



GOVERNMENT OF KERALA
Abstract

Finance Department - Disaster Risk Financing and Insurance (DRFI)-Institutional Framework – Orders issued.

FINANCE (FUNDS)DEPARTMENT

G.O.(Rt)No.5471/2024/FIN

Thiruvananthapuram, Dated, 11-07-2024

Read 1 G.O.(Ms.) No.15/2021/P&EA dated 30/05/2021.

- 2 Program Appraisal Document (PAD) of the Resilient Kerala Program for Results (Report No.PAD4250 dated 02/06/2021).
- 3 Minutes of the meeting held by the Chief Secretary on 19-12-2023 on the progress implementation of the Resilient Kerala Program for Results.
- 4 Minutes of the meeting held by the Principal Secretary, Finance on 10-01-2024 for discussing institutional mechanism for disaster risk financing and insurance (DRFI) in the state.

ORDER

In the last few years, Kerala has been hit with a series of natural disasters and health pandemics inflicting significant impact on households including farmers, government, and businesses/commerce. Among the worst affected were the poor and vulnerable households, farmers and fishermen who lost not only their meagre assets but also their livelihoods. Similarly, the micro, small, and medium enterprises (MSMEs) were also significantly impacted with damages/losses to physical assets and loss of business due to disruptions in supply chain and access to markets due to damages to roads, and power supply.

2. The existing risk financing or risk transfer mechanisms in the state are not quite adequate for meeting the losses and damages caused by natural calamities. The costs of rebuilding the losses incurred to both public and private properties after the disasters, are the major financial liabilities for the State government. The

insurance protection gap i.e. the difference between the economic loss and insured loss is also very high (more than 90%) in the State, which leads to greater financial requirement for the State to provide relief and rebuild property and infrastructure. Thus, it is essential for the State to revive the disaster relief and mitigation processes of risk financing and risk transfer mechanisms for effective disaster risk management.

3. Disaster Risk Financing and Insurance (DRFI) is one of the key areas within Rebuild Kerala Initiative's (RKI) operational mandate. Facilitating relief measures and funds (both ex-ante and ex-post) is crucial to facilitate significant reduction of the State's financial liability and to establish sustainable resources and infrastructure towards risk protection of people's lives, livelihoods, and both public and government assets. The Resilient Kerala Program for Results being implemented in the state under the RKI with the financial and technical support of the multilateral agencies aims to strengthen institutions and systems toward resilience and demonstrate a model of integrated and multidimensional resilience at the ground level. As part of the Program through the Disaster Linked Indicator 3(DLI-3), the state is aiming to improve the "Disaster risk financing and insurance capacity of Government of Kerala and vulnerable households in Kerala.

4. Under the DLI, the Government of Kerala has to adopt and notify institutional mechanism and implementing arrangements for disaster risk financing by the end of the Year 2 of the DLI 3 (before June 2023). The Year 5 target of the DLI 3 is that the state has mobilized \$50 million using market-based disaster risk financing instrument to complement the State Disaster Response Fund (SDRF)/ Chief Minister's Distress Relief Fund (CMDRF). The Government consider that there is need to adopt and notify a separate institutional mechanism and implementing arrangements for disaster risk financing.

5. In the meeting convened by the Chief Secretary on 19th of December 2023, the minutes of which is read as paper 3rd above, it was decided that the Finance Department will be the Nodal department for the DRFI and the Disaster Management Department, the implementing department. Subsequently, in the

meeting convened on 10.01.2024, minutes of which is read as 4th paper above, recommendations were made regarding Institutional framework for the DRFI.

6. The Government, after having considered the recommendations in detail, are pleased to order the following on the institutional framework for the DRFI.

1. The existing Funds section of the Finance Department shall be designated as the nodal department for DRFI. The Disaster Management Department and other relevant department handling the disaster related risk transfer will be the implementing arms of the DRFI. The Secretary /Special Secretary / Additional Secretary in charge of the Finance (Resources) Department will be the officer in charge of the section and will report directly to the Additional Chief Secretary /Principal Secretary Finance. Suitable experts in Insurance, Public and risk financing and Data analytics will be engaged in contract basis to support the DRFI section as and when required.

2. DRFI section shall seek the advice of the KSDMA in matters relating to disaster risk management.

3. The institutional framework for the DRFI will be governed by the State Level Apex Committee (SLAC). The committee will be headed by the Chief Secretary. Secretaries of the following departments will be the ex-officio members of the Committee.

1. Finance, 2. Disaster Management, 3. Public Works, 4. Water Resources, 5. Local Self Government, 6. Revenue, 7. Agriculture Dept., 8. Planning and Economic Affairs. Non-official members (maximum of two) from relevant fields will be co-opted to the Committee. Secretary/Special Secretary / Additional Secretary Finance Resources will be the Member Secretary/convener of the Committee.

4. The organization structure of the institutional framework (institutional hierarchy) for DRFI is annexed.

5. The roles and responsibilities of the institutional framework for DRFI is given under:

State Level Apex Committee (SLAC):

1. To make policy level recommendations on DRFI, including resource mobilization for disaster preparedness, adoption and mitigation activities. These recommendations will be submitted to Finance Minister / Chief Minister / Cabinet for approvals as appropriate.
2. To approve the financial decisions taken on disaster risk management activities by the DRFI section as approved by the department.
3. To oversee the operations of fund mobilization.
4. Inter departmental coordination and resolving of conflicts among various stakeholder departments.

DRFI Section:

1. Approving the proposal submitted by the consultants regarding DRFI mechanisms to be adopted / selection of DRFI instruments for risk mitigation and adoption (insurance schemes, bonds etc.).
2. Ensuring that the instruments opted for DRFI covers all the beneficiaries including the vulnerable communities.
3. Finalizing the financial delegation to authorities.
4. Creating Standard Operating Procedures (SOP) to ensure post disaster fund disbursement mechanisms working in a transparent, timely, and effective manner.
5. Planning and allocation of resources from State Budget for Disaster mitigation activities based on inputs provided by the consultants.
6. Monitoring and tracking of the funds.

Technical Consultants:

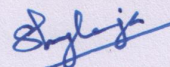
1. They should be able to propose strategies to increase the financial response capacity of governments in the aftermath of natural disasters and proactive disbursement of relief packages if required, while protecting state long-term fiscal balances.
2. Support day to day operations of Funds section.

(By order of the Governor)
RABINDRA KUMAR AGARWAL
PRINCIPAL SECRETARY

To:

All Additional Chief Secretaries/Principal Secretaries/
Secretaries/Special Secretaries (through e-office)
The Chief Executive Officer, Rebuild Kerala Initiative
The Accountant General(A&E/Audit) Kerala
All Heads of Departments/All District Collectors (through administrative
departments)
All departments including Law department in the Secretariat
The Member Secretary, State Planning Board
The KSDMA
The Director I&PRD
The Director of Treasuries
Stock File/Office Copy

Forwarded /By order



Section Officer

Annexure

Organization structure for DRFI:

