



FORUM ECONOMIC MINISTERS MEETING

August 1 – 2 2024

INFORMATION PAPER 7: UPDATE ON REGIONAL DISASTER RISK FINANCE EFFORTS

Purpose and Summary

Purpose

The purpose of this information paper is to:

- i. Inform FEMM of the ongoing work of the Disaster Risk Finance Technical Working Group (DRF-TWG) as an advisory body on DRF-related issues; and
- ii. Provide an update on various DRF efforts by the TWG partners.

Summary

Forum Island countries continue to suffer development setbacks due to disasters impacting the region. In March 2023, Vanuatu experienced a disaster caused by two consecutive Tropical Cyclones, Judy and Kevin. Based on initial estimates arising from a Post Disaster Needs Assessment exercise conducted in April and May 2023, the total damage and loss incurred is estimated at approximately USD400 million, of which damage accounts for 70% and the resultant economic loss at 30%.

The region is making good progress despite the ongoing setback caused by disasters. Countries such as Samoa, Tonga and RMI for example, have been undertaking resilience building measures through, establishing multi-hazard early warning systems and strengthening coastal protection. At the regional level, the Inaugural Pacific Disaster Risk Reduction Ministers Meeting held in Fiji in September 2022, resulted in renewed commitments to resilience building across several areas including Disaster Risk Financing.

Since the endorsement of the Regional Disaster Risk Finance Roadmap by the Finance and Economic Minister in 2023, PIFS, as the coordinator of the DRF Technical Working Group, supported by partners has engaged with members countries encourage the development of their National DRF Strategies. Partners of the DRF-TWG also continue to expand their reach and DRF offerings, both at the national and community levels.

A. Problem/Opportunity Identification

In March 2023, Tropical Cyclones Judy and Kevin made landfall in Vanuatu, causing an estimated USD 400 million in damages and economic losses. These events highlight the vulnerability of PICs and the impact of disasters on development progress. Despite these risks, the region, in collaboration with its partners, has made significant commitments to building disaster risk resilience through various initiatives. However, the uptake of these initiatives is often limited by fiscal constraints and capacity issues.

2. Countries like Samoa, Tonga, and the Republic of the Marshall Islands have improved

resilience through multi-hazard early warning systems and strengthened coastal protections. Regionally, efforts have been coordinated through the Pacific Disaster Risk Reduction Ministers Meeting and the DRF-TWG, leading to renewed commitments to enhancing resilience across various sectors, including disaster risk financing (DRF).

3. The endorsement of the DRF-TWG as an advisory body to FEMM in 2021 has bolstered collaborative efforts among TWG partners and increased awareness of DRF, strengthening national capacities.

B. Background

4. Following the FEMM's endorsement of the Regional DRF Roadmap in 2023, Partners in the DRF- Technical Working Group have engaged with member countries, on a request basis, to develop their National DRF Strategies, (National -DRFS). While there is no specific or centralized funding mechanism to support this work, the coordination efforts of the TWG partners have meant that the TWG management dovetailed its work on the back of other in-country and regional programmes.

5. In addition, inviting member countries representative to regional DRF related workshops and meetings has offered an opportunity for more direct engagement with member countries across various ministries but especially representative from the Ministries of Finance, National Disaster management Offices, Climate Change departments, Weather bureaus, Private sector and CSOs as key stakeholders in disaster risk management.

6. With several DRF products now available to member countries, there is a real need to have these tailored to the specific country needs and risk profiles so as to avoid misunderstanding of likely benefits that can be derived from certain products, for example, disaster risk insurance. With no-one DRF product able to meet all of the disaster financing needs, and not all DRF instruments suitable for certain risks, having a real understanding and awareness of the various DRF Instrument features is crucial for better disaster response and resilience, especially fiscal resilience against disasters.

7. As of now the Solomon Islands DRFS is ready for tabling in Cabinet for endorsement. Work on developing the Vanuatu DRFS has also commenced starting with the establishment of a multi-stakeholder National steering committee. The process of developing these National DRFS follows the modality contained in the Regional DRF Roadmap:

C. Disaster Risk Finance -Technical Working Group (DRF-TWG) Updates.

8. At the start of the year, a consultant supported by the Australia Pacific Climate Partnership (APCP) Program, conducted a review of the TWG's Operating Framework that provides guidance on how the TWG will deliver on key strategic objectives, including:

- i. Ensure an inclusive and collaborative approach to DRF, valuing the diversity of views and interests, and embracing those views;
- ii. Strengthen the understanding of disaster risk;
- iii. Strengthen the understanding of DRF;
- iv. Develop and strengthen the enabling environment for DRF; and,
- v. Develop a strategic plan or policy at the national level to guide DRF.

Knowledge brokering will be a common deliverable across all the five strategic objectives.

9. The revised Operating Framework was used to develop an updated consolidate workplan that captures each of the partners' DRF related work for the year. It was against this consolidated work plan that the DRF-TWG was able to identify opportunities for collaboration and dovetailing on already identified work programs thus avoiding duplication.

10. In addition, the TWG engaged with member countries at every available opportunity to encourage commencing work on developing their National DRF Strategies. Through this process, the National DRF Strategy for the Solomon Islands was developed and now awaiting Cabinet endorsement before progressing to the implementation phase.

11. Work on developing the National DRFS for Vanuatu has also started with the establishment of a multi-stakeholder steering committee to oversee the process. Further, and inline with the FRDP goal of integrating Climate risk and Disaster risk finance, the Government of Vanuatu has also requested support in establishing a Climate and Disaster risk Finance unit within the Ministry of Finance, similar to what has been established in Tonga and the Solomon Islands.

12. The process of developing National DRFS begins with a request from a country to the DRF_TWIG through PIFS, who then informs the TWG partners of the request, starting a process of engagement will be negotiated with all relevant stakeholders. Once agreement is reached, the actual formulation of the DRF Strategy follows the process outlined in the DRFS guidelines approved by the FEMM in 2023 together with the DRF Roadmap; (see diagram below).

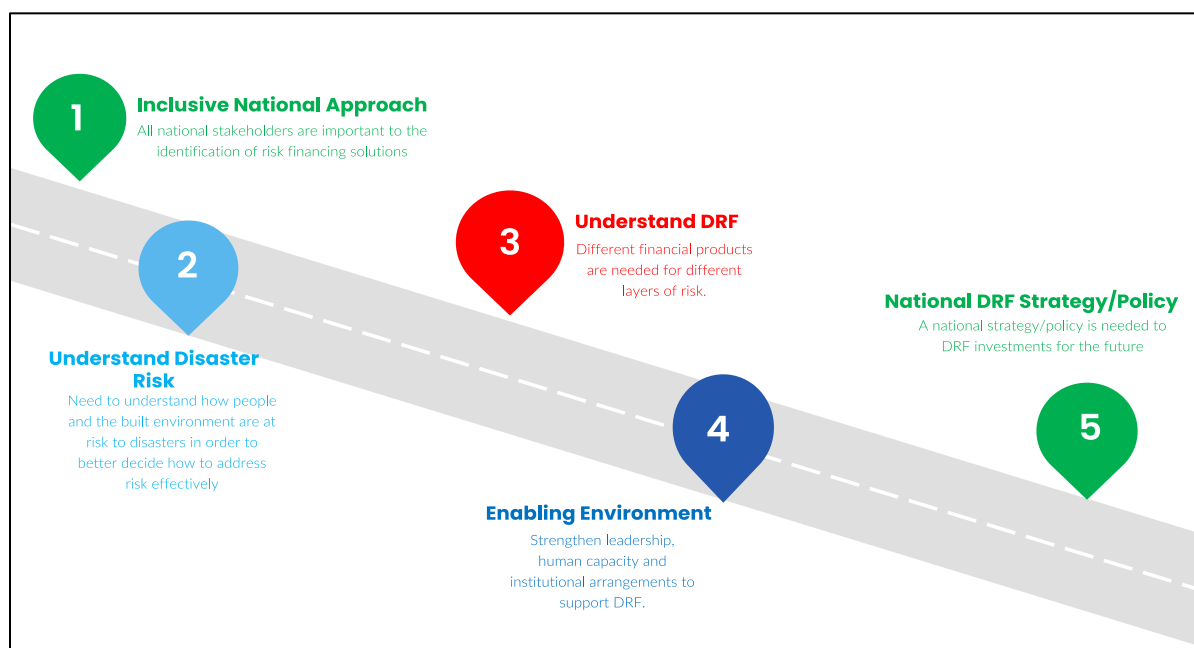


Figure 5: Five-step process and guideline for developing National DRF Strategies.

13. We acknowledge the support of partners and in particular the World Bank, Asia Development Bank, Pacific Catastrophe Risk Insurance Company, UNCDF, UNDP and the APCP. All have contributed either financial and/or technical resources to support the

development of the National DRF Strategies. Countries in the pipeline include Fiji, Kiribati, Tuvalu and the Republic of the Marshall Islands.

D. Other Disaster Risk Reduction (DRR) and Resilience work.

Private Sector Engagement in climate finance and resilience building

14. In 2017, Forum Leaders endorsed the Pacific Resilience Partnership governance arrangements, stressing the need for inclusivity of all stakeholders, including the private sector, in resilience-building at national and regional levels. Equally, the Forum Economic Ministers Meeting (FEMM) promoted greater private sector engagement in climate change adaptation and disaster risk financing, calling for support to enhance their role. In 2018, FEMM tasked PIFS with organizing sub-regional workshops bringing together governments and the private sector to increase awareness of the climate change finance architecture and bolster the private sector's engagement in the climate finance space.

15. The European Union-funded PACRES project, with PIFS as an implementing agency, hosted sub-regional workshops for Melanesia, Polynesia, and Micronesia, enhancing collaboration between the private sector, government, and partners. These workshops, along with mapping private sector activities in 10 countries, facilitated access to GCF readiness funds and identified potential collaborations. Inspired by Fiji, there is increasing interest in establishing Business Resilience Councils with support from initiatives like the Connecting Business Initiative (CBI). Despite PACRES concluding, strong private sector engagement continues, with future opportunities through the Regional Private Sector Development Strategy and the Climate Finance Access and Mobilization Strategy.

Anticipatory Action

16. Spearheaded by the Pacific UNDRR Office and supported by the DRF-TWG, Members have shown an increasing interest in “anticipatory action” as a pre-disaster financing modality. But as the name implies, it is more than just anticipatory action; it is premised on four key building blocks that include:

- i. Risk assessment and forecasting.
- ii. Preparedness planning
- iii. Trigger mechanism.
- iv. Financing instrument

17. The UN’s Central Emergency Response Fund (CERF), a fund established to provide predictable humanitarian response finance in times of disasters has entered into an agreement with the Fiji NDMO to trial an anticipatory action mechanism in Fiji’s western district.

Insurance

18. The Pacific Catastrophe Risk Insurance company (PCRIC) continues to make progress in rolling out its new and innovative products starting with its drought and rainfall product. This product is tailored to PICs that don’t have a high risk of cyclones but are more exposed to the risk of drought and/or irregular rainfalls.

19. In addition, PCRIC has also for the first time offered environmental parametric

insurance for a community trust, insuring their coral reef against storm damage. This is a first in the region and possibly globally. Further, PCRIC is also expanding into the area of sovereign asset insurance with a policy being taken out by the PNG National Telecom corporation to insure their undersea fibre cable.

20. On the micro-insurance level, the UNCDF PICAP program continues to offer an expanded suite of products to its members with more cooperatives being approved for the micro and meso products. More recently, it offered insurance to customers of a gender focused bank in PNG, the Women's Micro Bank Limited (WMBL), also known as Mama Bank, with support from DFAT. One unique element of this project is the adoption of Self-Reliance Group (SHRG) models¹, which has shown promising results in enabling women's access to finance and as a result fostering economic resilience in PNG.

Pacific Islands Forum Secretariat
25 July 2024

¹ Self-help Groups (SHGs) are made up of 15 - 25 members of similar economic and social backgrounds who come together to improve their living conditions ([Self Help Groups: A Model for Promoting Self Reliance | United Nations Development Programme \(undp.org\)](https://www.undp.org/en/self-help-groups))