

# MEXICO



## CONTEXT

**M**exico highly exposed to natural hazards. Over 40% of its territory and nearly a third of its population are exposed to hurricanes, storms, floods, earthquakes, and volcanic eruptions. In economic terms, this translates into 30% of GDP considered to be at risk from three or more hazards and 71% at risk from two hazards or more.

Mexico has taken steps to manage its natural hazard risk and improve recovery after disaster events. The National System for Civil Protection (SINAPROC) was established in 1986 following the devastating earthquake that affected Mexico City that year. SINAPROC had an initial focus on strengthening the country's planning, response and recovery capacity. However, the focus has now shifted toward building a comprehensive disaster risk management system that balances efforts in risk identification, prevention, risk reduction, risk financing, and post-disaster reconstruction.

Under the framework of SINAPROC, the government established FONDEN, Mexico's Fund for Natural Disasters, in 1996 to support the rapid reconstruction of federal and state infrastructure affected by natural disasters. Originally a reconstruction budgetary mechanism, FONDEN evolved in the mid-2000s to become the backbone of the Mexican Federal Government's the financial protection strategy against disasters. This led to Mexico issuing the world's first sovereign catastrophe bond in 2006, which was renewed in 2009 and 2012. In addition, since 2011, the government has purchased an indemnity reinsurance coverage to transfer portions of FONDEN's risk portfolio. The World Bank Group supported this evolution with technical and financial advisory services.

## COUNTRY OVERVIEW

### COUNTRY INDICATORS<sup>1</sup>

<b>GDP per capita (PPP)</b>	<b>\$10,325 (2014)</b>
<b>Total Population</b>	<b>125.4 million</b>
<b>Income Level</b>	<b>Upper middle income</b>
<b>Urban Population</b>	<b>79% (2014)</b>
<b>Poverty<sup>2</sup></b>	<b>53.2%</b>

### RISK PROFILE<sup>3</sup>

Lack of coping capacity		<b>4.5</b>
Vulnerability		<b>3.2</b>
Hazard and exposure		<b>8.2</b>
Overall risk		<b>4.9</b>

### GFDRR ENGAGEMENT

**Active Projects:** 1 (\$0.1 million in grants)

**Total Projects:** 2 (\$0.45 million in grants)

**Major Partners:** World Bank; Government of Mexico; Mexico Ministry of Finance

<sup>1</sup> World Bank: free and open access to development data in countries around the globe. <http://data.worldbank.org/>

<sup>2</sup> Poverty rates at 2014 National poverty lines, World Bank Open Data.

<sup>3</sup> INFORM: a global, open-source risk assessment for humanitarian crises and disasters. INFORM uses a scale from 0-10 (10 is the highest level of risk). <http://www.inform-index.org/>

## GFDRR ACHIEVEMENTS TO DATE

Global Facility for Disaster Reduction and Recovery (GFDRR) has supported engagements to help strengthen Mexico's disaster risk management (DRM) system since 2008. A GFDRR grant funded preliminary work by the World Bank to support preparing the issuance of Mexico's first catastrophe bond in 2009, with coverage for hurricanes and earthquake risk. GFDRR is currently financing a grant to support the Ministry of Finance on sharing best practices and lessons learned from Mexico.

---

As Mexico is a global leader in implementing a disaster risk financing strategy, GFDRR is also helping to share with other countries best practices and lessons learned from Mexico's experience in developing targeted and innovative risk financing mechanisms and solutions.

## LOOKING AHEAD

The Government of Mexico has demonstrated interest in further expanding its transition toward a comprehensive DRM strategy. GFDRR anticipates continued demand for projects supporting the country, including strategies to improve fiscal resilience at the subnational level through effective risk

financing solutions. In particular, GFDRR anticipates increased demand for quantitative evidence to promote mainstreaming DRM. It also anticipates increased focus on building DRM systems at the subnational level.

---

## PROJECTS AWARDED FY07-FY16

### Sharing Best Practices and Lessons Learned from Mexico

Grant: \$0.1 million | 2016-Ongoing

Partners: World Bank, Government of Mexico

This project aims to share knowledge, tools, and lessons learned from Mexico's experience in DRM with other countries. It will do so through publishing and disseminating the main findings of Mexico's Reimbursable Advisory Service, signed with the World Bank in 2012. The grant will also support activities to better assess the benefits of DRM investments in terms of shared prosperity and poverty reduction, and promote DRM at the sectoral level.

Monitoring |   

---

### Global Catastrophe Mutual Bond Risk Modeling for Mexico

Grant: \$0.35 million | 2008 – 2009 (Completed)

Partners: World Bank, Government of Mexico

The grant supported to develop the disaster risk model needed to facilitate the country to participate in the World Bank's MultiCat Bond platform, which helps member countries issue catastrophe bonds to insure themselves against the risk of natural disasters. The Government of Mexico has been interested in coverage for hurricane and earthquake risk. The project helped lay the groundwork needed for risk modeling and analysis in support of catastrophe bond issuance.

Monitoring |   

---

#### Legend



SFDRR Priorities for Action



GFDRR Pillars of Action