



# Execute Resources and Coordinate Efforts Across the Post-Disaster Process

## Towards effective post-disaster public financial management

### Background

**Rapid action by the government can help to mitigate the disaster impact on the affected population and quickly restore damaged assets.** However, immediately after a natural disaster there is often inadequate information about its impact on public infrastructure and services. This lack of information can prevent government agencies from adequately performing their functions and may also impact the private sector.

**This note discusses the role of a coordination unit in managing the efforts between the central and different levels of local governments, and the private sector across several phases of the disaster.** This is the sixth of a series of six notes that, together, reviews the process of an institutional mechanism to finance post-disaster recovery and reconstruction.

### General Principles

**A coordination unit should manage the DRM fund and the administrative dimensions associated with each step of the fund allocation, disbursement, and execution process.** Delays in recovery and reconstruction operations are usually due to difficulties in allocating and executing resources that have been secured through the Disaster Risk Financing and Insurance (DRFI) strategy, of which the DRM fund is an essential component. Streamlining the efforts of the different entities involved in post-disaster recovery and reconstruction could help to ensure speedy operations, prevent leakage of scarce public finance, and maintain accountability of fund uses.

**In the aftermath of a natural disaster, the coordination unit consolidates the requests for funds submitted by government agencies and local governments.** This avoids multiple channels being used to access the federal budget and also provides an overview of the total monetary amount of the damages. Having a single coordination unit to manage all requests solves a ‘multiple-window problem’ where none of the government agencies or local governments except the Ministry of Finance knows the budgetary cost of an additional dollar requested. It helps to prevent one agency’s request for funds exhausting the resources available for another, given the budgetary constraints that a government may face.

### Highlights

- A dedicated coordination unit streamlines inter-institutional efforts across the post-disaster recovery and reconstruction process.
- The coordination unit may be mandated to manage the Disaster Risk Management fund and the administrative dimensions associated with resource allocation, disbursement, and execution in the aftermath of a natural disaster.
- The Operating Rules of the coordination unit should clearly articulate its mandate and responsibilities.

### Considerations for Implementation

**The role of the coordination unit may be defined depending on the scope of its mandate.** For example the coordination unit can manage the DRM fund through a public trust with a technical committee and fiduciary agent. The technical committee could consolidate requests for funds, verify the damage assessment results submitted by the Damage Assessment Committee<sup>1</sup>, authorize the disbursement of funds that have been approved by the Ministry of Finance, and monitor physical and financial progress of post-disaster activities.

**The fiduciary agent of the public trust may disburse the approved resources directly to the contractors and service suppliers.** This mechanism is an effective option to maintain control over resources and transparency of funding channels to avoid the misuse of funds. Resources can be allocated cross multiple years and any unused or leftover resources from completed activities can be released back into the general pool of funds managed by the public trust.

**The coordination unit should have Operating Rules that clearly prescribe its mandate and responsibilities.** This can help to resolve inefficiency in communication or clarify procedural discretion amongst different government entities. The coordination unit may be anchored within the Ministry of Interior, the Ministry of Finance, the Executive

<sup>1</sup> The Damage Assessment Committee determines the actual damages sustained by public assets and quantifies associated reconstruction needs. See Note titled “Allocate Resources Based on Damage and Loss Assessment Methodology”.

Office of the President, or in any government body related to post-disaster recovery and reconstruction.

## International Experience

In Mexico, the General Directorate of FONDEN manages FONDEN, Mexico's Natural Disaster Fund, and coordinates all intergovernmental and inter-institutional entities before, during, and after a disaster. Anchored within the Ministry of Interior, the General Directorate of FONDEN is mandated to provide resources to the 32 Mexican states and federal agencies following a natural disaster, if the needs exceed the financial capacity of these entities.

When the Ministry of Interior issues a declaration of a disaster, the General Directorate of FONDEN installs a Damage Assessment Committee and oversees the damage assessment procedure, verifying the assessment results and crosschecking reconstruction activities. The General Directorate of FONDEN reviews applications requesting FONDEN resources and submits the consolidated request for funding to the Ministry of Finance for final review. Upon receiving the documents, the Ministry of Finance convenes a meeting of the FONDEN Trust Technical Committee to approve and authorize the disbursement of resources (Figure 1).

The FONDEN Trust Technical Committee also supports the General Directorate of FONDEN in monitoring the physical and financial progress in every activity that has received FONDEN resources at both the federal and local level by requiring submission of financial statements and quarterly reports on physical and financial progress.

**Figure 1. Members of the FONDEN Trust Technical Committee and their voting authority\***

Technical Committee Member	Voting Authority
Two Representatives of the Ministry of Finance and Public Credit	Voting Power
Representative of the Ministry of Interior (SEGOB)	Voting Power
Representative of the Ministry of Civil Service	Observer Status (No Voting Authority)
Representative of BANOBRAS as the Fiduciary Agent of the FONDEN Trust (Permanent invitation with mandatory attendance required at all Technical Committee meetings)	Observer Status (No Voting Authority)

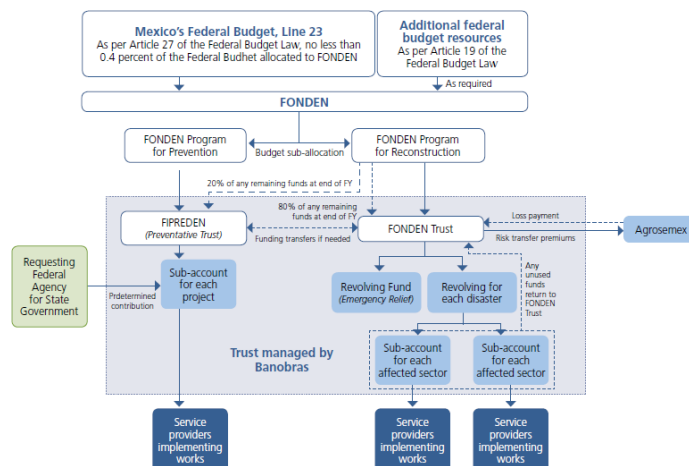
Source: FONDEN (2012)

\*All representatives designate an alternate to ensure participation.

The General Directorate of FONDEN manages a number of budget accounts: the reconstruction fund (FONDEN Program for Reconstruction, the original and primary financial instrument), Emergency Fund for urgent aid relief, and a disaster prevention fund (FOPREDEN). The resources of the FONDEN Program for Reconstruction are managed through a trust fund, the FONDEN Trust.

When the FONDEN Trust Technical Committee approves and authorizes the disbursement of resources, a subaccount is created within the FONDEN Trust for each disaster and for each sectoral agency. The fiduciary agent of the FONDEN Trust, Mexico's national development bank BANOBRAS, makes payments directly to agencies or service suppliers carrying out the post-disaster activities (Figure 2).

**Figure 2. Budget accounts Managed by the General Directorate of FONDEN**



Source: FONDEN (2012)

The Operating Rules of FONDEN articulate the responsibilities of the General Directorate of FONDEN and the rules and limitations of each of the budgetary instruments under its management. The Operating Rules are periodically revised to ensure that each of the budgetary instruments are cutting-edge and the General Directorate of FONDEN can efficiently manage the expectations of different stakeholders.

## Contacts

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