting resulted in the official formation of the “Technical Advisory Group for the Establishment of a Regional Simplified Strategy for Emergency and Contingency Management in the Event of Disasters.”

This year, in addition to this regional seminar now underway, we plan to hold the “Meeting of the Institutional Framework for Disaster Risk Reduction in Asia, Africa and Latin America and the Caribbean”, organized jointly with the Perez Guerrero Trust Fund, the United Nations International Strategy for Disaster Reduction and the Ibero-American General Secretariat (SEGIB), which aims to foster cooperation, coordination and institutional capacity building in Latin America and the Caribbean, Asia and Africa in the field of disaster risk reduction through meetings for the sharing of experiences, exchange of cooperation supply and demand, development of interagency agreements and identification of areas of mutual interest in the respective work programmes, as well as the achievement of greater cooperation and coordination for disaster risk reduction among regional institutions.

This year, in addition to this regional seminar now underway, we plan to hold the “Meeting of the Institutional Framework for Disaster Risk Reduction in Asia, Africa and Latin America and the Caribbean”, organized jointly with the Perez Guerrero Trust Fund, the United Nations International Strategy for Disaster Reduction and the Ibero-American General Secretariat (SEGIB), which aims to foster cooperation, coordination and institutional capacity building in Latin America and the Caribbean, Asia and Africa in the field of disaster risk reduction through meetings for the sharing of experiences, exchange of

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cooperation supply and demand, development of interagency agreements and identification of areas of mutual interest in the respective work programmes, as well as the achievement of greater cooperation and coordination for disaster risk reduction between regional institutions.

Finally I would like to inform you that Decision No. 513 relative to the Work Programme of the Permanent Secretariat for the year 2011, as adopted within the framework of the XXXVI Regular Meeting of the Latin American Council of SELA, calls for the arrangement of the "Seminar on Private Sector Contribution to Disaster Risk Reduction. Private Sector Mechanisms for Emergency Management: Cooperation Opportunities for Governments." This activity of SELA would be supplemental to the efforts being made at the regional level to improve disaster response capacity and to strengthen disaster risk reduction policies by incorporating the private sector as one of the potential actors to support the efforts of States in disaster situations.

It wish you every success in your deliberations, and please allow me to take this opportunity to reiterate our appreciation to the Government of Mexico, and particularly the Secretariats of Foreign Affairs and Governance, and to the United Nations International Strategy for Disaster Reduction for all the support and collaboration they have provided towards the organization of this regional meeting. I wish to reiterate the interest of the Permanent Secretariat of SELA to continue to work together on such a high priority issue for the region and to further strengthen relations of cooperation and solidarity.

Thank you very much.

A N N E X V I

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