

Samoa's Disaster Risk Financing Policy 2022/2025



GOVERNMENT OF SAMOA
Ministry of Finance



Disaster Risk Financing Policy
2022 - 2025



Ministry of Finance, Government of Samoa

Website: www.mof.gov.ws, mail: information@mof.gov.ws, 2 Apia Boulevard Central Bank Building, Floor 2,3,4,6,7 Apia, Samoa, Phone: 34333

Context and Rationale for development of DRFP

- Policy needed because of Samoa's high vulnerability to climate and disaster risk
- To assist in understanding, assessing and planning for natural disasters
- Provides a framework to protect the economy and people from adverse impacts of disasters through a set of disaster risk financing instruments
- Contribute to an improved Climate and Disaster Resilience response as highlighted in the PDS 2021/22 – 2025/26
- Part of the policy actions for the World Bank Budget Support (and part of the Joint Policy Action Matrix)



Ministry of Finance, Government of Samoa

Website: www.mof.gov.ws, mail: information@mof.gov.ws, 2 Apia Boulevard Central Bank Building, Floor 2,3,4,6,7 Apia, Samoa, Phone: 34333

DRF Policy Outline

- Samoa's Disaster Risk Profile
- Institutional and Legal Framework
- Strategic Framework for Disaster Risk Financing
- Disaster Risk Financing Instruments
- Strategic Priorities under the policy
- Implementing the Policy



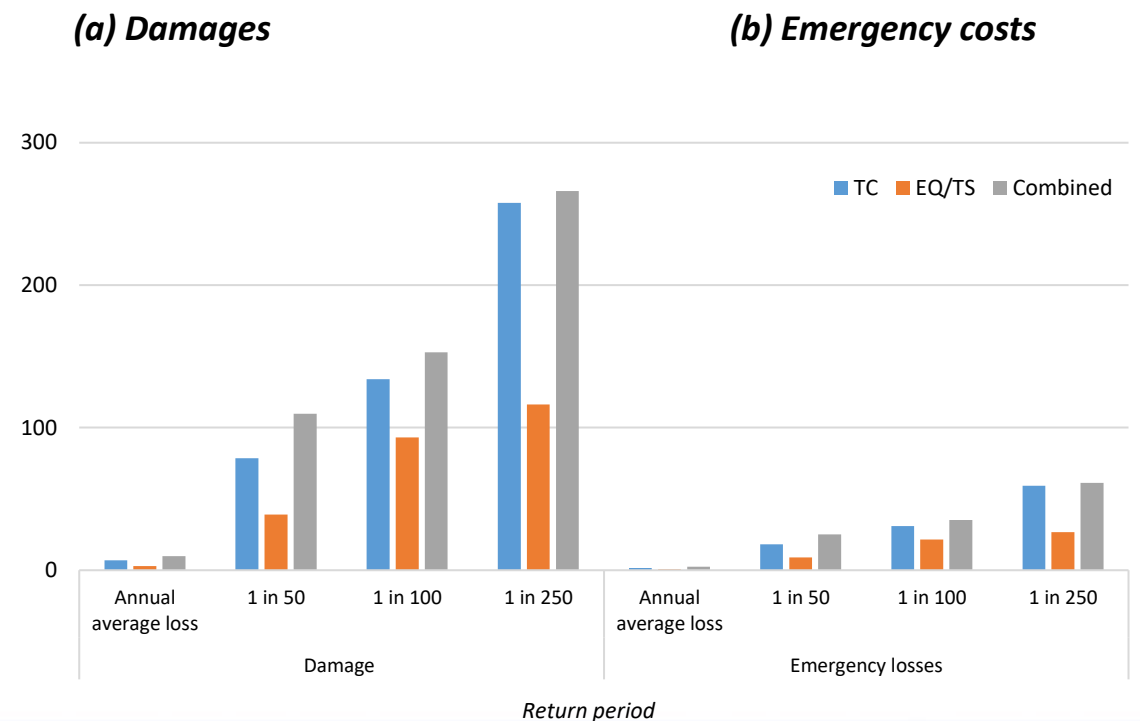
Ministry of Finance, Government of Samoa

Website: www.mof.gov.ws, mail: information@mof.gov.ws, 2 Apia Boulevard Central Bank Building, Floor 2,3,4,6,7 Apia, Samoa, Phone: 34333

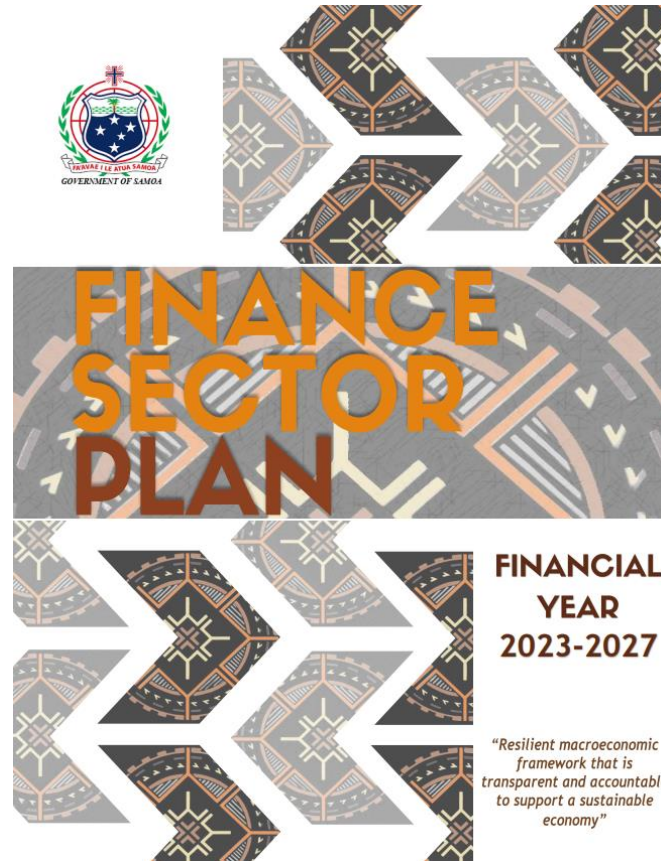
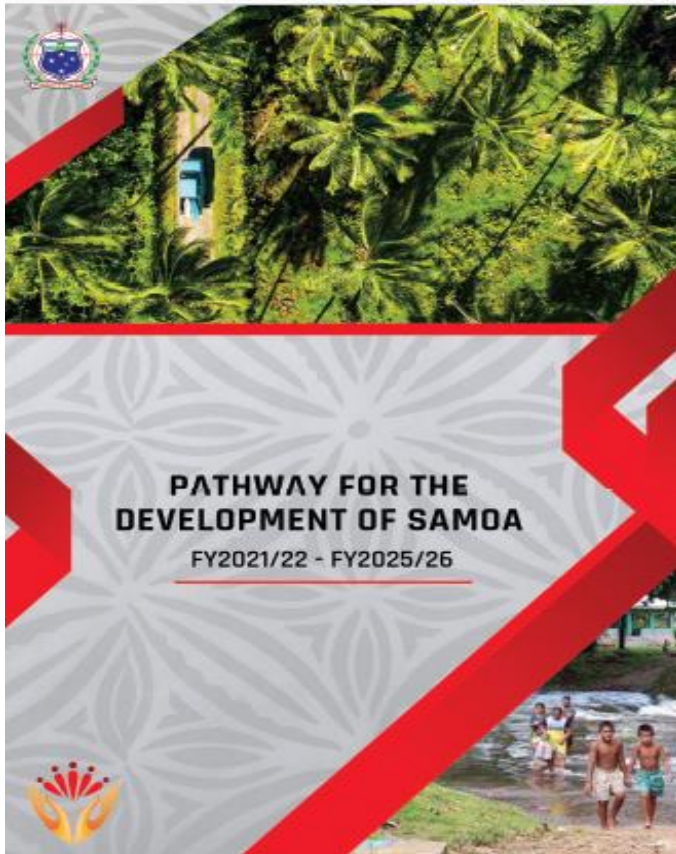
Samoa's disaster risk profile

- Samoa faces average annual losses of up to **US\$10m**, from tropical cyclone (TC) and earthquake/tsunami (EQ/TS) events.
- Emergency losses account for **US\$2.3m** of this figure. Emergency losses could be as high as US\$35m for a 1-in-100-year event for TC and EQ

Annual expected damages and emergency costs from TC and EQ/TS (USD million)



Institutional and Legal Framework



PFM Act 2001

Insurance Act 2007

International Insurance Act 1988

Community Integrated Management Plans

District Development Plans



Ministry of Finance, Government of Samoa

Website: www.mof.gov.ws, mail: information@mof.gov.ws, 2 Apia Boulevard Central Bank Building, Floor 2,3,4,6,7 Apia, Samoa, Phone: 34333

Core Principles for DRF Framework

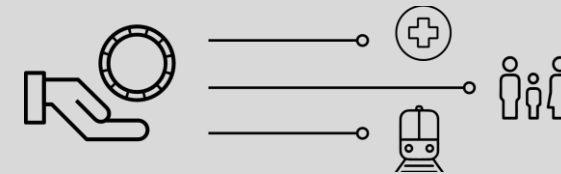
Timeliness of Funding

Speed matters but not all resources are needed at once.



Disbursement of Funds

How money reaches beneficiaries is as important as where it comes from.



Risk Layering

No single financial instrument can address all risks.



Data & Analytics

Sound financial decisions require the right financial information and data.

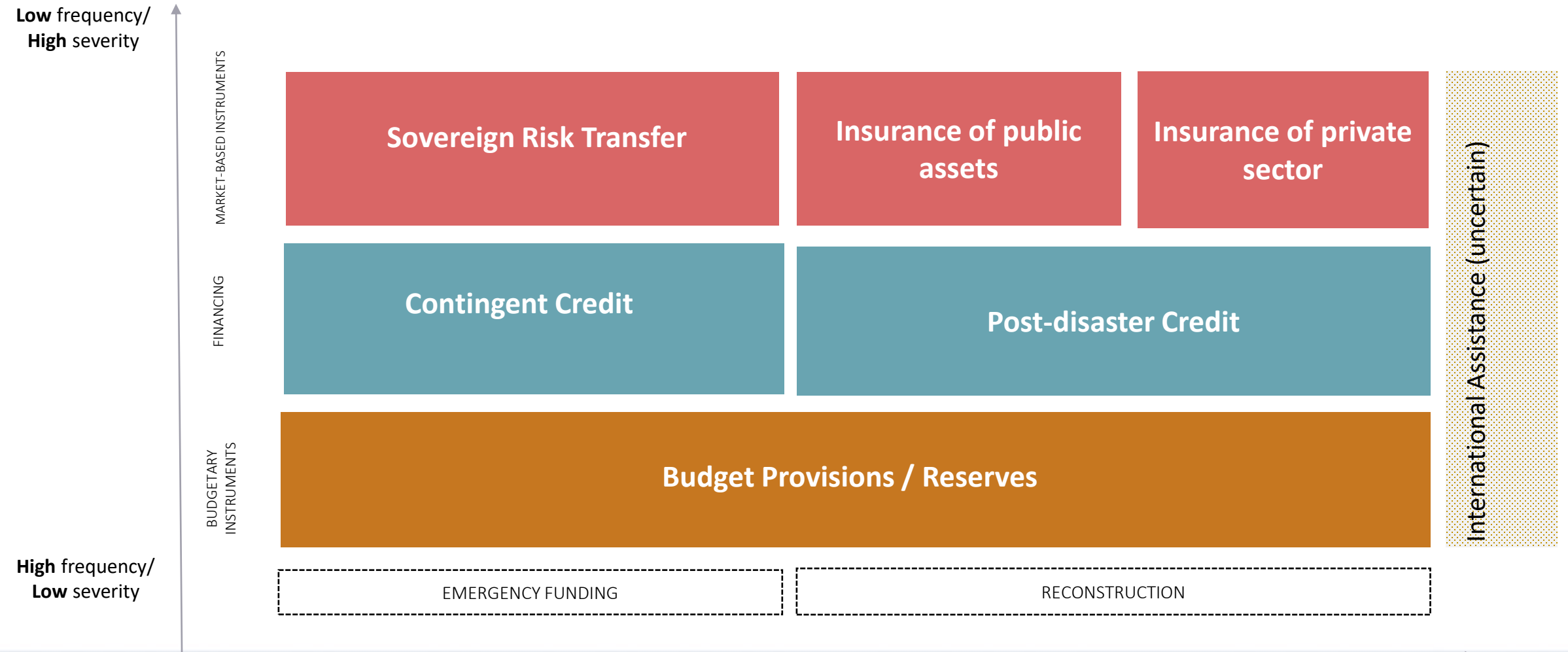


Ministry of Finance, Government of Samoa

Website: www.mof.gov.ws, mail: information@mof.gov.ws, 2 Apia Boulevard Central Bank Building, Floor 2,3,4,6,7 Apia, Samoa, Phone: 34333

Risk layering

Low frequency/
High severity



High frequency/
Low severity



Ministry of Finance, Government of Samoa

Website: www.mof.gov.ws, mail: information@mof.gov.ws, 2 Apia Boulevard Central Bank Building, Floor 2,3,4,6,7 Apia, Samoa, Phone: 34333

Current DRF Instruments

| Disaster risks | Instruments | Maximum amount available per year (US\$ million) |
|-------------------|---|--|
| High risk layer | PCRAFI insurance | 10.5 |
| Medium risk layer | Contingent credit/grant line (ADB) | 10 |
| | Cat-DDO (World Bank) | 10 |
| Low risk layer | Contingency Emergency Response Component (IDA funded Project) | 0.5 |
| | Unforeseen payment line | 3% of total Expenditure of the annual budget |



Ministry of Finance, Government of Samoa

Website: www.mof.gov.ws, mail: information@mof.gov.ws, 2 Apia Boulevard Central Bank Building, Floor 2,3,4,6,7 Apia, Samoa, Phone: 34333

Strategic Priorities in the DRF Policy

Identify and quantify disaster-related economic and fiscal risks

National Budget and Planning to be informed by Climate and Disaster Risk analysis

Explore options to transfer disaster risks to the private sector

Identify a cost-efficient combination of disaster risk financing instruments each year

Build institutional capacity on disaster risk financing



Ministry of Finance, Government of Samoa

Website: www.mof.gov.ws, mail: information@mof.gov.ws, 2 Apia Boulevard Central Bank Building, Floor 2,3,4,6,7 Apia, Samoa, Phone: 34333

Challenges

- Capacity Constraints of the local private insurance sector in covering government assets;
- Limit data available for Sound Financial Decision on Disaster Risk Finance;



Future Plans

- The government continues to explore options and other financial instruments available locally and internationally that would assist in financing disaster response, relief, and reconstruction.



Ministry of Finance, Government of Samoa

Website: www.mof.gov.ws, mail: information@mof.gov.ws, 2 Apia Boulevard Central Bank Building, Floor 2,3,4,6,7 Apia, Samoa, Phone: 34333

Lessons Learnt

- A well-developed disaster risk finance policy/strategy can minimize the financial burden on the economy during natural disasters.
- It's always better to be prepared!!!



Ministry of Finance, Government of Samoa

Website: www.mof.gov.ws, mail: information@mof.gov.ws, 2 Apia Boulevard Central Bank Building, Floor 2,3,4,6,7 Apia, Samoa, Phone: 34333