

FINANCIAL PROTECTION STRATEGY

FOR THE MANAGEMENT OF DISASTER RISKS IN
THE ARCHIPELAGO DEPARTMENT OF SAN
ANDRÉS, PROVIDENCIA AND SANTA CATALINA



OFFICE OF THE GOVERNOR OF SAN ANDRÉS, PROVIDENCIA AND SANTA CATALINA

TONNEY GENE SALAZAR

Governor

MARLON MITCHELL HUMPHRIES

D Departmental Finance Secretary

JANETH HOWARD CAMPBELL

Departmental Government Secretary

GUSTAVO HOOKER CORPUS

Departmental Planning Secretary

NINOSTHKA HUDSON HERNÁNDEZ

Departmental Infrastructure and Public Works Secretary

LEONARDO GOMEZ BENT

Departmental Agriculture Secretary

WALDEN DOWNS POMARE

Departmental Risk Management Office Coordinator

MINISTRY OF FINANCE AND PUBLIC CREDIT

CÉSAR AUGUSTO ARIAS HERNÁNDEZ

Director of Public Credit and National Treasury – DGCPTN, for its acronym in Spanish

JAVIER CUÉLLAR SÁNCHEZ

Risk Deputy Director - DGCPTN

YENIFER ALEJANDRA BARRAGÁN ROJAS

Advisor for the Risk Deputy Director's Office - DGCPTN

WORLD BANK

JOSÉ ÁNGEL VILLALOBOS

Manager for Colombia of the Disaster Risk Financial Management Program

ANA MARÍA TORRES

World Bank Consultant

MIGUEL FERNANDO MUÑOZ

World Bank Consultant

We wish to thank the National Planning Department and the Risk Management National Unit for their assistance and support throughout the Disaster Risk Financial Management Workshop held in San Andres Islas on November 20 and 21, 2019, which produced invaluable input towards the preparation of the Financial Protection Strategy for the Management of Disaster Risks in the Archipelago Department of San Andrés, Providencia and Santa Catalina

December 2019, San Andrés Islas (the Archipelago of San Andrés, Providencia and Santa Catalina Department)

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Acronyms

AMVA	Valle de Aburrá Metropolitan Area
AMP	Marine Protected Areas
ANI	National Infrastructure Agency
PPP	Public-Private Partnership
CCE	National Agency for Public Procurement - Colombia Compra Eficiente
CORALINA	Agency for the Sustainable Development of the Archipelago of San Andrés, Providencia and Santa Catalina
Archipelago Department	Archipelago Department of San Andrés Providencia and Santa Catalina
DNP	National Planning Department
FP Strategy for the Archipelago	Financial Protection Strategy for the Management of Disaster Risks in the Archipelago Department of San Andrés, Providencia and Santa Catalina
DRFM Strategy	Public Finance Management Policy Strategy against Disasters Caused by Natural Phenomena
GFDRR	Global Facility for Disaster Reduction and Recovery
DRFM	Disaster Risk Financial Management
DRM	Disaster Risk Management
IDEAM	Hydrology, Meteorology and Environmental Studies Institute
IDIGER	District Institute for Risk Management and Climate Change
MHCP	Ministry of Finance and Public Credit
FP	Financial Protection
PND	National Development Plan
DRFM Program	Disaster Risk Financial Management Program
SECO	Swiss Embassy in Colombia - Economic Cooperation and Development
SGC	Colombian Geological Service
NSDRM	National System for Disaster Risk Management
NUDRM	National Unit for Disaster Risk Management



Prologue



Tonney Gene Salazar
Governor

It is a priority for the Archipelago of San Andrés, Providencia and Santa Catalina to participate in the implementation of financial strategies vis-à-vis disaster risks that will ensure reducing the impact on the islands' fiscal vulnerability.

The archipelago is greatly exposed to natural phenomena every year due to its geographic location, such as floods in the rainy season, cold fronts, hurricanes, prolonged drought, brushfires and earthquakes, among others.

This is why the Department's Governor is committed to the development of strategic processes that will strengthen their disaster risk management and intends to implement a Risk Management policy that will provide strategic support regarding risk awareness, reducing risk throughout the island by using financial protection elements.

Many thanks to the work team that formalized from within the Department's Governor's Office, which encompasses all of the Department's sectors, for their commitment and for coming up with work plans that involve public and private entities, educational institutions and the communities over the next few years with a view to implementing this strategy.

Preface



Javier Andrés Cuéllar Sánchez

*Risk Deputy Director, General
Directorate of Public Credit and
National Treasury*

The 2019 Medium-Term Fiscal Framework contemplated the provision of technical support and assistance by the National Government to territorial entities in the area of disaster risk financial management, thus recognizing the need to reinforce the financial protection component as a measure of fiscal discipline from all government agencies.

This is why the Ministry of Finance and Public Credit tackled the significant undertaking of directly visiting the territories in order to gain first-hand knowledge of their exposure to the different threats and their vulnerabilities in the context of their specific geographic conditions and individual needs, with view to ensuring that the Financial Strategies of the territories are sound and suitable.

The Archipelago Department of San Andrés, Providencia and Santa Catalina has certain special characteristics as an insular region. It is located 720 kilometers off the northwestern coast of Colombia and has been declared a Seaflower Biosphere Reserve and Marine Protected Area. As such, it is exposed to different threats relating to natural phenomena compared to other nationwide mainland territories, such as hurricanes.

This is the reason why the Financial Strategy has embedded specific elements that will allow reducing the fiscal vulnerability of the territory while keeping in view the territory's characteristics, thus guaranteeing the optimal management of resources.

With the accompaniment of the World Bank, the National Planning Department and the National Unit for Disaster Risk Management will provide technical assistance to the Governorship's officials to help them analyze and understand the relevant information pertaining to risks which will constitute the key input towards defining and instrumentalizing an optimal disaster risk financial structure.

Thanks to the funding provided by the Swiss Embassy in Colombia –SECO- it was possible to organize the first training workshop for the officials of the different Governorship secretariats and to prepare and publish this Strategy.

We are pleased with the interest the Department displayed when it requested to be included in the Disaster Risk Financing and Insurance Program led by this Ministry, for it enables us to continue integrating a territorial scheme with diverse characteristics and evidencing that Colombia is a global trailblazer when it comes to the financial management of disaster risks.





Introduction

The Archipelago Department of San Andrés, Providencia and Santa Catalina is a territorial entity that is autonomous regarding the management of its interests within the boundaries of the Constitution and the Law. As such it has the right to be governed by its own authorities, exercise its competencies as a territorial entity, participate in the national revenue, manage its resources and define the taxes needed to carry out its tasks.

The Archipelago Department has a special statute. This characteristic was laid out in Article 310 of the Political Constitution of 1991 establishing it as a department with its own organization and operation. It also has a special border statute fostering its social and economic development, as established in Law 915 / 2004.

The Archipelago Department is exposed to different types of threats. Because of its location, geographic conditions and special socio-cultural conditions, the Department is permanently exposed to different types of threats and risk conditions caused by natural phenomena whose diagnosis was defined in the Disaster Risk Management Departmental Plan adopted in 2012.

The Archipelago Department has established the need to reinforce the financial protection component against disasters. Notwithstanding the diagnosis and adjustment of its specific conditions to the dynamics of the National System for Disaster Risk Management defined in Law 1523 / 2012, the Archipelago Department has deemed it pivotal to strengthen the

financial issue as part of the disaster risk reduction component with the support of the national government and in coordination with the national strategy for disaster risk financial management. This is why it requested to be included in the Disaster Risk Financial Management Program (DRFM).

Financial Protection (FP) Strategy as a component of the Archipelago Department's Disaster Risk Management (DRM). The Financial Protection Strategy for the Management of Disaster Risks in the Archipelago Department of San Andrés, Providencia and Santa Catalina (Archipelago FP Strategy) will support the disaster risk financial management (DRM) of the Archipelago Department, the programs of its Development Plan and the reduction of its fiscal vulnerability in the event of disasters.

The Archipelago Department defined the following as the Policy Objectives of its FP Strategy: (i) Identification and understanding of the fiscal risk of disasters; (ii) Optimal combination of financial instruments for the financial protection against disasters for the public and private sectors, including the hospitality and fishing sectors; and (iii) Insuring public assets from catastrophic risks. The Archipelago Department designed its FP Strategy in coordination with the National Disaster Risk Financial Management Strategy (DRFM Strategy) led by the Ministry of Finance and Public Credit (MHCP), while taking into account the specificities of an island that is both a Seaflower Biosphere Reserve and a Marine Protected Area. Later on an operating plan for its implementation will be prepared and approved.



Background

Political and administrative division in Colombia and the special case of the Archipelago Department of San Andrés Providencia and Santa Catalina

From a constitutional viewpoint, territorial entities in Colombia have administrative autonomy. The Political Constitution of 1991 defined an administrative and territorial decentralization scheme for the country. As a result, territorial entities are governed by their own authorities, exercise the competencies as provided in the laws, manage resources, establish taxes, issue debt and participate in the national revenues. They are also autonomous to manage, among others, their social, economic, tourism, planning, environmental, transportation and communications policies. Departments are classified between the Nation and municipalities (serving as articulators between the Nation's competencies and those of municipalities); they are territorial entities governed by a Governor and a Departmental Assembly whose members are elected by the people, as provided in CHAPTER II (ON THE DEPARTMENTAL REGIME) Article 297 and ss. of the Political Constitution and Decree Law 1222 / 1986¹.

The Archipelago Department of San Andrés Providencia and Santa Catalina is a territorial entity that is autonomous regarding the management of its interests within the boundaries of the Constitution and the Law. As such it has been classified as an Archipelago and Insular Department and has the right to be governed by its own authorities, exercise its competencies as a territorial entity, participate in the national revenues, manage its resources and define the taxes needed to carry out its tasks.

"The Archipelago Department of San Andrés, Providencia and Santa Catalina is the only Archipelago and Insular department of the country. The entire archipelago encompasses approximately 350,000 km² of sea (65,000 km² of which are marine protected areas), but the total land surface is no more than 53 Km². Considering the foregoing, it may be deemed the smallest department of Colombia. The archipelago has three main islands with the greatest extensions, namely San Andrés (27 km²), Providencia (18 km²) and Santa Catalina (1 km²). This jurisdiction also includes the islets of East-South-East, South-South-West, Cotton, Haynes, Grunt, Johnny, Rose, Easy, Roncador, Serrana, Serranilla, Rocky, Crab, Basalt, Palm, Bottom House, Baily, Three Brothers and the banks Queena, Alice Shoal, and Bajo Nuevo"².

The Archipelago Department has a special statute. Article 310 of the Political Constitution of 1991 expressly stated that the Archipelago Department was covered by a special statute³ initially established in Law 1 / 1972⁴; its organization and operation was established in Law 47 / 1993⁵ and it was given a special border statute for its social and economic development defined in Law 915 / 2004⁶. This is due to the fact that, "As of the 1991 Constitution, the archipelago was no longer an intendance and became the Archipelago Department of San Andrés, Providencia and Santa Catalina, under certain special conditions enshrined in Article 310"⁷. The capital of the Archipelago Department is the island of San Andrés, which serves as a Department-Municipality hybrid and

1. (April 18) Whereby the Departmental Regime Code was issued.

2. Departmental Governorship of San Andrés, Providencia and Santa Catalina, Departmental Plan for Disaster Risk Management, 2012, pg. 17.

3. Other major regulatory background concerning the special regulation of the Archipelago Department is found in Law 127 / 1959, "On the Free Port of San Andrés", Decree 445 / 1960 "Whereby Law 127 / 1959 concerning the San Andrés Free Port and other provisions are issued" and Decree 2455 / 1960 "whereby Decree 0445/1960 is complemented and reformed and other provisions are added".

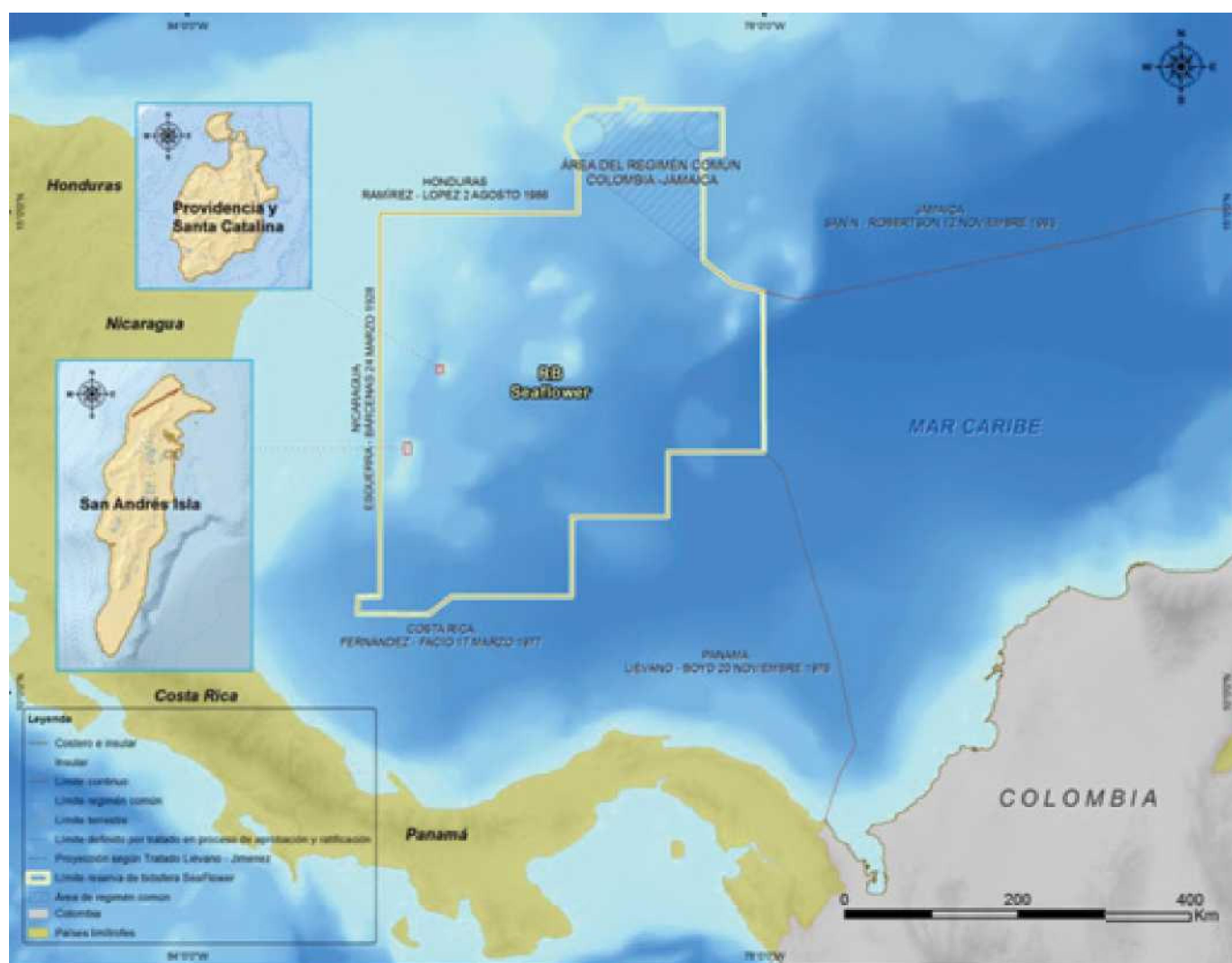
4. (February 08) whereby a special statute for the San Andrés and Providencia Archipelago is issued.

5. (February 19) whereby special regulations for the organization and operation of the San Andrés, Providencia and Santa Catalina Archipelago Department are issued.

6. (October 21) whereby the Border Statute for the Social and Economic Development of the Archipelago Department of San Andrés, Providencia and Santa Catalina was issued.

7. Op. Cit. Governorship of the Archipelago Department of San Andrés, Providencia and Santa Catalina, Departmental Plan for Disaster Risk Management, 2012, pp. 20 and 21.

Figure 1. Location of the Archipelago Department of San Andrés, Providencia and Santa Catalina



Source: Governorship of the Archipelago Department of San Andrés, Providencia and Santa Catalina, Departmental Plan for Disaster Risk Management, 2012.

includes an additional Municipality, namely the islands of Providencia and Santa Catalina. “The archipelago’s economy is currently based on tourism and trade, while fishing and agriculture are minor activities. It is important to point out that despite the relevance of tourism, the islands’ fishing activities remain a key economic activity vis-à-vis the creation of jobs and currency, besides playing an important role in food security and traditions (2.31% of the Departmental GDP according to DANE 2009 based on data from 2007)”⁸.

The Archipelago Department is a Seaflower Biosphere Reserve and Marine Protected Area. According to the

CORALINA website, “On November 10, 2000 the Archipelago of San Andrés, Providencia and Santa Catalina (Colombia), was declared a Biosphere Reserve by UNESCO’s Program of Man and the Biosphere (MAB). Since then it became part of the Worldwide Network of Biosphere Reserves named SEAFLOWER. One of the factors that influenced this decision was its extension, for it covers 300,000 square kilometers, making SEAFLOWER the Biosphere Reserve with the largest marine area today”. Later on, “...65,000 km² of the Seaflower Biosphere Reserve became an AMP, thus acquiring the commitment to foster sustainable fishing in this area to preserve the marine ecosystems and communities”⁹.

⁸ Op. Cit. Governorship of the Archipelago Department of San Andrés, Providencia and Santa Catalina, Departmental Plan for Disaster Risk Management, 2012, pp. 44 and 47.

⁹ Op. Cit. Development Plan 2016-2019 “Los que soñamos somos más” (Those of us who dream are a majority), pg. 273. AMP means Marine Protected Area.



According to the CORALINA website, this Marine Protected Area (AMP, for its initials in Spanish) is characterized by being the “*Third largest coral reef in the world, with abundant wealth and diversity of fish, coral, sponges, soft corals, microalgae, snails, lobsters and birds*”.

The population of the Archipelago Department is multi-ethnic.

“The Archipelago of San Andrés, Providencia and Santa Catalina is a multi-ethnic and multilingual department in which there are 3 different ethnicities: The Raizal people, the Afro-Colombian people, and in smaller proportion, the indigenous people. Because the raizal people are native to the island as the offspring of indigenous peoples, Spaniards, French, English, Dutch and Africans, the British culture prevailing, for they were the ones who mostly colonized these Caribbean islands...the commitment to lay out strategies that will enable recognizing their ancestral and traditional culture is evident, thus improving coexistence with the other

ethnicities. This, from a multicultural perspective that considers diversity a competitive opportunity”¹⁰.

Tourism is the main economic engine of the Archipelago Department.

The Archipelago Department’s economy has developed based on a model that fosters tourism stemming from its insular location, rich biodiversity and the constant implementation of public policies after its Declaration as a Free Port in 1953. This model has been permanently developed keeping in mind the special condition of the Archipelago Department, characterized by the permanent coexistence of the multiple cultural, social and economic conditions of the native populations (*raizal* from San Andrés and Providencia), immigrants (mainland Colombians and foreigners from different origins (Arab, Muslim, Jewish, Caribbean, South-American, European, etc.) and tourists (from mainland Colombia and foreigners) who have arrived and populated the archipelago (permanently or temporarily) and endow it with its special conditions ¹¹.

¹⁰ Op. Cit. Plan de Desarrollo 2016-2019 (2016-2019 Development Plan) “Los que soñamos somos más” (Those of us who dream are a majority), pp. 28 and 94.

¹¹ Ramos Joaquín, D. E., & Pardo Verdugo, A. J. (2018). El impacto de la industria turística en la población nativa del archipiélago de San Andrés, Providencia y Santa Catalina: de la declaración del puerto libre al plan de desarrollo “living islands for all”. (The impact of the tourism industry in the native population of the San Andrés, Providencia and Santa Catalina Archipelago: the declaration of a free port in the “living islands for all” development plan. Available at https://ciencia.lasalle.edu.co/neocios_relaciones/183

Exposure to disasters caused by natural phenomena

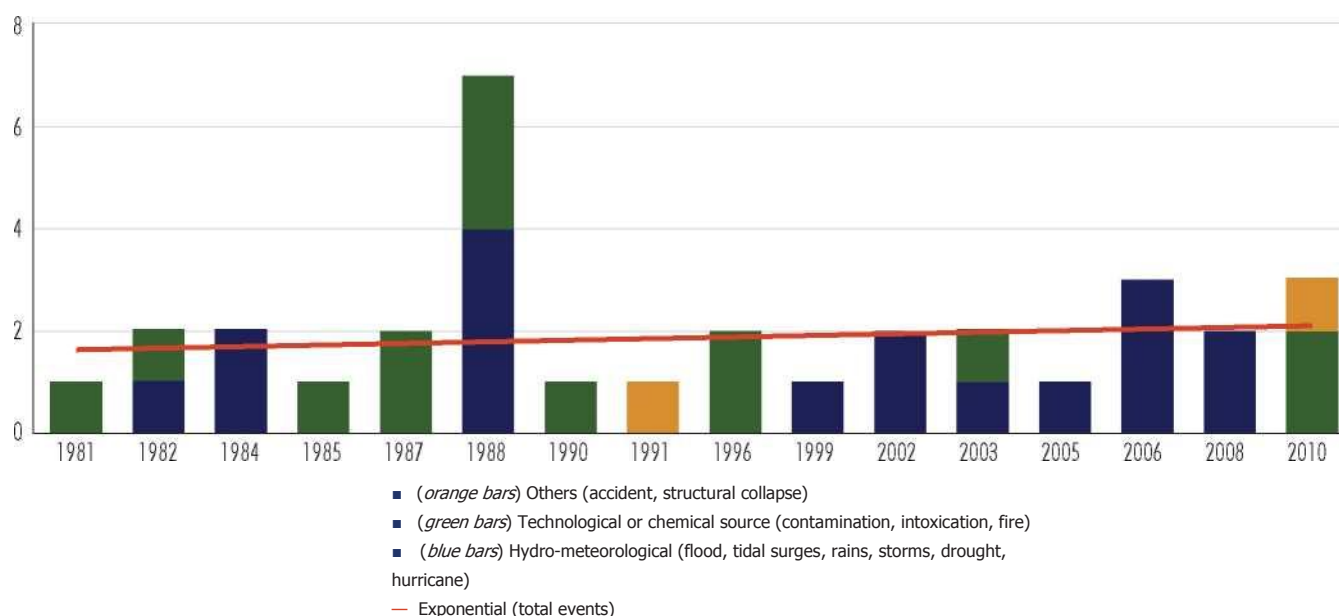
The Archipelago Department is exposed to different types of natural and anthropic threats. Stemming from its special conditions and its particular characteristics, the Archipelago Department “due to its condition as small ocean islands isolated from the country’s continental coasts and located in the western part of the Caribbean Sea basin, (it) is exposed to different types of natural and anthropic threats which, in addition to the territory’s socioeconomic conditions, make it even more vulnerable to potential threats”.¹²

There is evidence in the Archipelago Department of the occurrence of hydro-meteorological phenomena. “Considering a reporting period from 1981 to 2011, the archipelago department

has witnessed a constant hydro-meteorological phenomena trend”¹³, which is presented in Figure 2. It is worth highlighting from among them the tropical cyclones that usually occur between September and November. On the other hand, hurricanes usually occur in October. It is important to mention that this historical behavior does not reflect the potential losses that may occur in the future.

The Archipelago Department also endures other phenomena, fires being the most recurrent. In addition to hydro-meteorological phenomena, the Department also endures other phenomena such as fires and floods, which are presented in Figure 3.

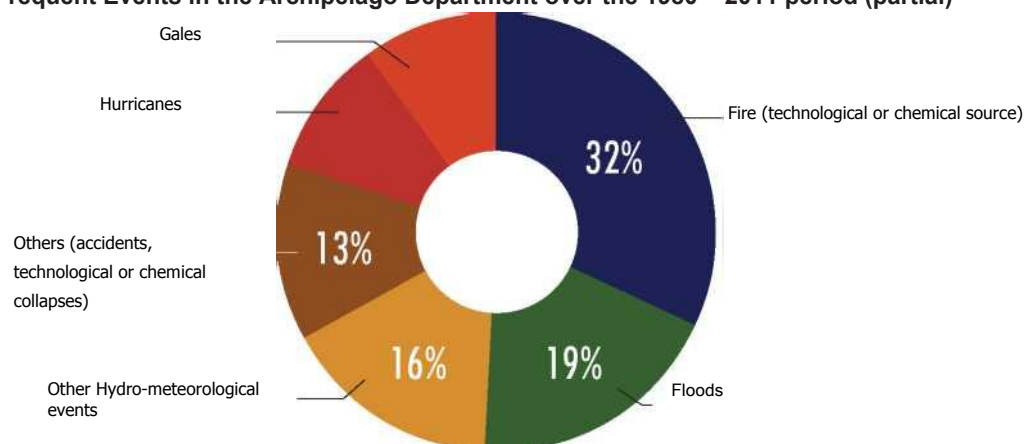
Figure 2. Historical Frequency of Events in the Archipelago Department (1981-2011)



Source: Governorship of the Archipelago Department of San Andrés, Providencia and Santa Catalina, Departmental Plan for Disaster Risk Management, 2012




12 Op. Cit. Governorship of the Archipelago Department of San Andrés, Providencia and Santa Catalina, Departmental Plan for Disaster Risk Management, 2012, pg. 7.

13 Op. Cit. Governorship of the Archipelago Department of San Andrés, Providencia and Santa Catalina, 2012, pg. 12.

Figure 3. Most Frequent Events in the Archipelago Department over the 1980 – 2011 period (partial)






Source: Governorship of the Archipelago Department of San Andrés, Providencia and Santa Catalina, Departmental Plan for Disaster Risk Management, 2012

The Departmental Plan for Disaster Risk Management (2012) established Prioritized Risk¹⁴ scenarios as follows:

Prioritized Risk Scenarios	Scenario Description
<p>Tropical cyclone risk</p> 	<p>During hurricane season in the Greater Caribbean Region – from June to November – the islands of San Andrés, Providencia and Santa Catalina and their cays are affected by phenomena linked to tropical cyclones, mostly the insular territory and their urban and rural areas. These phenomena produce heavy rains, strong winds, electrical storms, aggressive waves, tidal surges and erosion processes that lead to floods, trees falling, damages to housing, road infrastructure and strategic ecosystems and the collapse of communication systems.</p>
<p>Risks due to floods and failure of vital services</p> 	<p>Every year there are colds fronts and a rainy season, all of which cause heavy rains in a context of low capacity, coverage and maintenance of the rainwater drainage systems and the construction of houses in swampy areas and stream beds, which affects both houses and vital services.</p>
<p>Risk due to erosion of the coastal edge</p> 	<p>The construction of roads and houses on the coastal edge, the execution of coastal defense works (dikes and walls) without prior studies, the passing of tropical cyclones, the erosion of costal marine ecosystems, the increasing pressure on beaches due to greater tourist presence, thus reducing the dune recovery period and the extraction of coral sands for construction processes are factors, which on their own or combined, and in smaller or greater measure, have affected the changes to the coastal dynamics, which have entailed the reduction of the San Andrés beach area, structural damages to houses in San Andrés and Providencia and the loss of the coastal line in the southern, eastern and western sectors of San Andrés.</p>

¹⁴ Op. Cit. Governorship of the Archipelago Department of San Andrés, Providencia and Santa Catalina, Departmental Plan for Disaster Risk Management, 2012, pp. 117 to 123.

Prioritized Risk Scenarios**Description of the Scenario**

<p>Risk from the falling of rocks and mass wasting</p> 	<p>From a morphodynamic perspective, the steep slopes and the fractured rocky massifs of the Cliff have undergone instability events and are susceptible to landslides, since the rocky blocks tend to become unstable whenever there are earthquakes, which is evidence that it is likely that the community of such neighborhoods and the existing infrastructure may be affected, thus leading to deaths and injuries.</p>
<p>Risk of structure fires</p> 	<p>The occurrence of sudden conflagrations has caused the loss of houses, economic damages, people affected, and collapses of the electrical grid.</p>
<p>Risk from the environmental erosion of strategic ecosystems</p> 	<p>Sudden and unplanned population growth, the current overpopulation of the territory in its reduced area, along with the socioeconomic conditions, have led to the creation of subnormal human settlements and slums and to the development of economic activities in mangroves (New Guinea), gullies (Providencia) or wetlands (<i>zotas</i>) or in their neighboring areas, thus affecting the underground waters, the erosion of strategic ecosystems, contamination, loss of biodiversity and biological production capacity.</p>
<p>Risk due to Climate Change (Rising sea-level and lack of water-drought)</p> 	<p>Would lead to an 18% loss of territory and a 12% loss of the coastal edge in San Andrés and 10% in Providencia, along with the potential salinization of the water sources in San Andrés and damages to the Islands' tourism infrastructure.</p>
<p>Risk from overflowing (gullies) due to erosion processes</p> 	<p>Heavy rain periods increase the volume of the gullies, thus leading to erosion processes, scouring the riverbed slopes and the loss of material consolidation.</p>

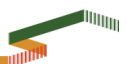
Additional to the prioritized risks, there are other potential threats in the Archipelago Department described in the Departmental Plan for Disaster Risk Management (2012)¹⁵, namely:

Hydro-meteorological

- **Cold fronts.** Occur early and late in the year – from November to February – and produce strong sand movements along the coasts, fostering the massive arrival of algae and seagrass. They also damage the coastal vegetation especially that located on the Islands' northern and western coasts.
- **ENSO Phenomena (Niño/Niña).** The ENSO macro-climatic

phenomenon greatly affects the annual rain cycle leading to major differences that directly affect the aquifer recharge. During the warm phase (El Niño periods) there are fewer rains compared to the average normal year, while the cold phase (La Niña periods) bring heavier rains than those in an average normal year. Water overheating kills corals due to the bleaching or release of coral symbiotic algae and other coral invertebrates and is closely linked to the rise in sea temperatures caused by El Niño phenomenon and Global Warming caused by the Greenhouse Effect.

¹⁵ Op. Cit. Governorship of the Archipelago Department of San Andrés, Providencia and Santa Catalina, Departmental Plan for Disaster Risk Management, 2012, pp. 80 to 89.





- **Electrical storms.** Mainly occur in the island when there are cold fronts or tropical cyclones.
- **Waterspouts.** Meteorological phenomenon that may occur as a result of low pressure conditions and electrical storms.

Geological

- **Earthquakes.** The Archipelago's geological history, as well as the geomorphology of its seabeds and its proximity to the "Central American Ring of Fire" and remoteness from the "Caribbean Ring of Fire" fosters the occurrence of earthquakes in the archipelago. The seismic susceptibility of the San Andrés island is considered low.

Two years ago Providencia experienced a series of continuous earthquakes that concerned the island's community due to their unawareness of the origins of this natural phenomenon. The SGC purchased equipment to record in real time the data from the earthquakes in order to reassure the community.

- **Geotechnical susceptibility to soil liquefaction/deformation.** These threats are caused by superficial geological phenomena such as high

compressibility, high liquefaction and high critical expansion. The study of the geological threats on the island of San Andrés has identified the susceptibility of certain zones to soil liquefaction and deformation.

- **Tsunamis.** The proximity to the Central American and Caribbean Rings of Fire, with their large volcanoes and explosive, constant eruptions, allows foreseeing the possibility of the occurrence of tsunamigenic events, even though there are no historical records of the occurrence of these phenomena.

Socio-natural

- **Reduction of marine fishery resources.** The fishery sector's economic, social and cultural role is significant in terms of food security, job creation and foreign exchange revenues for the Archipelago Department. The queen conch (*Lobatus Gigas*), the spiny lobster (*Panulirus Argus*) and fish are the main fishery resources. As established in the department's 2012-2015 development plan's fishing sector diagnosis, one of the main problems of the fishing sector is the loss of profitability due, among others, to fewer available resources.

Legal Framework

DRFM National regulatory framework applicable at a territorial level

The nationwide DRFM Strategy and the support it provides to the territory, especially to the Archipelago Department of San Andrés, Providencia and Santa Catalina towards the strengthening of its Financial Protection vis-à-vis Disaster Risks is supported by the following:

- (i) **National System for Disaster Risk Management (NSDRM), in particular Law 1523 / 2012 and its regulatory decrees¹⁶.** These regulations include, among others, the concurrence and subsidiarity principles defined and laid out in the specific area of financial protection in the NSDRM's legal regime, in particular, Law 1523 / 2012 as the main regulation¹⁷.
- (ii) **Regulations that define the obligation of insuring public assets.** There is the legal obligation to guarantee the effective insurance of State-owned assets for their actual value¹⁸ both nationwide and at a territorial level (including the Archipelago Department and its municipality).
- (iii) **Regulations relating to DRFM incorporated in Laws approving the National Development Plan (PND).** Law 1955 / 2019 whereby the PND 2018-2022 (Article 269) was issued, modified Article 220 of Law 1450 / 2011 (PND 2011-2014) and reiterated the responsibility of the MHCP for designing an insurance strategy against natural and/or unintentional human-induced disaster risks focused on reducing the State's fiscal vulnerability, which was designed by the MHCP in 2013 (and updated in 2016) under the Name Public Finance Management Policy Strategy against

Disasters Caused by Natural Phenomena (DRFM Strategy). Furthermore, the National Government set as a priority in the 2018 and 2019 Medium-Term Fiscal Framework the inclusion of the territorial level in the DRFM in order to support the management and sustainability of public finance in the event of occurrence of natural phenomena.

- (iv) **DRFM Regulations relating to Parametric or Index Crop and Livestock Insurance.** Law 1955 / 2019 whereby the 2018-2022 PND (Article 176) was issued, modified Article 1 of Law 69 / 1993 granting the power to acquire a Parametric or Index-Based Crop and Livestock Insurance and established the possibility that public law entities (including territorial entities) act as takers, insured and/or beneficiaries of said insurance.

FP regulatory framework for the Archipelago Department of San Andrés, Providencia and Santa Catalina

The DRM departmental plan adopted in 2012 by the Governor's Office with the support of the National Unit for Disaster Risk Management –NUDRM- and the UNITED NATIONS DEVELOPMENT PROGRAMME COLOMBIA -UNDP stipulates products relating to FP. This DRM Departmental Plan includes as a strategy part of the process of Risk Reduction, the "Development of financial protection measures" and "Structural and Non-Structural Reduction Measures" that encompass the implementation of Risk transfer processes (third-party insurance), as well as the FP's expected or concrete results, among them:

¹⁶ Decree 2157 / 2017 – PNGRD Regulations. Disaster Risk Management Plan of Public and Private Entities (PGRDEPP). Financial Protection: Risk transfer/intentional retention financial instruments/mechanisms - Ex ante for Ex post access to economic resources for management and recovery. Decree 1289 / 2018 – FNGRD Regulations

¹⁷ National System and Policy for Disaster Risk Management (SNGRD). Art 4 paragraph. 19. Financial Protection: Arts. 47 to 54. SNGRD Financial Mechanisms. National Fund for Disaster Risk



- *Establishing policies or allocating special funds to insure public buildings or infrastructure.*
- *Creation of the Departmental Fund for Disaster Risk Management with subaccounts for risk awareness, risk reduction and disaster management.*
- *Purchase of group policies for housing insurance”¹⁹.*

The Archipelago Department of San Andrés, Providencia and Santa Catalina defined regulations to govern their Disaster Risk Management Departmental Fund, which laid out FP-related purposes. The Fund was created via Ordinance No. 021 / 2012 “Whereby the Disaster Risk Management Fund of the Archipelago Department of San Andrés, Providencia and Santa Catalina was created and organized and other provisions were issued”. Per said ordinance, the general purpose of the Fund is to: “Establish financing mechanisms addressing risk management with a view to offering protection, environmental and sanitation safety, wellbeing, quality of life and contributing to the sustainable development and care of the population affected by the occurrence of disasters or public calamity or similar events”. Pursuant to the same ordinance, one of the Fund’s specific purposes is “2.6. Take the measures needed to reduce the fiscal impact of disasters, public calamities and emergencies to reduce their effects or avoid their spread, which may include, among others, insurance policies taken out with companies legally established in Colombia, and procuring mechanisms that will cover the total or partial cost of the premiums”.

The DRM Departmental Fund of the Archipelago Department has several financing sources. Article 10 of Ordinance No. 021 / 2012 states “Allocate 2% of the current tax revenues of the Department to the sustainability and implementation of the risk reduction public policy in its components: risk awareness and

reduction, disaster management, declared public calamities and emergencies.

The following will also constitute resources of the Fund:

1. *The resources transferred by the Nation, the National, Departmental or Municipal Funds for Disaster Risk Management, and municipal, departmental or national entities for any reason.*
2. *The resources of the Department’s general budget assigned thereto.*
3. *The public or private resources or contributions received for any reason.*
4. *Resources from national or international public or private entities.*
5. *Yields produced by the financial management of these resources.*
6. *Taxes, duties, surcharges, contributions, stamps or any other tax approved by the Departmental Assembly.*
7. *Resources from internal or external credits.*
8. *Resources from International Cooperation or International Organizations.*
9. *All other resources or allocated for any reason”.*

The DRM Departmental Fund of the Archipelago Department has a FP subaccount. Paragraph 5 of article 13 of Ordinance No. 021 / 2012 created the Subaccount for Financial Protection, “The resources in this subaccount will be allocated to provide financing for financial protection. With it, the Finance Secretariat will save, manage, acquire or subscribe the instruments or contracts with national or foreign entities providing financial protection from the risk of disaster or public calamity”.

19 Of. Cit. Governorship of the Archipelago Department of San Andrés, Providencia and Santa Catalina, Departmental Plan for Disaster Risk Management, 2012, pg. 141.



Foundations of the Financial Strategy of the Archipelago Department

- **DRFM territorial advancements supported by national advancements**

The Archipelago Department of San Andrés, Providencia and Santa Catalina requested to be a part of the DRFM Program. During the “Introduction to Disaster Risk Financial Management Regional Workshop” organized by the MHCP and held in May 2019, the first DRFM territorial strategies in the world were presented. As a result of the workshop, the MHCP invited other territorial entities to join the Disaster Risk Financial Management Program led by the MHCP and supported by the World Bank and the Swiss Embassy in Colombia - Economic Cooperation and

Development (SECO), with a view to contributing to the integrated management of disaster risk while fostering resilient development in Colombia. In this context, the Department of San Andrés, Providencia and Santa Catalina requested technical support from the MHCP to prepare the corresponding strategy and organize a workshop with officials from the Governor’s Office of the Archipelago Department of San Andrés, Providencia and Santa Catalina, which took place on November 20 and 21, 2019 in San Andrés Islas. 25 officials from the different Secretariats, the Red Cross, Civil Defense and firefighters, among others, attended. The discussions held during said workshop produced the input required to define the Strategy presented in this document.



Policy Objectives from the territorial perspective of the Archipelago Department of San Andrés, Providencia and Santa Catalina

The FP Strategy of the Archipelago takes into account the complexities of an insular Department, which due to its geographic configuration, is not only an Archipelago but also a Seaflower Biosphere Reserve and a Marine Protected Area.

For the purpose of the FP Strategy, the Archipelago Department of San Andrés, Providencia and Santa Catalina considered the need to come up with financial instruments that would support the disaster risk management (DRM), the programs part of the Development Plan and the reduction of their fiscal vulnerability vis-à-vis the occurrence of disasters, considering that it is a Seaflower Biosphere Reserve and a Marine Protected Area, and that the occurrence of disasters may affect, among others, the hospitality and fishing sectors, which would directly impact the *raizal* population, among others.

In coordination with the national DRFM strategy, the Archipelago Department set the following as the policy's objectives: (i) Identification and understanding of the fiscal risk of disasters; (ii) Optimal combination of financial instruments for the financial protection against disasters for the public and private sectors, including the hospitality and fishing sectors, and (iii) Insuring public assets from catastrophic risks.

Under the leadership of the MHCP several entities have worked coordinately to achieve FP advancements. Led by the Directorate of Public Credit and National Treasury at the Ministry of Finance and Public Credit (MHCP), and with the support of the World Bank's Disaster Risk Financing and Insurance Program and the Swiss Embassy in Colombia - Economic Cooperation and Development (SECO)²⁰ and the Global Facility for Disaster Reduction and Recovery (GFDRR), advancements have been

achieved at the national and territorial level towards reinforcing the financial strategy aimed at reducing fiscal vulnerability against the occurrence of disasters in the context of the Disaster Risk Financial Management Program (DRFM Program). Said Program has produced invaluable input enabling the Archipelago Department of San Andrés, Providencia and Santa Catalina to enhance its FP Strategy, with the support and under the leadership of the MHCP, and the support and coordination of multiple public entities, such as the National Planning Department (DNP), the National Agency for Public Procurement - Colombia Compra Eficiente (CCE), the National Unit for Disaster Risk Management (NUDRM), the Financial Superintendence, the Ministry of Agriculture and Rural Development, the Colombian Geological Service (SGC), the National Infrastructure Agency (ANI), the Adaptation Fund, the Hydrology, Meteorology and Environmental Studies Institute (IDEAM) and the Ministry of the Environment and Sustainable Development, the Aburrá Valley Metropolitan Area (AMVA), the District Institute for Risk Management and Climate Change (IDIGER), the Governorship of Cundinamarca, led by the Cundinamarca Special Administrative Unit for Disaster Risk Management and the Governorship of Putumayo.

Policy Objective 1. Identification and understanding of the fiscal risk of disasters.

The purpose is to *"Foster the generation of knowledge and the reinforcement of local professional and institutional capabilities in order to be able to use the tools that will allow minimizing the territory's vulnerability."*

²⁰ The opinions and contents included herein are not the responsibility of the Embassy.



This includes the following specific goals:

- *Analyze the risks as a whole vis-à-vis the risk scenarios prioritized for the departments in order to define risk zones that are delimited according to the threats and ascertaining the risk levels present in the department.*
- *Identify, assess, select and design the intervention measures that are better suited to the purpose of reducing the territory's risks.*
- *Implement continuous monitoring systems of the prioritized threats.*
- *Create reliable data registration and storage systems in the department.*
- *Implement research programs relating to risk management in the territory*²¹.

In order to move forward in the activities set out in this policy objective, coordinated work with technical entities such as the Office for Sustainable Development of the Archipelago of San Andrés, Providencia and Santa Catalina (CORALINA), the Colombian Geological service (SGC), the Ministry of the Environment and

Sustainable Development and the Hydrology, Meteorology and Environmental Studies Institute (IDEAM) will be required.

Policy Objective 2. Optimal combination of financial instruments for the financial protection against disasters for the public and private sectors, including the hospitality sector

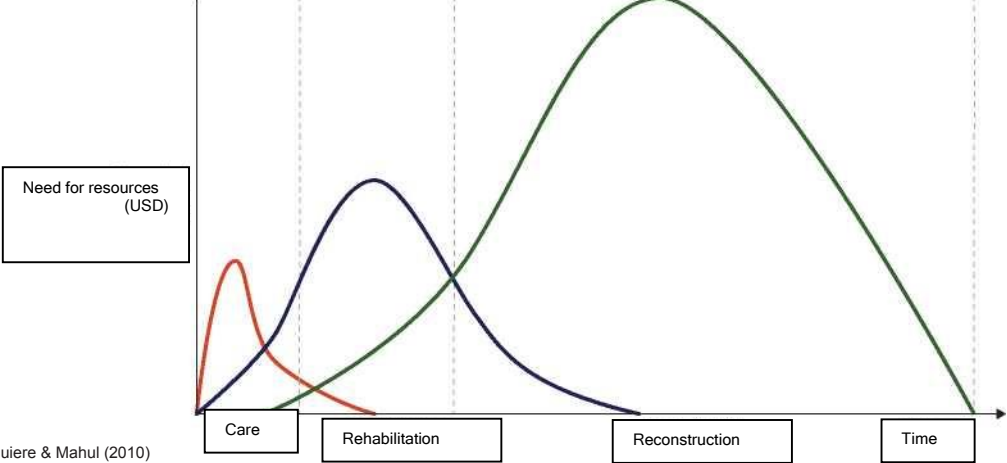
The purpose of the FP Strategy of the Archipelago is to define the optimal combination of different financial instruments for financing post-disaster activities. Ex - ante and ex – post financial instruments must be cost-efficient and take into consideration the temporal dimension of the post-disaster financing (availability of resources for the care and rehabilitation phase and later on for reconstruction), as shown in Figure 4.

In general terms, the Archipelago Department has foreseen assessing the implementation/strengthening of the following financial instruments:

²¹ Op. Cit. Departmental Plan for Disaster Risk Management, 2012, pg. 126.



Figure 4. The temporal dimension of post-disaster financing



Source: Ghesquiere & Mahul (2010)

Figure 5. Strategy by Layers

Residual risk					
Risk Transfer	Compensatory insurance, e.g. public assets.	Housing insurance schemes	Insurance for micro, small and medium-size businesses in the hospitality sector	Crop and livestock insurance	Insurance for fishers
	Parametric insurance, e.g. tranches of disaster risk transfer instruments procured at a national level, parametric insurance to cover prioritized infrastructure				Economic survival
Risk Financing	Contingent Loans				
Risk Retention	Budgetary reallocation/Archipelago DRM Departmental Fund/ Providencia and Santa Catalina DRM Municipal Fund				

- **Strengthening the DRM Archipelago Departmental Fund.** The Archipelago Department will evaluate alternatives to reinforce the legal, financial and operational aspects of its departmental fund in order to improve its capacity to fund the care, rehabilitation and reconstruction phases.
- **Strengthening the municipal DRM Fund for Providencia and Santa Catalina.** The conditions for its creation and reinforcement will be fostered, while supporting this process.
- **Contingent Loans.** The contingent credit lines offered by multilateral entities provide immediate liquidity in case of a natural disaster.
- **Insurance of public assets, including insurance of sectoral assets.** The resources that the regulations have stated must be allocated to procure insurance policies that will provide the best coverage at the best rates vis-à-vis international insurance and reinsurance standards.
- **Procurement of financial instruments to transfer disaster risks for seismic and hydro-meteorological events.** The

Archipelago Department will assess the feasibility of executing innovative financial instruments that will cover seismic and hydro-meteorological risks that are in line with the threats to which the islands are exposed, including the possibility of executing tranches of financial instruments acquired at a national level.

- **Schemes for crop and livestock insurance coverage.** It has been determined that financial instruments supporting the sustainability of farmers must be assessed.
- **Insurance for micro, small and medium-size businesses and the hospitality sector.** As long as micro, small and medium-size business have resources available to overcome the occurrence of disasters, both the economic reactivation of the Archipelago Department and the creation of jobs will be incentivized. Considering that the tourism sector is the cornerstone of the Archipelago Department's economy, it is essential to foster this sector's insurance.



- **Housing insurance schemes.** The Archipelago Department is exposed, among others, to the risk of tropical cyclones and earthquakes. In this context, the idea is to evaluate the possibility of promoting private housing insurance schemes, which would enable the Archipelago Department to focus its efforts on taking care of the most vulnerable populations in the event of a disaster.
- **Insurance scheme for fishers (economic survival).**

Fishing is relevant to the Archipelago Department. As per the 2016-2019 Development Plan “Los que soñamos somos más” (*We the dreamers are a majority*), “*The fishing economy of the islands has been considered a key economic activity that creates jobs and produces foreign exchange, in addition to playing a significant part in food security and local traditions*”²²

Fishing is an important activity for the *raizal* people. The Development Plan 2016-2019 “Los que soñamos somos más”

states that “... *transformation must stem from a systemic process in which each risk factor and weakness affecting the raizal population must be addressed by taking the others into account. For instance, the protection of the ethnic group relies on an educational process that must take into account the challenges vis-à-vis the population and the current economy, thus promoting an education based on their ancestral culture, but forward-looking, in which understanding fishing as an economic alternative may transform into species-breeding projects and their subsequent processing*”²³.

The design of financial instruments to insure subsistence fishing is relevant to the Archipelago Department. In this context the significance of evaluating the design of financial instruments to insure subsistence fishing was established. The foregoing will contribute, among others, to the Program 2.8.1 (Sueños que Transforman al Pueblo Raizal) (*Dreams that transform the raizal people*) part of the 2016-2019 Development Plan “Los que soñamos somos más”, whose scope covers “*Facilitating the implementation and development of their initiatives towards improving their quality of life and empowering them*”,

22 Op. Cit. 2016-2019 Development Plan “Los que soñamos somos más”, pg. 392.

23 Op. Cit. 2016-2019 Development Plan “Los que soñamos somos más”, pg. 263.





especially for the indicator “Plans, programs and projects favoring the improved Raizal population”. This will also be coordinated with the productive project carried out in the framework of the Archipelago of San Andrés, Providencia and Santa Catalina subaccount of the Risk Management National Fund “Implementation of sustainable mariculture in the Providencia and Santa Catalina platform to strengthen and improve the quality of life of organized small-scale fishers”.

- **Procedures to ensure the transparency in the use of resources.** The Archipelago Department has defined the importance of reinforcing the procedures to ensure the traceability of the resources used to fund the care, rehabilitation and reconstruction phases.

Policy Objective 3. Insuring public assets from catastrophic risks

This strategy includes building up the insurance of public buildings and sectoral-level assets. The Archipelago Department will make sure that the resources that the laws and

regulations have stipulated must be allocated to the procurement of insurance policies to provide the best coverage in consonance with the international insurance and reinsurance standards. It is worth noting that the Archipelago Department is simultaneously taking measures towards the structural reinforcement of the buildings prioritized in the Department, with the use of cyclone screens and shutters. The foregoing as part of the institutional strengthening projects carried out in the framework of the Archipelago of San Andrés, Providencia and Santa Catalina subaccount of the Risk Management National Fund.

- **Strengthening insurance of public buildings.** The Archipelago Department seeks to improve the level and quality of the insurance of its public buildings. To this end, it will take into account, among others, the national advancements in this area, along with the best practices of the international insurance and reinsurance markets.
- **Strengthening asset insurance at a sectoral level.** The Archipelago Department will promote the insurance of the infrastructure of the Department’s most strategic sectors in terms of GDP.

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