Ministry of Finance
GOVERNMENT OF SAMOA

Samoa Disaster Risk Financing Policy 2022/2025

Context and Rationale for development of DRFP

Rationale

- 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)

Main sections of the Policy

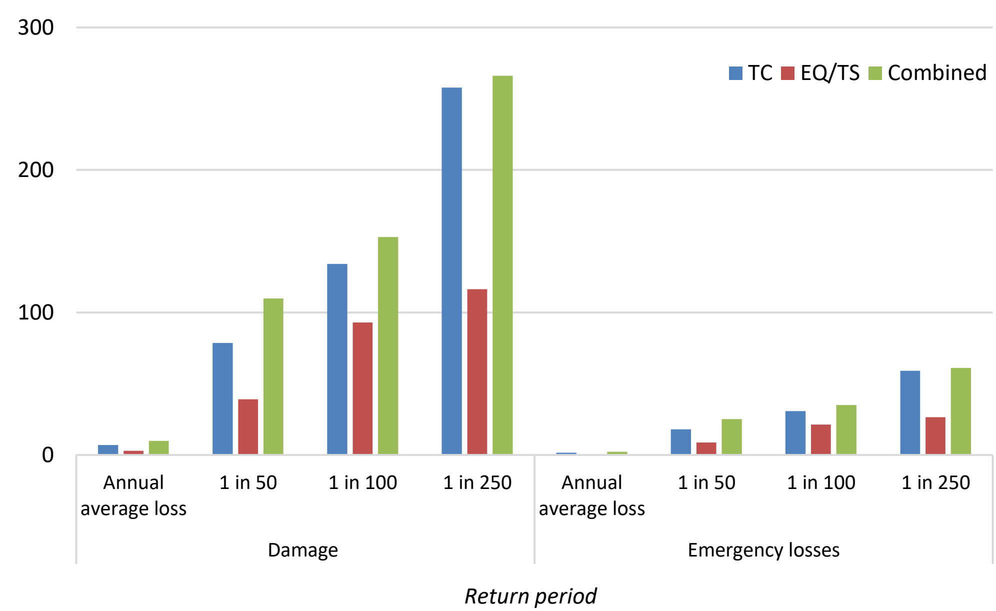
- Samoa’s Disaster Risk Profile
- Institutional and Legal Framework
- Strategic Framework for Disaster Risk Financing
- Disaster Risk Financing Instruments
- Strategic Priorities under the policy
- Implementing the Policy

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)

(a) Damages *(b) Emergency costs*



Institutional and Legal Framework

SAMOA

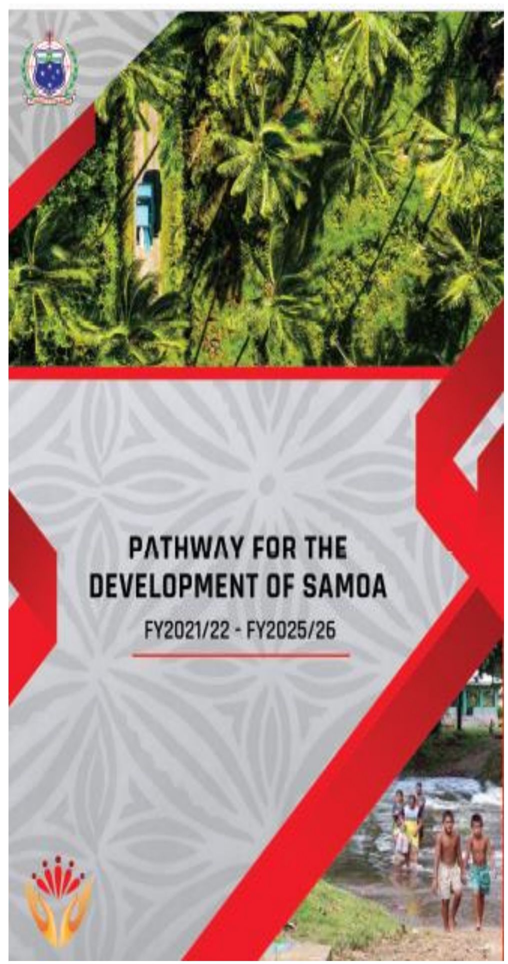
PUBLIC FINANCE MANAGEMENT ACT 2001

SAMOA

INTERNATIONAL INSURANCE ACT 1988

SAMOA

INSURANCE ACT 2007



Finance Sector Plan

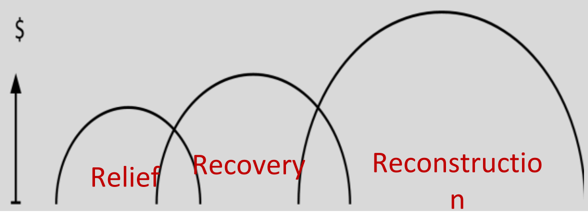
Community Integrated Management Plans

District Development Plans

Core Principles for DRF Framework

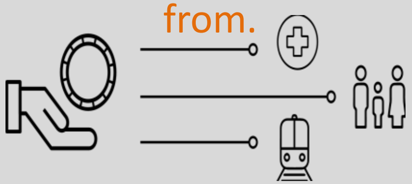
Timeliness of Funding

Speed matters but not all resources are needed at once.



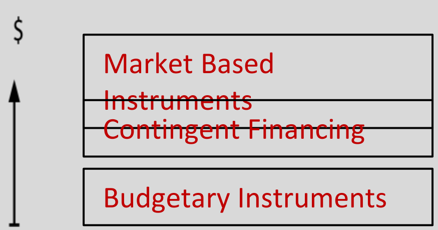
Disbursement of Funds

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



Risk Layering

No single financial instrument can address all risks.

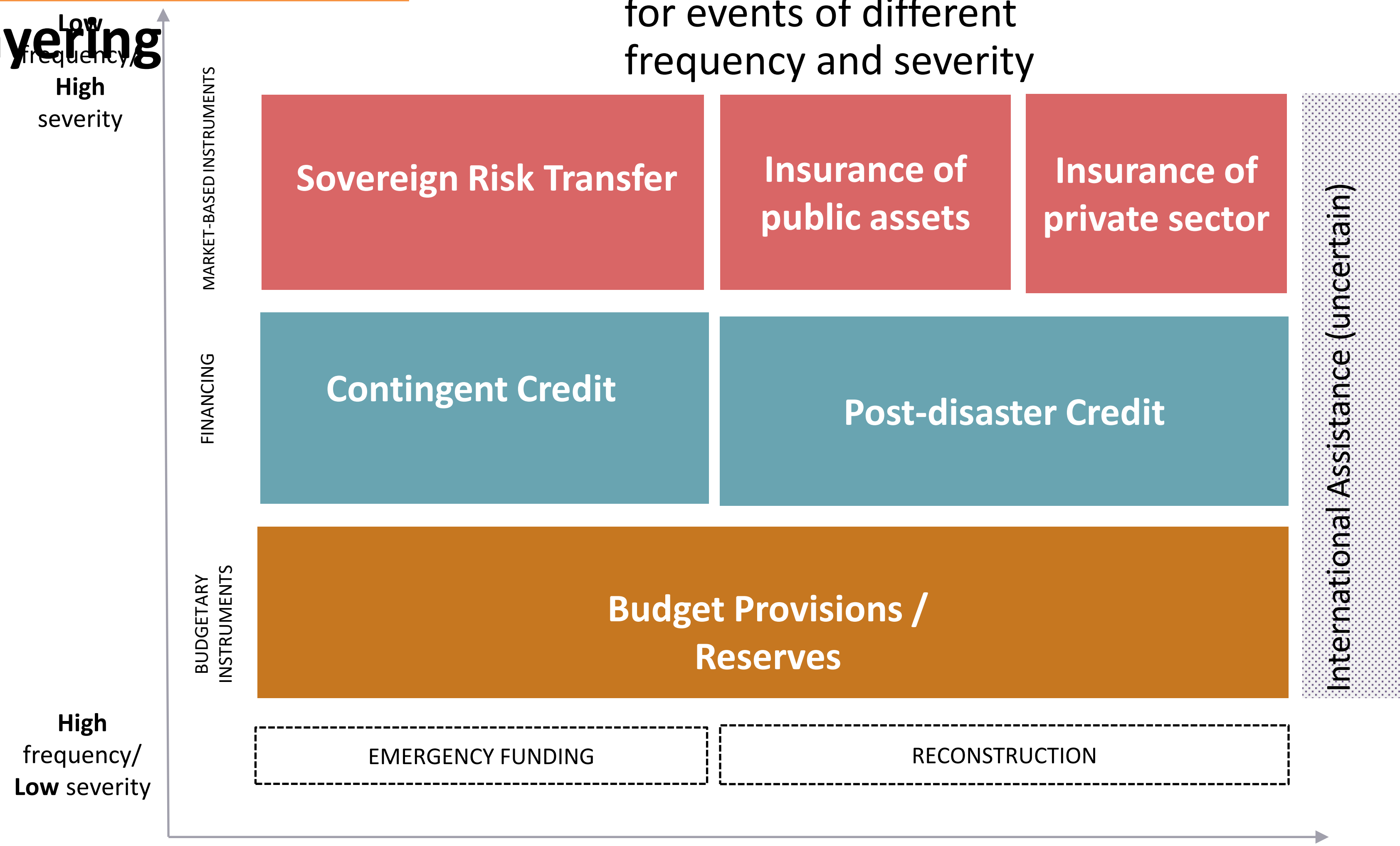


Data & Analytics

Sound financial decisions require the right financial information and data.

DRF Principle | Risk layering

Multiple financial instruments for events of different frequency and severity



Current DRF instruments available to the Government of Samoa

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	CERC*	0.5
	Unforeseen payment line	8.4**
Total		**39.4**

** Contingency emergency response component included in IDA funded projects*

*** 3% of total expenditure, 2020/21 figure used, exchange rate of 1 USD to 0.4 SAT. Funding on a needs basis. Fund is used for all emergencies not only those related to natural catastrophes*

Strategic Priorities in the DRF Policy

1) Identify and quantify disaster-related economic and fiscal risks
2) National Budget and Planning to be informed by Climate and Disaster Risk analysis
3) Explore options to transfer disaster risks to the private sector
4) Identify a cost-efficient combination of disaster risk financing instruments each year
5) Build institutional capacity on disaster risk financing

Implementing the Policy

Priority 1. Identify and quantify disaster related economic and fiscal risks

- Enhance the Public Asset database to improve information on the exposure of public assets to disasters, including infrastructure, public buildings
- Build capacity to understand fiscal and economic risk to inform policy decisions on retention and risk transfer to the market
- Improve understanding of the country’s disaster-related contingent liability, including of outputs of available probabilistic catastrophe risk models
- Incorporate updated disaster risk information into economic, fiscal, and investment planning

Priority 2. National Budget and Planning informed by Climate and Disaster Risk analysis

- Strengthen reporting of all sources of disaster financing and their use, to strengthen planning and oversight

Priority 3. Explore Options to transfer disaster risks to the private sector

- Conduct an analysis of the current constraints, including legal, regulatory and capacity gaps, in the insurance sector in collaboration with insurance regulator and key private sector

Priority 4. Identify a cost-efficient combination of disaster risk financing instruments each year and report on these

- Set risk financing objectives, including the determination for what type of event and to cover what type of cost (emergency/recovery) contingent financing will be put in place

Priority 5. Build institutional capacity on disaster risk financing

- Strengthen capacity for assessing the relative cost-efficiency of different instruments
- Develop capacity for fiscal and actuarial modeling

Challenges in the development of the Policy

- First for Samoa
- Scope
- Capacity constraints
- Prioritization of activities in line with policy timeframe