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# Disaster Contingent Financing in the Pacific

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# Why Contingent Financing?

- Gap in quick-disbursing funds beyond humanitarian phase
- Time matters—accumulating indirect costs
- Predictable financing aids rapid prioritization of needs
- Opens dialogue and engagement to improve disaster risk resilience
- Strong demand in the Pacific







# What is Contingent Financing?

- Financing organized in advance
- Disbursement triggered by an event (natural disaster)
- Can utilize appropriate amount up to pre-agreed ceiling
- Funds can be spent through national budget

## **ADB Approvals**

- OCR in Cooks Islands (\$10m, 2016) and Palau (\$15m, for 2018 approval)
- ADF grants/COL in Samoa, Tonga, and Tuvalu (\$3-6m, 2017)

# Structuring Contingent Financing

Agreed disaster risk  
management policy actions



ADB Board approval  
of policy-based  
operation sets  
amount which can  
be accessed in the  
event of a disaster



Funds  
held by  
ADB



State of emergency



Government  
requests withdrawal



\$ \$ \$

# ADB Disaster Resilience Programs

- Support prior policy actions, e.g.:
  - Policy and institutional DRM arrangements strengthened
  - Disaster resilience of physical assets improved
  - Disaster risk financing expanded



- “Soft” trigger: declaration of state of emergency
  - Disbursement-linked repayment schedule
- Does not preclude other ADB post-disaster support
- Can include technical assistance to build resilience

# Timeline of Tonga's Experience



- Cyclone Gita monitored tracking towards Tonga in early February 2018
- State of Emergency declared by Government 10 am 12 February in anticipation
- Category 4 cyclone crossed Tongatapu during the night of 12-13 February
- Average winds of 110 knots (285km/hour), making it one of Tonga's worst cyclones on record
- 13-14 Feb: Government considered how much they wanted to request
- They decided to request full \$6 million and request placed late 14 Feb
- \$6 million contingent financing released within 24 hours of withdrawal application (in government account lunchtime 15 Feb!)
- No acquittal or expenditure reporting required.





Thank you!