Foreword

The international debate on strengthening the financial resilience to disasters is more front and center than ever before. Recurring hurricanes and floods, large-scale devastating wildfires and massive earthquakes are costing lives and create a significant negative impact on people's well-being and economic development.

This joint report by the OECD and the World Bank takes stock of how a sample of governments in OECD and non-OECD countries manage the implications of natural disasters for public finances. The findings of this joint work were presented to Finance Ministers as part of the Asia-Pacific Economic Cooperation (APEC) Finance Ministers' Meeting in Port Moresby, Papua New Guinea in October 2018. Yet many countries are still struggling with the challenge of developing more effective financial instruments to counter the economic impact and strengthen financial resilience to natural disasters. Disasters simultaneously affect the government balance sheet from two sides. In their efforts to contain negative impacts on social and economic welfare, governments have often assumed the lion's share of recovery and reconstruction costs. At the same time, disasters can also reduce government revenues due to disruption in economic activities. *Boosting Fiscal Resilience: Managing Disaster-Related Contingent Liabilities in Public Finance Frameworks* makes the case for how integrating disaster and climate risk in fiscal planning and budgeting frameworks in advance helps make countries more financially resilient.

This report - jointly prepared by teams in the OECD's Public Governance Directorate and by the World Bank Group's Disaster Risk Financing and Insurance Program under the Finance, Competitiveness, and Innovation Global Practice - draws on a set of nine in-depth case studies, completed through a survey gathering views directly from policy makes in all countries. At the OECD, this work was carried out in co-operation with the OECD High Level Risk Forum and the Working Party of Senior Budget Officials. The report also drew on the OECD's 2014 Recommendation on the Governance of Critical Risks and the 2017 Recommendation on Disaster Risk Financing Strategies. At the World Bank, this work is contributing to a growing institution-wide focus on better risk management, including a large and growing lending portfolio of supporting countries in improved risk management, the Global Crisis Risk Platform, the Climate Change Action Plan, and the newly established Global Risk Financing Facility.

Findings of the country cases confirm that for many countries, the rehabilitation of damaged public assets is one of the largest drivers of disaster-related contingent liabilities. Central government support to local governments, often ad hoc and unplanned, can create large implicit contingent liabilities. The research and analysis in this report will support government officials with practical lessons and insights in more proactively managing these liabilities. Despite efforts to set clear rules for assistance and compensation for losses, disaster-related liabilities tend to rise beyond what many governments have committed to pay, especially when extreme events occur. The capacity of governments to assess and quantify the expected expenditure, creating conditions that support resilience, sound fiscal planning, and pre-arranging financial mechanism to cost-efficiently meet losses that cannot be reduced, determines the experience of governments when faced with a shock.

This report will be of interest to public officials, financial planners, disaster risk specialists, business communities and a general public that consider the inclusion of disaster-related contingent liabilities in fiscal planning, strengthening public and private finance strategies and increasing the transparency, and reliability of the fiscal outlook.

Alfonso Garcia Mora

Global Director,

Finance, Competitiveness &
Innovation Global Practice

The Worldbank Group

Marcos Bonturi,

Director,

OECD Public Governance
Directorate

From:
Fiscal Resilience to Natural Disasters
Lessons from Country Experiences

Access the complete publication at:
https://doi.org/10.1787/27a4198a-en

Please cite this chapter as:

OECD/The World Bank (2019), “Foreword”, in *Fiscal Resilience to Natural Disasters: Lessons from Country Experiences*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/cc1d6229-en

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d’exploitation du droit de copie (CFC) at contact@cfcopies.com.

OECD