

**MEMORANDUM OF UNDERSTANDING ON
PACIFIC COLLABORATION FOR
REGIONAL CONTINGENT FINANCING MECHANISM**

WHEREAS, Independent State of Samoa, Kingdom of Tonga, Tuvalu and other countries in the Pacific are highly exposed to many different types of natural hazards, and the region experiences a disproportionately high share of global disaster impacts relative to its economic and demographic size;

WHEREAS, the Governments Samoa, Tonga, and Tuvalu (each a “Party” and collectively “Parties”) desire to strengthen financial preparedness for disasters;

WHEREAS, the Parties desire to develop a regional contingent financing mechanism that would serve as a regional savings mechanism to strengthen disaster resilience and financial sustainability of the Parties and to enhance regional coordination and cooperation among the Pacific countries and the development partners;

NOW THEREFORE, the Parties have on this date entered into this Memorandum of Understanding (“MOU”) to agree as follows:

A. Parties agree to work together and to work with the Asian Development Bank (ADB) to develop a most suitable option for the establishment of a multi-country mechanism for disaster contingent financing (“contingent financing mechanism”).

B. The nature and purpose of the contingent financing mechanism shall be as follows:

- (i) provide a quick and efficient disbursement of funds to Parties following an eligible disaster without Parties having to incur additional administrative burden of individually managing the funds;
- (ii) function as a sustainable multi-country mechanism for channeling disaster contingent financing, that provides for replenishment of funds by participating countries and development partners and additional membership of other Pacific countries;
- (iii) serve as seed financing to attract other development partners to provide further financing for post-disaster response, and pooling of assets to allow for an increased return on the assets;
- (iv) enhance coordination and cooperation among the Pacific countries and development partners on disaster risk management related matters; and
- (v) attract participation by other Pacific countries by demonstrating its effectiveness in serving its purposes set out above.

C. The Parties will receive consulting support from ADB through the technical assistance (TA) under the Pacific Disaster Resilience Program, which will be submitted to the ADB Board for consideration in December 2017. The consultants engaged under the TA will assist the Parties in exploring, developing, and recommending the most suitable contingent financing mechanism.

D. Within 12 months from the effective date of this MOU, the Parties will enter into an agreement on the preferred design option for the mechanism. The agreement will cover the key principles and elements of the mechanism, including among others, the following:

- (i) Option of mechanism's objectives and time frame;
- (ii) Governance arrangements;
- (iii) Membership;
- (iv) Acceptance of member and development partner contributions;
- (v) Investment strategy;
- (vi) Fund management;
- (vii) Withdrawal policy and procedures;
- (viii) Administrative requirements;
- (ix) Operational costs and cost sharing;
- (x) Dispute resolution;
- (xi) Termination arrangements; and
- (xii) Any other factors or criterion necessary for the contingent financing mechanism.

E. This MOU may be amended at any time in writing by consent of the Parties. Any Amendment shall enter into force on the date on which the Parties sign the Amendment.

F. This MOU shall enter into effect on the date of signature by all Parties.

IN WITNESS WHEREOF the undersigned, being duly authorized, have signed this MOU.

The Government of Samoa
The Government of Tonga
The Government of Tuvalu