

Financial Protection Strategy for the Management of Disaster Risks in the Putumayo Department



FOTOGRAFÍA: GOBERNACIÓN DE PUTUMAYO



Office of the Governor of Putumayo

Sorrel Parisa Aroca Rodríguez
Governor

Lalo Giovanni Zambrano Ramírez
Coordinator of the Departmental Council for Disaster Risk
Management of Putumayo

Oscar Darío Mallama Q.
Departmental Finance Secretary

Luz Dary Ortega Jamioy
Departmental Government Secretary

Luis Alberto Mora Díaz
SGD Technician for DRM Program

Ministry of Finance and Public Credit

César Augusto Arias Hernández
Director of Public Credit and National Treasury – DGCPNT, for its
acronym in Spanish

Javier Cuéllar Sánchez
Risk Deputy Director – DGCPNT

Yenifer Alejandra Barragán Rojas
Advisor for the Risk Deputy Director's Office - DGCPNT

World Bank

José Ángel Villalobos
Manager for Colombia of the Disaster Risk Financial Management
Program

Ana María Torres
World Bank Consultant

Miguel Fernando Muñoz
World Bank Consultant

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Cover photograph: Katherine Ojeda

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Acronyms

ANI	National Infrastructure Agency
PPP	Public-Private Partnership
CCE	National Agency for Public Procurement - Colombia Compra Eficiente
DANE	National Administrative Statistics Bureau
DGCPTN	General Directorate of Public Credit and National Treasury
DNP	National Planning Department
FPDR-PD Strategy	Financial Protection Strategy for the Management of Disaster Risks in the Putumayo Department
DRFM Strategy	National Public Finance Management Policy Strategy against Disasters Caused by Natural Phenomena
NFDRM	National Fund for Disaster Risk Management
GFDRR	Global Facility for Disaster Reduction and Recovery
DRFM	Disaster Risk Financial Management
DRM	Disaster Risk Management
IDEAM	Hydrology, Meteorology and Environmental Studies Institute
IDIGER	District Institute for Risk Management and Climate Change
MFMP	National Medium-Term Fiscal Framework 2019
MHCP	Ministry of Finance and Public Credit
BTZP	Basic Territorial Zoning Plan
FPDR	Financial Protection from Disaster Risks
PGN	General Budget of the Nation
PND	National Development Plan
DRFM Program	Disaster Risk Financial Management Program
SECO	Swiss Embassy in Colombia - Economic Cooperation and Development
NSDRM	National System for Disaster Risk Management
NUDRM	National Unit for Disaster Risk Management

Prologue

The Governorship of Putumayo, committed to Risk Management and with a view to improving the safety, wellbeing and quality of life of the people and to the sustainable development of the region, carries out different actions in the framework of the Risk Knowledge, Risk Reduction and Disaster Management processes.

Although the Putumayo Department has achieved major advances relating to Risk Management, we are still lagging in several areas, including financial protection. This is why it was deemed pertinent to create a FINANCIAL PROTECTION STRATEGY FOR THE MANAGEMENT OF DISASTER RISKS IN THE PUTUMAYO DEPARTMENT, a document that was consolidated thanks to an alliance of the Governorship of Putumayo, the Ministry of Finance and Public Credit and the World Bank, with funding from the Swiss Embassy in Colombia – Economic Cooperation and Development.

With this strategy, which is based on our most salient needs, we are certain that we will make an equitable contribution to the improvement of the quality of life and wellbeing of the inhabitants of each of the 13 municipalities part of our region.



Sorrel Parisa Aroca Rodríguez
Governor

Preface

In Colombia, around 50% of the national territory is located amidst expansive, thick Amazon forests spread throughout six departments that house abundant flora and fauna, a fact that has led the country to be classified as one of the most biodiverse territories in the world.

In this sense, the Colombian State has acquired the unwavering commitment to promote and guarantee the preservation and sustainability of the Amazon region as ecologically healthy and productive territories, filled with natural wealth and landscapes. However, we are aware of the great challenge that this entails, for the relevant management must be framed within difficult conditions vis-à-vis the high exposure to multiple threats, which is the case with the Putumayo Department.

We are very pleased that Putumayo, as one of the six departments part of the Amazon region in Colombia, has joined the Disaster Risk Financing and Insurance Program led by the Ministry of Finance and Public Credit, which is financed by the Swiss Embassy in Colombia - SECO and technically supported by the World Bank. Its main purpose is to reduce the fiscal vulnerability in the event of a natural disaster for all government levels in the country.

Thanks to the advances achieved by the Department concerning regulations on the subject and in the identification of the risks to which it is exposed, it was possible to prepare this Strategy. These advancements not only served as input but will facilitate a subsequent implementation analysis.

And finally, we would like to extend our gratitude to the National Unit for Disaster Risk Management - NU DRM - for its aid in obtaining the said input and for its accompaniment during the first training workshop for the officials of the Putumayo Governorship, which will allow strengthening the technical capabilities within the institutions.

With this publication we are consolidating our position as a pioneer country in disaster risk finance management. With this specific Strategy, we are defining the first renewable finance imprint in Amazon territory, which is currently in the global spotlight.



Javier Andrés Cuéllar Sánchez
Risk Deputy Director
General Directorate of Public Credit and
National Treasury

PHOTOGRAPH: GERMAN ARENAS



I. Introduction

The Putumayo Department is located to the southwest of Colombia, on the border with Ecuador and Peru¹. It is part of the Amazon Region and its capital is Mocoa. It is divided into thirteen (13) municipalities: Mocoa, the capital; Colón, Sibundoy, San Francisco, Santiago, Villagarzón, Puerto Guzmán, Puerto Caicedo, Puerto Asís, Puerto Leguizamo, Orito, San Miguel and Valle del Guamuez. The greatest environmental issues of Putumayo are linked to deforestation in the high lands, which, added to its pluviometric conditions, causes heavy erosion processes. Another environmental problem is caused by the aggressive attacks on the region's fauna, which harms the region's biodiversity².

The territories of the Putumayo Department are part of the Amazonia. According to ECLAC et al. *“The Amazonia, which sprawls over 7.4 million km² constitutes 4.9% of the world continental area and covers part of Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Surinam and Venezuela. The Amazon River basin is the largest in the world, averaging 230,000 m³ water per second, corresponding to approximately 20% of the surface fresh water in the world.*

476,000 km² of the Colombian Amazonia are located at the northwestern edge of the Basin, constituting 6.4% of the total Amazonian biome and 41.8% of the national territory. It is made up of the departments of Amazonas, Caquetá, Guainía, Guaviare, Putumayo and Vaupés³. Caquetá and Putumayo are part of the colonized foothills (one of the 4 Amazonia sub-regions). “Extensive livestock farming has been the prevailing productive activity; from 2008, mine and quarry exploitation became the leading sub-regional productive

activity, especially in Putumayo. Favoring these productive activities has led to a 60% concentration of regional deforestation, whose main drivers are human settlement, deforestation and illegal crops⁴.

The territories of the Amazonia are fragile and entail multiple challenges regarding their administration.

The same study states *“Additional to their great variety, Amazon ecosystems are characterized by their fragility, since most of them are located on soils that are extremely vulnerable to the rain and sun, meaning that once the forest has been felled, the land's fertility is quickly exhausted. Thus, the exuberance of the forest is not due to the high quality of the soil, but rather to the particular interaction of its ecosystems, which is based on the feeding cycle generated by the forest and the reigning humidity and heat environmental conditions⁵.*

The Financial Protection Strategy for the Management of Disaster Risks in the Putumayo Department (FPDR-PD Strategy), characterized as part of the Amazonia, will allow supporting: i) disaster risk management (DRM), ii) the sustainability of several of the eight productive lines of the region, and iii) compliance with the Putumayo Departmental Development Plans. This strategy becomes even more relevant when considering that there is a forced displacement dynamic along with an illegal crop substitution program, that highlights a few of the typical products initially defined within the eight productive lines of the region; all of this, in a context of biodiversity and bioeconomy⁶.

1. Source: <https://www.putumayo.gov.co/nuestro-departamento/presentación.html>.

2. Source: <https://www.putumayo.gov.co/informacion-general.html>.

3. Amazonia Posible y Sostenible, pg. 1

4. Ibidem, pg. 7.

5. Ibidem, pg. 2.

6. Such as Sacha Inchi, the Putumayo palm hearts and peach palm fruit, the Pirarucú [Arapaima gigas] (Amazonian fish), an economy to foster Food Sovereignty and tourism.





PHOTOGRAPH: GERMAN ARENAS

The Putumayo Department designed its FPDR-PD Strategy in coordination with the National Disaster Risk Financial Management Strategy (DRFM Strategy) led by the Ministry of Finance and Public Credit (MHCP), while considering the complexities of a rural territory in the Amazonia in which factors such as the forced displacement of populations that are mostly qualified to carry out agricultural activities, and illegal coca crops come together.

The Putumayo Department defined the following as its policy objectives: (i) Identification and understanding policy of the fiscal risk of disasters; (ii) Optimal combination of financial instruments for the financial protection against disasters for the public and private sectors, including the agroforestry sector, and (iii) Insuring public assets from catastrophic risks. A five-year operating plan will be prepared later on for its implementation.

II. Background

Political and administrative division in Colombia

Subnational entities in Colombia are autonomous in the management of their interests. The Political Constitution of 1991 defined an administrative and territorial decentralization scheme. As a result, subnational entities are governed by their own authorities, exercise the competencies as provided in the laws, manage resources, establish taxes, issue debt and participate in the national revenues. In this sense *“subnational entities may manage their own resources, create taxes, issue public debt securities and bonds, etc., while also allowing the departments to be autonomous in the management of their social, economic, tourism, planning, environmental, transportation and communications policies, the development of their borders and the possibility of creating or eliminating municipalities”*⁷.

Within this decentralized territorial organization, Departments are classified between the Nation and municipalities. They are defined as subnational entities *“governed by a Governor who is in charge of the autonomous administration of the resources granted by the State. They are autonomous in the management of matters relating to their jurisdiction and operate as coordination entities between the nation and municipalities. They are governed by a Governor and a Departmental Assembly whose members are elected by the people,⁸”* and according to the provisions of the Departmental Regime Code⁹ they are responsible, among others, for *“Cooperating with the*

*competent authorities in the execution of the tasks required to preserve the environment and dispose as required for the proper preservation of the natural resources”*¹⁰.

As was previously mentioned, the Putumayo Department is located south of Colombia and has 13 municipalities, as shown in Chart 1.

Departments serve as coordinators between the Nation’s competencies and those of municipalities with a view to promoting their development by providing administrative, technical and financial assistance. As enshrined in Article 298 of the Political Constitution of 1991 *“Departments are autonomous regarding the management of sectional matters and the planning and promotion of economic and social development within their territory in the terms set by the Constitution. Departments carry out administrative and coordination tasks, complementing municipal actions and serving as liaisons between the Nation and the Municipalities, providing the services established by the Constitution and the laws. The law will regulate all matters relating to the exercise of attributions granted by the Constitution.”*¹¹. They also participate in the creation of national development plans and programs while providing administrative, technical and financial assistance to municipalities to foster their development and exercise the administrative powers over them as expressly ordered by law.

The territories of the Putumayo Department are part of the Amazonia, where deforestation is directly

7. Available at: <http://www.banrepcultural.org/biblioteca-virtual/credencial-historia/numero-145/division-politica-administrativa-de-colombia>

8. Available at: <http://www.colombia.co/esta-es-colombia/estructura-del-estado/como-es-la-organizacion-politico-administrativa-de-colombia/>,

9. Decree 1222 / 1986 (April 18) “Whereby the Departmental Regime Code was issued”.

10. Ibidem. Art. 7 lit e).

11. Political Constitution of Colombia of 1991. Article 298. Available at: http://www.secretariasenado.gov.co/senado/basedoc/constitucion_politica_1991_pr010.html#298

Chart 1. Putumayo Department



Source: <https://www.putumayo.gov.co/nuestro-departamento/municipios.html>



Source: Fundación Raíces (2005)



PHOTOGRAPH: GOVERNORSHIP OF PUTUMAYO

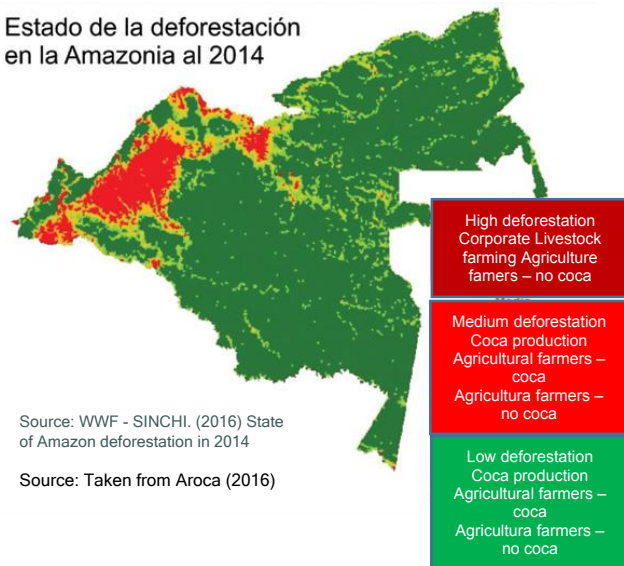
caused by¹²: “1. Pasture growing for livestock farming; 2. Infrastructure expansion; 3. Illegal crops; 4. Subsistence agricultural and livestock farming activities; 5. Commercial Extraction of timber; 6. Hydrocarbons and Mining”.

Importance of agroforestry alternatives for the Amazonia. In this context, Aroca (2016), using SINCHI - WWF (2016) as a source, visualized the need to incentivize Amazonia forestry activities. This means that the FPDR-PD Strategy must incorporate financial instruments that will enable farmers to choose sustainable alternative productive agroforestry activities by covering the risks relating to the occurrence of disasters. The foregoing is articulated with a few of the initiatives of the Leticia Pact for the Amazon (September 6, 2019), which is an agreement signed by the governments of Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru and Surinam that aims, among others, to establish mechanisms that will avoid deforestation and forest degradation and illegal

activities, while promoting sustainable production programs and reinforcing disaster risk management in the region. From

Chart 2. State of Amazon deforestation in 2014

Estado de la deforestación en la Amazonia al 2014



Source: WWF - SINCHI. (2016) State of Amazon deforestation in 2014

Source: Taken from Aroca (2016)

12. Aroca, 2016, “The direct causes of deforestation per the study “Deforestation Promoters in the Putumayo Department”, pg. 7.



PHOTOGRAPH: LUIS UREÑA

among these international commitments, the PFGR-DP Strategy may lead to the creation of financial instruments that will foster sustainable production in the framework of illegal coca crop substitution programs, which in turn will help prevent deforestation and environmental

degradation. The foregoing as a component of the Putumayo Department's disaster risk management, which may contribute to the regional initiatives of the signatory countries of the Leticia Pact for the Amazon.

Exposure to disasters caused by natural phenomena

Geo-environmental threats

The Putumayo Department is exposed to different geo-environmental threats. According to Fundación Raíces (2005), “*Environmental threats occur suddenly and are caused by geological conditions and climate factors, or even by the combination of both. This category includes volcanic eruptions, earthquakes, hydro-geological threats and mass wasting ... Regarding mass wasting threat, certain*

phenomena stem from other factors called triggers and according to the proportion of each the threat may increase. Furthermore, certain events are the result of human activities, e.g. erosion processes caused by land misuse”¹³. In this context, a financial protection strategy that will contribute to reduce erosive processes, while helping to promote the agroforestry vocation of the territories in the Amazonia regions that would help mitigate the risk through strategies that complement the efforts to promote sustainable agroforestry crops.

Earthquakes and volcanic eruption threats in the Putumayo Department. Concerning the geological faults in the Putumayo Department, “... *the main faults are*

¹³ Fundación Raíces, pg.21.



PHOTOGRAPH: LUIS UREÑA

the Falla Frontal de la Cordillera Oriental and the Falla de Romeral. The earthquakes are classified as high, medium and low threats in the Department”¹⁴. On the other hand, the Patascoy Volcano and the Juanoy - Doña Juana Complex constitute the greatest volcanic eruption threats.

Hydroclimatic threats in the Putumayo Department. Concerning hydroclimatic threats, “Water-related threats are linked to the overflow of the rivers and creeks scattered throughout the department. Their water level rises due to the great amount of rain that falls into the bodies of water”¹⁵. The water-related threats include floods, scours and flash floods.

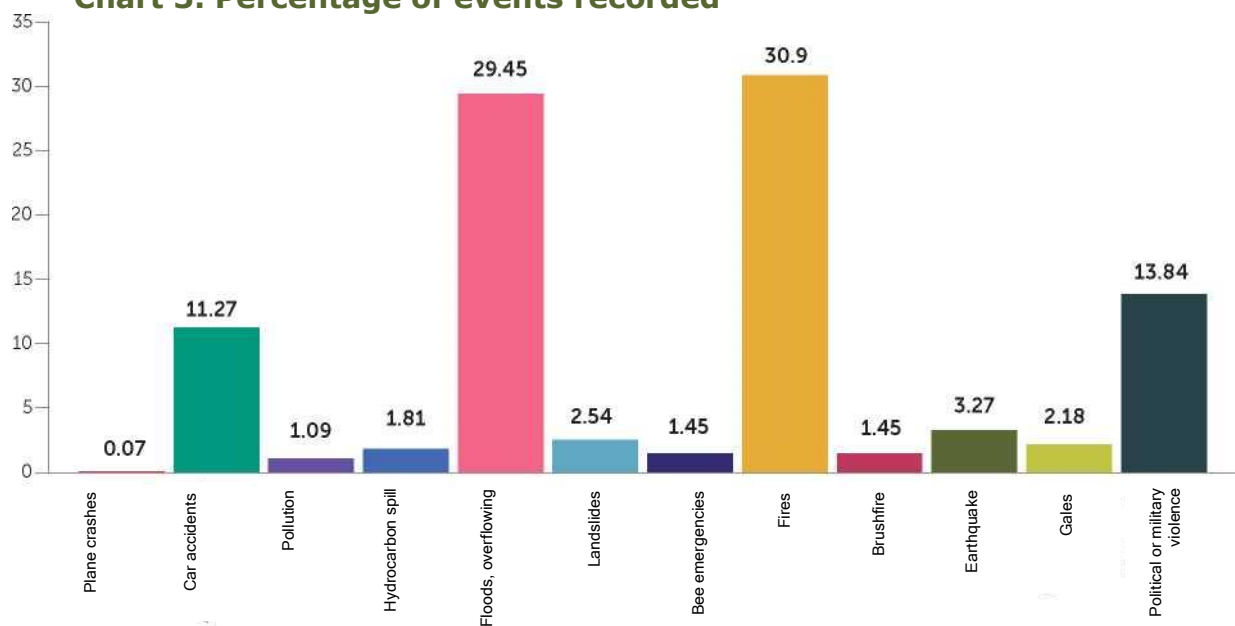
Anthropogenic threats

There are different causes for anthropogenic threats in the Putumayo Department. Anthropogenic threats “... begin slowly, they are caused by diverse human activities and according to their magnitude, activity and effect, have been divided into three categories (1) environmental threats, involving the contamination of natural resources and deforestation, (2) technological threats, such as the use of hydrocarbons, liquid fuels and hazardous chemical substances and crop dusting for the eradication of coca crops, and (3) complex threats involving a combination of events with social, political and economic components, such as political violence and forced displacement,...”¹⁶.

14. Ibidem, pg 21 and 29.
15. Ibidem, pg. 41.
16. Ibidem, pgs. 54 and 55.



Chart 3. Percentage of events recorded



Source: Fundación Raíces (2005)

Given the characteristics of the Putumayo Department, the FPDR-PD Strategy must support the management of certain anthropogenic threats that could be exacerbated due to the occurrence of natural disasters. As mentioned, anthropogenic disasters include deforestation, which is linked, among others, to illegal coca crops and massive forced displacements. In this context, the FPDR-PD Strategy must provide input that will allow upholding actions conducive to avoiding deforestation. To this end, financial instruments incentivizing the substitution of these crops using agroforestry crops that are native to the Amazonia, will be proposed.

Disasters in the Putumayo Department

Chart 3 shows that most disasters occurring in the Putumayo Department are caused by fires and

overflowing/floods.

The Mocoa Disaster of 2017 is an example of the disasters endured by the Putumayo Department.

According to CONPES Document 3904 / 2017¹⁷, “Between March 31 and April 1st, 2017, 129 mm of rain fell in the Mocoa municipality, which caused multiple landslides on the high and medium sections of the micro-basins of the Sangoyaco and Mulato rivers and the Taruca, Conejo and Almorzadero creeks. This led to a flash flood that dragged mud, large rocks and vegetation, affecting 48 urban and rural neighborhoods in the municipality, killed 332 people and injured 398, leaving 77 people missing and over 22,000 affected (among them, 2,903 members of 9 indigenous tribes). It also seriously affected road and public utilities infrastructure for the provision of basic social services”.

17. NATIONAL PLANNING DEPARTMENT. NATIONAL COUNCIL FOR ECONOMIC AND SOCIAL PLANNING “Plan for the Reconstruction of the Municipality of Mocoa, 2017-2022, Favorable Concept given to the Nation to Procure an External Loan for up to USD 30 million or its equivalent in other currencies to Finance the Implementation of the Sewage Master Plan of the Municipality of Mocoa (Phase I), and Declaration of the Strategic Importance of the Sewage Master Plan of the Municipality of Mocoa (Phase I)”. Bogotá, D.C., October 31, 2017. Available at: <https://colaboracion.dnp.gov.co/CDT/Conpes/Econ%C3%B3micos/3904.pdf>

IV. Legal Framework

DRFM national regulatory framework applicable at the subnational level

The nationwide DRFM strategy and the support it provides to the territory, especially to the Putumayo Department towards the strengthening of its Financial Protection vis-à-vis Disaster Risks (FPDR), is supported by the following:

- (i) **National System for Disaster Risk Management (NSDRM), in particular Law 1523 / 2012 and its regulatory decrees.** Includes mainly the application of the principles of concurrence and subsidiarity defined and laid out in the specific area of financial protection in the NSDRM's legal regime, in particular, Law 1523 / 2012 as the main regulation.
- (ii) **Regulations that define the obligation of insuring public assets.** There is the legal obligation to guarantee the effective insurance of State-owned assets for their actual value¹⁸ both nationwide and at a subnational level (including the Putumayo Department and its municipalities).
- (iii) **Regulations relating to DRFM incorporated in Laws approving the National Development Plan**

(PND). Law 1955 / 2019 whereby the PND 2018-2022 (Article 269) was issued, modified Article 220 of Law 1450 / 2011 (2011-2014 PND) and reiterated the responsibility of the MHCP for designing an insurance strategy against natural and/or unintentional human-induced disaster risks focused on reducing the State's fiscal vulnerability, which was designed by the MHCP in 2013 (and updated in 2016) under the name Public Finance Management Policy Strategy against Disasters Caused by Natural Phenomena (DRFM Strategy). Furthermore, the National Government set as a priority within the 2018 and 2019 Medium-Term Fiscal Framework the inclusion of the subnational level in the DRFM in order to support the management and sustainability of public finance in the event of occurrence of natural phenomena.

- (iv) **DRFM Regulations relating to Parametric or Index-Based Crop and Livestock Insurance.** Law 1955 / 2019 whereby the PND 2018-2022 (Article 176) was issued, modified Article 1 of Law 69 / 1993 granting the power to acquire a Parametric or Index-Based Crop and Livestock Insurance and established the possibility that public law entities (including subnational entities) act as takers, insured and/or beneficiaries of the said insurance.

18. Law 734 / 2002 (Articles 34 paragraph 21 and 48 paragraph 63) in addition to considering that it is the duty of all public officials to oversee and safeguard the assets and goods entrusted and ensure that they are duly and rationally used in accordance with their purposes, also defines as a serious disciplinary misconduct (punishable up to the removal and disqualification from performing public duties) "Not insuring the State's assets for their actual value or failing to make the budgetary appropriations needed". Other supplementary laws, such as Law 42 / 1993 (Articles 101 and 107), National Decree 663 / 1993 (Article 101, paragraph 4) and Law 1474 / 2011 (Article 118) establish, among others, the imposition of fines and opening fiscal liability processes to public officials and private individuals who manage State-owned funds or assets and default on these responsibilities, which must be compensated by any of the legally authorized insurance companies.



PHOTOGRAPH: LUIS UREÑA

FPDR regulatory framework for the Putumayo Department

The Putumayo Department acknowledges in its 2016-2019 Development Plan that it must make progress regarding their financial protection from disaster risks. Ordinance No. 726 issued May 30, 2016 “Whereby the Development Plan of the Putumayo Department “Putumayo Territorio de Paz, Biodiverso y Ancestral. Juntos Podemos Transformar 2016-2019” (Putumayo, a biodiverse and ancestral territory of peace: We can transform together) was adopted states in the diagnosis section that even though the Department has made some progress in the DRM, it is still lagging in the financial protection component “..., risk transfer in particular has encountered difficulties acquiring insurances for goods and services, especially for protecting crops. Furthermore, a culture of protection and insurance is mostly absent in the Department”¹⁹.

The Disaster Risk Management Fund of the Putumayo Department.

Ordinance No. 648 (November 29 / 2012) “Whereby the Putumayo Department Disaster Risk Management Fund is created and organized and other provisions are issued” created in Article 1, in consonance with the provisions of Law 1523 / 2012, the Departmental Fund for Disaster Risks, capable of accruing resources, “...as a special departmental account with financial, administrative, accounting and statistical independence for the public interest and social aid, aimed at saving, investing, allocating and executing its resources in the adoption of knowledge and risk reduction measures and managing declared public calamities or disasters or similar.” The fund includes a financial protection subaccount whose main purpose is to “Take the measures necessary to decrease the fiscal impact of disasters, public calamities and emergencies or mitigate their effects or avoid their expansion; these measures may include, among others, insurance policies taken out with Colombian insurance companies and searching for mechanisms that will cover part or all of the premium costs”.

¹⁹ Taken from page 166.



PHOTOGRAPH: GERMAN ARENAS

The Putumayo Department has created regulations conducive to strengthening the allocation of resources to the Department's Disaster Risk Management Fund.

Ordinance No. 745 issued April 28, 2018 “Whereby Article Ten of Ordinance No. 648 issued November 29, 2012 — Whereby the Putumayo Department Disaster Risk Management Fund is created and organized and other provisions are issued” was modified, states in Article 1 “Modify and complement Article Ten to Ordinance 648 / 2012, thus:

1. For the 2017 period the sum of \$150,000,000 pesos Legal Currency from the resources of the Free Destination Current Revenues - ICLD, for its initials in Spanish; for subsequent periods the initially allocated sum will be increased per the CPI certified by the DANE.

2. 5% of the resources from the surplus resources of the Free Destination Current Revenues - ICLD, for its acronym in Spanish, remaining at the end of each fiscal period after settling the resources stated in paragraph 1 of Article 5 of Ordinance No. 527 / 2007.

3. All other resources obtained or allocated for any reason”.

Drawing from this general legal diagnosis (applicable at a national and subnational level) which is specific to the Putumayo Department, as well as from Colombia's advances and achievements in the area of DRFM, it may be concluded that the scenario is auspicious and enables the Governorship of Putumayo to reinforce its FPDR policy.

V. Foundations of the FPDR-PD Strategy of the Putumayo Department

DRFM subnational advancements supported by national advancements

During the “Introduction to Disaster Risk Financial Management Regional Workshop” organized by the MHCP and held in May 2019, the first DRFM subnational strategies in the world were presented. Said strategies were presented by the Valle de Aburrá Metropolitan Area and the Office of the Governor of Cundinamarca, and are the first subnational-level strategies in the world, as well as the strategic lines in the area of financial protection for Bogotá D.C.

The Putumayo Department requested its inclusion in the DRFM Program. As a result of the workshop, the MHCP invited other subnational entities to join the Disaster Risk Financial Management Program led by the MHCP and supported by the World Bank and the Swiss Embassy in Colombia - Economic Cooperation and Development (SECO), with a view to contributing to the integrated management of disaster risk from the financial management perspective while fostering resilient development in Colombia. An option to face these challenges consists of creating fiscal strategies and implementing financial protection instruments against disasters that will provide timely and cost-efficient liquidity and access to additional resources for reconstruction. In this context the Putumayo Department asked for the MHCP’s technical support in the preparation of the corresponding strategy and organizing

a workshop with the officials of the Putumayo Governorship and its municipalities. Said workshop was held on September 5 and 6, 2019 in Mocoa (Putumayo) and 62 officials from the Finance Secretariats and DRM Municipal Committees attended. The discussions held during said workshop produced the input required to define the Strategy presented in this document.

The importance of supporting the agroforestry sector

Traditional crops. According to Corpoamazonía, throughout the department there are traditional crops such as plantain, cassava, corn, rice, potato, beans, *panela* sugarcane and palm hearts, as well as fruits such as apples, peach-palms, pineapple and baby banana (*chiro*). There is also rubber. Throughout the department timber species are also exploited, e.g. *Virola Sebifera*, *Chrysophyllum cainito*, *Inga spuria*, *Cedrelinga catenaeformis*, *Tabebuia*, *Tetrorchidium ochroleucum*, *Couma macrocarpa*, *Anacardium excelsum* and *Cordia alliodora* (*sangretoro*, *caimo*, *guamo achapo*, *amarillo*, *arenillo*, *popa*, *caracolí* and *canalete*).

Impact of illegal crops. According to http://www.corpoamazonia.gov.co/region/Putumayo/Putumayo_economico.html “Traditional agricultural activities have been affected in recent years due to the displacement of workers towards illegal crops, on the one hand, and on the other

to the armed conflict involving illegal groups for control over the territory, which has pushed many people towards other parts of the department or the country...confrontations between the armed forces and illegal groups lead to the displacement of rural populations, mostly to urban centers, but others also create new settlements in the Plains, for they are close to rivers and water bodies that may be used as transportation, or towards the high lands of the Cordillera, affecting ecologically fragile areas such as moors and steep slopes, fostering erosion processes, the loss of stability of the slopes, the loss of fragile ecosystems, among others...linked to the productive activities we highlight changes to the soil cover or mulch triggered by extensive livestock farming, agricultural activities or the establishment of new areas for illegal crops as retaliation for the forced eradication policies of the National Government. This cover change is linked to the loss of biodiversity, to macro-climatic changes, the impoverishment of the soils due to the loss of nutrients and to greater susceptibility to floods and flashfloods during the rainy season...the economy resulting from coca crops due to state policies implemented in recent years has led to the reduction in the number or the displacement of people dedicated to these activities or to the productive reconversion of others". In this context the design of financial instruments that will uphold the sustainability of the Department's traditional crops while supporting illegal crop replacement programs becomes relevant.

Need to define agricultural and livestock farming productive lines for the Putumayo Department. Policies are needed to foster rural, agricultural and livestock farming development at the departmental level. To this end, the Governorship entered into a technical and financial assistance agreement with the UN's Food and Agriculture Organization (FAO) in July 2019 with a view to creating an agricultural and livestock farming policy

plan based on consensus, research, formulation and knowledge of the agricultural and livestock farming productive lines of the Putumayo Department.

Social vulnerability in a context of indigenous populations and massive forced displacements

The Putumayo Department's population includes a significant percentage of indigenous peoples. The Department's population is mostly made up of mixed-race people (*mestizos*). The indigenous community is represented in 11 ethnic groups corresponding to 8.78% of the total population.

There is evidence that the Putumayo Department has been enduring forced displacements for several decades. This reality is taken into account in the formulation of this strategy. "Forced displacement as a consequence of the internal armed conflict is not a new phenomenon in the Putumayo Department, since violent events stemming from the territorial dispute caused by the bonanza of illegal crops have been occurring since the 1980s...

The structure of the displaced population consists of people with low education levels – having barely completed primary school; those who are financially dependent exceed 57% and are mostly under age 18; the child population is high, at over 20%; households have a single breadwinner, women in most cases.

Potential job opportunities for economically productive people are restricted to

Table 1. Population of the Putumayo Department

Detail	Urban	Rural	Total	Men	Women	Child Population (0 to 14 years)	Indigenous population (in 11 ethnic groups)
Population	110,582	230,931	341,513	181,449	160,064	140,569	30,000
%	32.38	67.62	100	53.13	46.87	41.16	8.78

Source: Fundación Raíces (2005)



FOTOGRAFIA: GOBIERNO DE PUTUMAYO

farming activities due to their experience in this area; homemakers, given their farming traditions; housekeeping activities, due to their low academic studies. Therefore, they are not demanded in the urban areas of the conflict recipient and generator zones to the detriment of other marginal and vulnerable social sectors of the recipient municipalities.

The actions of the guerrilla, overall violence, the actions of the paramilitary, the actions of unidentified armed groups and the army-guerrilla –aerial fumigations– the guerrilla-

paramilitary confrontations are the factors that have prompted the Putumayo's department interdepartmental, inter-municipal and internal displacement"²⁰. According to the Unidad de Víctimas (Victims Unit)²¹ website, there are 135,429 armed conflict victims in Putumayo, i.e. 40% of the population. The foregoing shows the Department's great social vulnerability due to the presence of illegal armed groups.

20. Ibidem, pg. 60, 63 y 64.

21 <https://www.unidadvictimas.gov.co/es/registro-unico-de-victimas-ruv/37394>

VI. Policy objectives from the subnational perspective of the Putumayo Department

The FPDR-PD Strategy takes into account the complexities of a rural Department²² in the Amazonia where inter-related factors such as forced displacement and illegal crops come together. In order to prepare the FPDR-PD Strategy, the Putumayo Department considered the need to come up with financial instruments that would support the agroforestry crops typical of the Amazonia as a component of the coca crop replacement program, while helping to prevent deforestation and strengthening efforts to promote dignified conditions for the Department's farmers, most of whom are part of the displaced population (in most cases they are trained for farming activities). As a result, the FPDR-PD Strategy must include a proposal with inventive schemes that will encompass the agroforestry sector.

In coordination with the national DRFM strategy, the Putumayo Department set the following as the policy's objectives: (i) Identification and understanding of the fiscal risk of disasters; (ii) Optimal combination of financial instruments for the financial protection against disasters for the public and private sectors, including the agroforestry sector, and (iii) Insuring public assets from catastrophic risks. The Putumayo Department Development Plan “*(Putumayo, a biodiverse and ancestral territory of peace: We can transform together) Transformar 2016-2019*” was adopted, along with the national DRFM achievements and advancements, and because the 2019 National Medium-Term Fiscal Framework (MFMP 2019) contemplated the inclusion of the subnational level in the DRFM as a priority, this has created a favorable context for the Putumayo Department to define its policy objective and strengthen its FPDR.

Led by the Directorate of Public Credit and National

Treasury at the Ministry of Finance and Public Credit (MHCP), and with the support of the World Bank's Disaster Risk Financing and Insurance Program and the Swiss Embassy in Colombia - Economic Cooperation and Development (SECO)²³ and the Global Facility for Disaster Reduction and Recovery (GFDRR), advancements have been achieved at the national and subnational level towards reinforcing the financial strategy aimed at reducing fiscal vulnerability against the occurrence of disasters in the context of the Disaster Risk Financial Management Program (DRFM Program). Said Program, which is under the leadership of the MHCP, and with the support and coordination of several public entities such as the National Planning Department, (DNP), the National Unit for Disaster Risk Management (NUDRM), the Financial Superintendence, the Ministry of Agriculture and Rural Development, the Colombian Geological Service, the Hydrology, Meteorology and Environmental Studies Institute (IDEAM), the Ministry of the Environment and Sustainable Development, the Aburrá Valley Metropolitan Area, the District Institute for Risk Management and Climate Change (IDIGER), and the Governorship of Cundinamarca, led by the Cundinamarca Special Administrative Unit for Disaster Risk Management, have produced invaluable input enabling the Putumayo Department to strengthen its FPDR-PD Strategy with the support of the MHCP.

Policy objective 1. Identification and understanding of the fiscal risk of disasters²⁴

The identification and understanding of the fiscal risk of disasters and their relation to the Formulation of

22. According to ECLAC (2017), the most remote or isolated provinces include Moco, Puerto Assis and Puerto Leguizamo.

23. The Embassy is not responsible for the opinions and contents expressed in this document

24. The first seven (7) activities were taken from the Regional Plan Formulation for the Prevention of Disasters in the Putumayo Department, Fundación Raíces



the Regional Plan for the Prevention of Disasters in the Putumayo Department. In order to move forward in the implementation of the FPDR-PD Strategy, progress must be made in some of the subprograms proposed by Fundación Raíces (2005) for the Formulation of the Regional Plan for the Prevention of Disasters in the Putumayo Department, particularly those relating to the Risk Knowledge Program and the Program for the Incorporation of Preventive and Security Criteria in the Departmental and Municipal Development Plans and the BTZPs. It is also necessary to produce information on the level of exposure and insurance of public assets and incorporate disaster risk analysis and adaptation to climate change into the public investment process:

- Design of methodological instruments for evaluating threats, vulnerabilities and risks for prevention and mitigation purposes.
- Identification and complementation and inventory of threats at the departmental level.
- Evaluation of natural and anthropic threats in order to zone, rule and plan accordingly.
- Analysis of social, political, infrastructure and institutional vulnerability in the Department.
- Evaluation of the Department's risks.
- Prepare risk scenarios and multi-threat maps.
- Prepare instruments, methodologies and rules to incorporate risk in the decision-making process.
- Be aware of the level of exposure and insurance of

public assets.

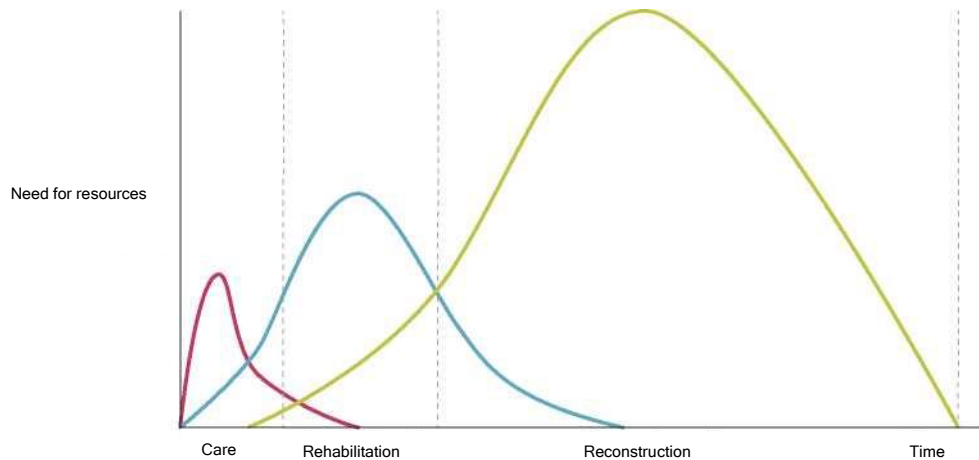
- Incorporate disaster risk analysis and adaptation to climate change into the public investment process.

Policy objective 2. Optimal combination of financial instruments for the financial protection against disasters for the public and private sectors, including the agroforestry sector

The purpose of the FPDR-PD Strategy is to define the optimal combination of different financial instruments for financing post-disaster activities. Ex - ante and ex - post financial instruments must be cost-efficient and take into consideration the temporal dimension of the post-disaster financing (availability of resources for the care and rehabilitation phase and later on for reconstruction), as shown in Chart 4. The foregoing considering the specific vulnerability of the Putumayo Department, both socially speaking and vis-à-vis the occurrence of disasters, whose territories are part of the Amazonia.

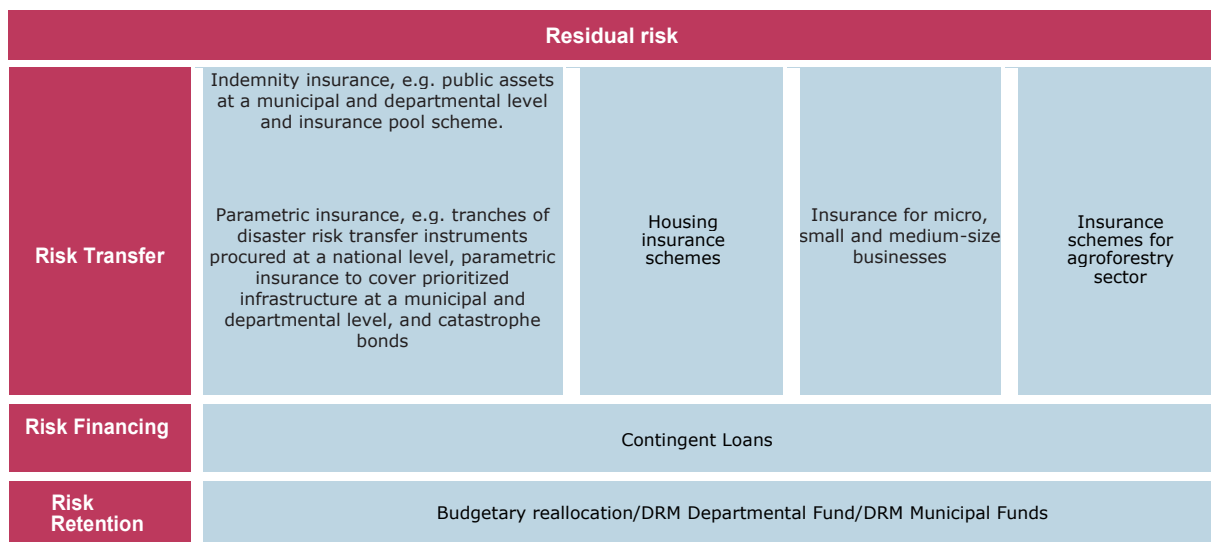
The Putumayo Department has defined a financial strategy by layers. The financing strategy by layers is shown in Chart 5.

Chart 4. The Temporal dimension of post-disaster financing.



Source: Ghesquiere y Mahul (2010)

Chart 5. Strategy by Layers



In general, the Putumayo Department has foreseen the implementation/reinforcement of the following financial instruments:

- **Strengthening the DRM Departmental Fund.** The Putumayo Department will evaluate alternatives to reinforce the legal, financial and operational aspects of its departmental fund, which was created by Ordinance No. 648 issued November of 2012, whose resource allocation has been strengthened thanks to Ordinance 745 issued April 2018. The foregoing with a view to building up its capacity to address the care, rehabilitation and reconstruction phases.
- **Strengthening the municipal DRM Fund.** The

Putumayo Department will assess the feasibility of proposing legal, financial and operational schemes allowing municipal funds to reinforce their financial protection component.

- **Contingent Loan.** Contingent credit lines provide immediate liquidity in the event of natural disasters. These are offered by different multilateral entities.
- **Insurance of public assets, including insurance of sectoral assets.** The purpose of the Putumayo Department is that the resources the regulations state must be allocated to procure insurance policies will provide the best coverage at the best rates vis-à-vis international insurance and reinsurance standards.



PHOTOGRAPH: GERMAN ARENAS

- **Procurement of financial instruments to transfer disaster risks for seismic and hydro-meteorological events.** The Putumayo Department will assess the feasibility of executing innovative financial instruments that will cover seismic and hydro-meteorological risks, including the possibility of executing tranches of financial instruments acquired at a national level.
- **Schemes for covering the agroforestry sector.** It has been determined that in order to strengthen the coca replacement crops it is necessary to incentivize the sustainability of other crops. To this end, financial instruments that support the sustainability of other crops, and by extension, the dignification of farmers, need to be created considering the context in which most of the displaced population is trained to carry out farming activities.
- **Insurance for micro, small and medium-size businesses.** As long as micro, small and medium-size business have resources available to overcome the occurrence of disasters, both the economic reactivation of the Department and the creation of jobs will be incentivized.
- **Housing insurance schemes.** As long as private citizens are insured the Putumayo Department will have more resources available to take care of those most affected.
- **Foster an insurance culture.** In order to generate an insurance culture both in the private and public sectors, the definition of strategies to this end will be assessed with the assistance of the insurance sector.
- **Procedures to ensure the transparency in the use of resources.** The importance that all resources invested in the care, rehabilitation and reconstruction phases be quantifiable and traceable from the beginning has been defined.

Policy objective 3. Insuring public assets against catastrophic risks

The Strategy encompasses improving the insurance of public buildings, of concessions by way of Public-Private Partnerships (PPP) and fostering insurance at a sectoral level. The Putumayo Department seeks that the resources the regulations state must be allocated to procure insurance policies will provide the best coverage at the best rates vis-à-vis international insurance and reinsurance standards.

- **Strengthening insurance of public buildings.** The Putumayo Department will assess the feasibility of creating guidelines to improve the level and quality of insurance of public buildings. To this end, it will take into account, among others, the national advancements in this area, along with the best

practices of the international insurance and reinsurance markets. It will also assess the feasibility of creating an insurance pool for the department's municipalities, allowing to benefit from the diversification of risks.

- **Strengthening insurances in concession contracts by means of Public-Private Partnerships (PPP).** The Putumayo Department will seek to improve its insurance coverage for concession contracts under PPP schemes as well as the requirements for all participants of the insurance and reinsurance process. To this end it will take into account the advancements achieved at a national level and the best practices of the international insurance and reinsurance markets, among others.
- **Strengthening asset insurance at a sectoral level.** The Putumayo Department will promote the insurance of infrastructure of the Department's most strategic sectors in terms of GDP and social impact.



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