GOVERNMENTS IN THE LEAD ON FINANCIAL PREPAREDNESS

Lessons learned from around the world

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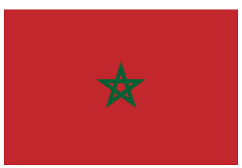
The Philippines



Abdelmajid Mimouni
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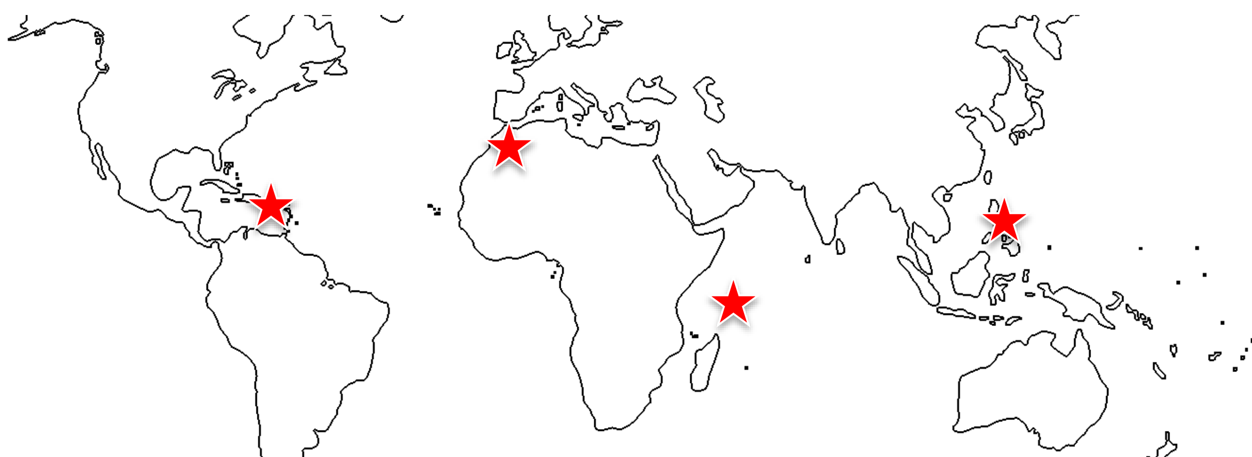
Morocco

Paul Labaleine
Risk and Disaster Management
Seychelles



Saint Lucia Disaster Risk Financing

TRACY POLIUS
Permanent Secretary
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St. Lucia

Vulnerability to Risks and Hazards

- Over the last 25 years, **Saint Lucia has experienced average annual historical losses of about USD 40 million for all natural disasters**
  Source: WB analysis of DesInventar and CDB

- Costs to Saint Lucia associated with **Climate Change Impacts** have been estimated at **US$59 m (PPP) in 2010 and are estimated to rise to US$541m (PPP) by 2030**. *(Source DARA Climate Vulnerability Monitor)*

- In long term, Saint Lucia **would have to set aside about .5% of current GDP each year** (USD 7.6 million) for earthquakes and windstorms. *(Source: CCRIF)*

USD 7.6 million

USD 5.0 million

USD 2.6 million

USD ? million

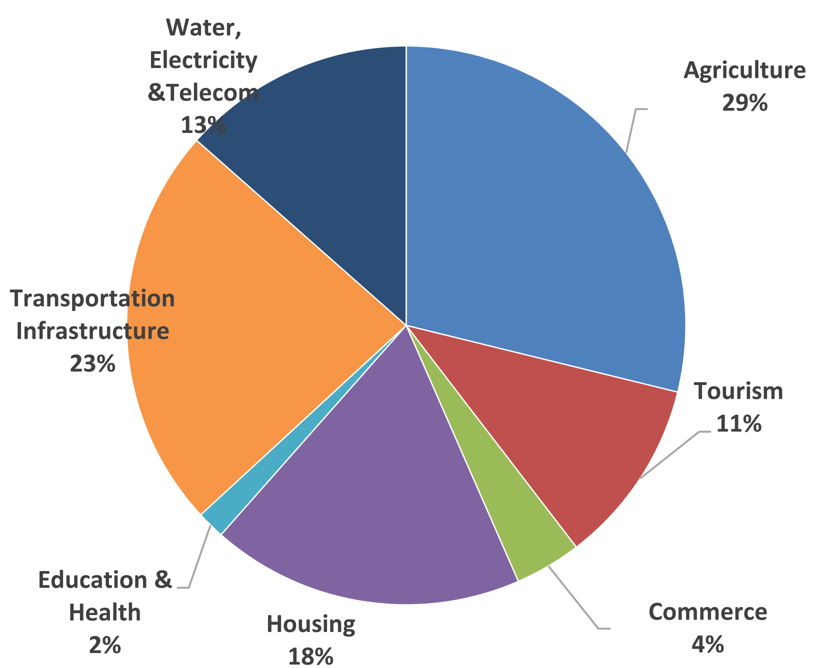
Average Annual Loss (Modeled by CCRIF)

LEGAL DEFINITIONS OF GOSL RESPONSIBILITIES DETERMINE CONTINGENT LIABILITIES

Hurricane Tomas : Damage and Loss by Sector

Damage and Losses to public assets: ***USD 151 million***

GOSL spending on spending on public asset reconstruction: ***USD 39 million (3% GDP)***



Event	Year	Dam/ Loss	% GDP
Christmas Trough	2013	$99.8	8.3%
Hurricane Tomas	2010	$336	43%
Hurricane Dean	2007	$18.80	1.6%
Hur. Ivan	2004	$2.6	.24%
Storm Lily	2002	$20	2.2%

Source: ECLAC

Existing and/or Recent Instruments for Disaster Risk Financing in Saint Lucia

Ex-Ante	Retention	Budgetary Reallocation through Consolidated Fund	
		Emergency Disaster Fund/ Contingency Fund	
		Contingent Emergency Response - DVRP	
	Transfer	Explicit Contingent Liabilities	CCRIF, CAFF Insurance of Public Assets Banana Industry Trust
		Implicit Contingent Liabilities	LPP, WINCROP/WINFRESH Property and Liv. Insurance
Ex-Post	Retention	Grants and External Concessional Financing	

Other Areas Currently Being Pursued

- Catastrophe Deferred Drawdown Option (Contingent Credit line)
- Design of open systems and platforms to analyze disaster risk data
- Inclusion of Disaster Response line item in the budget
- Longer term creation of Disaster Risk Financing Firm
- Bridging Infrastructural Gaps to reduce vulnerability

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The Philippines Disaster Risk Financing Initiatives

ED MARINO

Division Chief, Asset management,
Bureau of the Treasury
The Philippines

The Philippines: Hazards

- Typhoon
  - One of the most storm-exposed countries in the world.
  - An average of 8-9 tropical storms make landfall in the Philippines each year.
- Earthquake
  - Situated in the Pacific Ring of Fire
  - Capital sits atop an active fault
- Flooding
  - Acutely felt in dense metropolitan areas
  - Caused by rain frequency, population density, and inadequate infrastructure

Philippines DRFI Strategy

- Strategic leadership by Department of Finance.
- Developed and implementing financial protection measures across three levels: National, Local, Households.

Philippines Catastrophe Risk Model (2014)

National	National DRM Fund and Quick Response Funds	Contingent Credit	Sovereign Risk Transfer	Insurance of Public Assets
Local	Local DRM Funds	Local Government Pooled Risk Retention and Risk Transfer.		Insurance of Public Assets
Individual	Micro Insurance	Residential Insurance Pool	Emergency Safety Net	

Implementing Disaster Risk Finance Solutions

- Disaster Risk Financing Strategy
  - Three levels: Sovereign, Local Governments, Households
  - Priority on exploring quick disbursing risk transfer solutions
- Challenges
  - Very low insurance penetration in the country
    - Lack of knowledge on available solutions
  - Preference for ex-post solutions
    - Resources can be spent for other priority projects
- Successes
  - Various quick-disbursing credit lines established
  - A catastrophe model developed
  - Risk transfer solutions being seriously considered for the national, local and household levels

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Morocco Disaster Risk Finance

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Main Disaster Risks Faced by Morocco

*Millions USD**	**AAL**	**PML/100 years**
Flood	418	2750
Earthquake	85	1530
Tsunami	12	40

* : These amounts do not include physical damages

Morocco is also exposed to drought risk, which affects essentially agriculture ⇒ covered under the multi-risk climate insurance framework, subsidized by the Government

Prevention and Reduction of Risks

- In 2009 implementation of a Fund to reduce the impacts of natural disasters, managed by the Ministry of Internal Affairs, and financed by the State budget (USD 20 million/year).
- The Fund launches calls for proposals. Projects that have higher impact in terms of risk prevention and reduction (lives and assets saved) are selected and financed.
- Success factors:
  - ✓ Better understanding of risks (exposure, vulnerability, …)
  - ✓ Sensitization and involvement of the different relevant departments, local authorities and civil society.
  - ✓ Sustainability of the Fund's financing.
  - ✓ Collaboration with the World Bank, OECD, …

Damage Compensation

A bill currently under approval, institutes:

- **A mandatory inclusion of disaster risk** in insurance contracts for properties, vehicles and persons**.**
- **A compensation fund** for physical damages, and for damages to primary properties that are not covered by an insurance contract. This fund is essentially financed by contributions from insurers and insured.

	Covered by mandatory insurance	Covered by the Fund
Residential	**2 to 3%**	**97 to 98%**
Commercial	**15 to 20 %**	**-**
Industrial	**90%**	**-**
Motor vehicles	**100%**	**-**
Population	**6 million**	**27,8 million**

Lessons Learnt

- Start small, on a manageable scale, but rapidly:
    - List of covered hazards: floods, earthquakes, tsunami, terrorism, riots and mass movements of people.
    - Ceiling and franchise deductible per contract.
    - Compensation of physical damages based on a scale.
    - Global ceilings per event and per year / State guarantee
- Important involvement of insurance and re-insurance companies, particularly the Central Company of Re-insurance *(Société Centrale de Réassurance)*: from the research and modelling phase, to the formulation of legislation
- Consultation with international re-insurers.
- Compensation fund:
    - Rapid compensation procedure.
    - Reduction of compensation according to the Fund's availability.
- World Bank support, particularly in terms of modelling and pricing.

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Seychelles Disaster Risk Finance

PAUL LABALEINE

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Division of Risk and Disaster Management

Seychelles

The Seychelles:

4 degrees South of the equator –

they call it paradise we call it Home.

- Exposed to major natural hazards such as landslide, floods, storm surge, tsunami & biological events.
- Mostly hydro meteorological related hazards (61 cases in 2015) but also incidents of fires and biological hazards.

DATE	EVENT	DAMAGE/LOST COST
December 2004	The great Indian Ocean Tsunami	US$ 30 Million
December 2006	Cyclone Bondo hits Providence and Farqhuar Islands	US$ 2.0 Million
January 2013	Felleng, Tropical Storm on Mahe Islands	US$ 9 Million

Institutional Set Up and Financial Mechanism

- Small recurrent losses from low-impact disasters mostly managed by the Government.
- 3 sources of post-disaster funding:
    1. Contingency Funding: annual budget allocation based on past budgetary analysis of disaster events. [2015: US$4 million/ SCR45m]
    2. National Disaster Relief Fund: to raise local and international funds for post-disaster assistance.
    3. World Bank contingent loan: Catastrophe Deferred Draw-down Option (Cat-DDO) for US$ 7 million.
- DRR in Investment planning
    - Ministries mainly focused on core functions though secondary roles which indirectly contribute to DRR; e.g. health (health risk surveillance and control) and environment (environment/habitat protection)
    - Coordination by MOF and/or NDMO – close collaboration in terms of basic administrative and current financing and investments.

Challenges and Lessons Learnt

Challenges:

- DRDM new act and policy is new -enforced in October 2014 and our action plan for the next 5 years is derived from the Law and Policy
- challenge to change the mindset of people to understand the work of DRDM, what the division does and the traditional perspective of what they think it should be doing.
- Difficult to justify increasing investment in DRM and difficult to quantify investment/losses
- Proper tools to determine with accuracy resources needed to asses future risk.
- lack of human resources

Lessons learnt:

- Issues with distributions of information to media, some terminologies not fully understood.
- Most affected area do not have road side drainage, culverts, poor home drainage facilities and planning issues shows certain mis-management and lack of proper enforcement.
- Some cases in 2013 repeated itself in 2014 suggesting that nothing has been done to solve the situation as recommended in prior visits.
- Many people are not respecting boundaries and regulation of in terms of how to build and distance to build from rivers.

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