



PACIFIC ISLANDS FORUM SECRETARIAT

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FORUM ECONOMIC OFFICIALS MEETING

4 - 5 August 2020

FORUM ECONOMIC MINISTERS MEETING

11 - 12 August 2020

Virtual

AGENDA ITEM 6: PACIFIC RESILIENCE FACILITY

Purpose and Summary of Issue

Purpose

This paper:

- i. provides a progress update to Forum Economic Ministers and Officials regarding implementation of the 2019 FEMM and Leaders' decisions on the Pacific Resilience Facility (PRF), including development of the PRF Prospectus and Transitional Arrangements, and adjustments to PRF work plans and timeframes in light of the COVID-19 pandemic;
- ii. seeks Ministerial endorsement for PIFS to explore opportunities for integrating preparedness to pandemics, that can be aligned to the niche, purpose, and objectives of the PRF in the future;
- iii. seeks Ministerial endorsement of the Prospectus and Transitional Arrangements; and
- iv. seeks Ministerial guidance and direction to mobilise support of relevant stakeholders for the PRF, leading up to a Global Pledging Event (following recovery from the COVID-19 pandemic).

Summary

- i. Significant progress has been made on the PRF following endorsement by Forum Economic Ministers and Forum Leaders in 2019 to establish the PRF.
- ii. Based on post-2019 FEMM consultations with Forum Members and relevant development partners, the Prospectus and Transitional Arrangements for the PRF were developed with the technical oversight, guidance and support of the PRF-Technical Working Group (TWG).
- iii. The Prospectus and Transitional Arrangements are crucial to the establishment of the PRF, and to mobilise support of key stakeholders leading up to a global pledging event to raise funds to capitalise the PRF.

- iv. The Prospectus outlines the key information on the PRF, including its Purpose, Objectives, Niche, Governance and Financial arrangements, and appropriate reporting and accountability mechanisms.
- v. The Transitional Arrangements set out the operational and functional arrangements for the PRF during its transitional period, when the PRF is housed at the Forum Secretariat, as directed by Economic Ministers and Forum Leaders in 2019.
- vi. The Prospectus and Transitional Arrangements were peer reviewed by an independent panel of assessors/experts.
- vii. The Transitional Arrangements was presented to, and endorsed by, the FOC's Audit and Risk Sub-Committee (ARSC).
- viii. Noting the devastating socio-economic impacts of COVID-19 on Forum Members, and taking into consideration the limited capacity of Forum Island Countries (FICs) to adequately prepare for and respond to pandemics, it is proposed that PIFS explore opportunities to integrate preparedness to pandemics into the PRF. Preparedness to pandemics would need to take account of and align with the PRF's niche, purpose, and objectives.
- ix. Much of the activities planned for 2020, including mobilisation of stakeholder support leading to a global pledging event, have been deferred to 2021 due to the COVID-19 pandemic.

Strategic Alignment

Leaders Decision to Endorse the Framework for Resilient Development in the Pacific (FRDP) in 2016 and the Boe Declaration on Regional Security in 2018 – This paper is framed within the context of the Blue Pacific narrative, as articulated in the vision and objectives of the *Framework for Pacific Regionalism*, the *Boe Declaration on Regional Security*, and the FRDP.

2019 FEMM Action Plan and 2019 Forum Leaders Decision – Agreed to report back to 2020 FEMM on progress towards the establishment of the PRF, following 2019 FEMM and 2019 Forum Leaders decisions.

Financial Implications

The PRF will require additional financial resources over the next 12 – 18 months to:

- i. support the work of the PRF-TWG in its ongoing role to provide technical oversight and support to guide the operationalisation of the PRF, and to implement decisions of the 2020 FEMM;
- ii. operationalise the PRF;
- iii. mobilise support for PRF culminating in a global pledging event to raise funds for the PRF; and;
- iv. organise global pledging event at-a-time to be confirmed, to capitalise the PRF.

A. Background

Origin and Endorsement of the Pacific Resilience Facility

At the 2017 FEMM, Economic Ministers considered a policy paper on a Regional Financing Facility for the Pacific. It proposed a variety of innovative policy options for financing and accelerating development initiatives in Pacific island countries. While Ministers commended the paper, they agreed that the proposal focus on targeted financing products and options, and especially focus on addressing critical regional challenges.

2. Subsequent discussions on the development of the PRF were held at the margins of 2017 ADB and IMF-WBG Annual meetings, led by the FEMM Troika and the Forum Secretariat. These meetings guided the focus of the Regional Financing Facility to support preparedness to climate and disaster risk resilient development - now coined the “Pacific Resilience Facility” (PRF).

Point of Difference of the PRF

3. Economic Ministers will recall that the PRF intends to build the resilience of Pacific island countries at the community-level, through ex-ante small-scale investments in preparedness to natural hazards risk (or disasters) and to the impacts of climate change, in order to minimise future loss of lives, displacement of people, and extensive economic losses to assets and infrastructure. It seeks to complement other facilities and funds by focusing on low quantum investments, which are more often than not of limited interest to large multilateral agencies, such as the multilateral development banks (MDBs) and funds.

4. The PRF is designed on the principles of: regional ownership; affordable and contextualised financing; additionality and complementarity; and investment in preparedness. The PRF also reflects Pacific island countries’ national development priorities to better absorb economic, social and environmental shocks and stresses through ensuring risk-informed considerations in all resilient development initiatives. The key role of PRF will be to finance risk resilience costs of Pacific island countries in communities through the:

- (a) Retro-fitting of existing critical community infrastructure (such as health centres/nursing stations, schools and jetties); and/or,
- (b) New investments in infrastructure, buildings and in ports (where there is a financing gap to cover the costs of resilience for affected communities).

5. Overall, the PRF’s comparative advantage is to fund resilience costs of projects that are deemed “too small” to be funded by MDBs, as well as new community-based infrastructure projects where there is a financing gap to ensure the resilience of such projects. Given the varying capacity of the countries to implement national resilience projects, the PRF provides an avenue for a regional facility to support the absorptive capacity of Pacific island countries.

6. It is being driven and owned by regional members and will support and utilise national systems in the delivery of PRF projects. Furthermore, the PRF promotes inclusive development with particular focus

on the marginalised section of communities, including women, children, the poor, and people living with disabilities.

Progress on the PRF - Endorsement of PRF by Forum Leaders and FEMM in 2019

7. Economic Ministers would recall that Ministers considered the detailed concept note on the PRF at the 2018 FEMM and decided to: (1) progress the next phase of technical analyses and assessments for establishing and operationalising PRF, with guidance of the PRF TWG¹; and (2) task the TWG, with support from PIFS, to develop a funding strategy for the capitalisation of PRF. Forum Leaders, at their 2018 annual meeting in Nauru, also endorsed the PRF's next phase of technical work on the design of financial products/arrangements and its governance structure.

8. Following the 2019 Forum Leaders and Economic Ministers decisions, the financial products and governance structure of the PRF were further developed and revamped - with technical guidance and support of the TWG. The revamped PRF proposal included: the Niche, Purpose and Objectives; Domicile; Governance Structure; Capitalisation; Contribution; Financial arrangements/products; and Allocation Policy.

9. The revised PRF proposal was considered by Forum Economic Ministers at the 2019 Special FEMM, where Ministers formally endorsed the establishment of the PRF at the 2019 Special FEMM. Forum Leaders also endorsed the establishment of the PRF at their annual meeting in 2019 (Tuvalu).

10. Notwithstanding the impact of COVID-19, significant progress has been made following the 2019 decisions of the FEMM and Forum Leaders.

B. Progress to Establish the PRF since 2019 FEMM and Forum Leaders Endorsement

11. The TWG and PIFS carried out consultations with Forum Members and relevant development partners end of 2019 and early 2020. Based on feedback from these consultations, the PRF Prospectus) and Transitional Arrangements were developed with the technical guidance and support of the TWG.

12. A panel of independent assessors were also engaged to peer review and assess the proposed PRF Prospectus and the Transitional Arrangements. The comments of the independent assessors were incorporated in the documents, as appropriate.

13. The PRF Prospectus and Transitional Arrangements are crucial towards the establishment of the PRF, particularly to mobilise support of key stakeholders (including traditional and non-traditional development partners), including to capitalise the PRF through the proposed global pledging event.

¹ The TWG was established by the 2018 FEMM (in Palau) and comprises the Cook Islands, Fiji, New Zealand, Palau and Samoa, with support from Australia and the Republic of the Marshall Islands. Nauru, Solomon Islands, Tuvalu and Vanuatu have either expressed interest to attend or have attended TWG meetings.

PRF Prospectus

14. The Prospectus outlines and strengthens key components on the PRF proposal which were **already endorsed by the Economic Ministers and Forum Leaders in 2019**, including the following:

- PRF's Niche, Purpose and Objectives;
- PRF Governance Structure;
- Capitalisation of the PRF and its Financial Arrangements; and
- Disbursement/Allocation mechanisms.

15. The Prospectus also provides detailed information on:

- the business case of the PRF and its linkages with other programmes to embed and strengthen the niche of the PRF;
- how the PRF grants will be programmed;
- how to manage the projects, as well as highlight appropriate reporting and accountability mechanisms;
- programming of PRF grants;
- accountability, reporting and evaluation mechanisms of PRF grants/projects, based on international best practice; and
- how to manage the capital base of the PRF.

PRF Transitional Arrangements

16. Economic Ministers would recall that in recognising the length of time it will take to establish the PRF as a standalone, international organisation, and in order to obtain accreditation to be included in the OECD Development Assistance Committee (DAC), Leaders and FEMM in 2019 endorsed that, as an interim transitional arrangement, the PRF be housed and operated as a programme of the Secretariat, pending the entry into force of a treaty to establish the PRF.

17. At its meeting in February 2020, the TWG discussed and developed the Transitional Arrangements for the establishment of the PRF. The Transitional Arrangements are designed to set up the governance structure of PRF as well as outline the role and responsibilities of the key personnel and setting out the basis of the operations.

18. Consistent with the decision and direction of Forum Leaders and Economic Ministers to house the PRF as a transitional arrangement under the PIFS, governance and corporate arrangements are set out to clarify the facilitation of the transitional arrangements.

19. Annex B details the framework for the PRF Transitional Arrangements and sets out the following mechanisms: the PRF Transitional Governance Structure; the PRF Transitional Office, its administration

and operation; and PRF funding, financial provisions, and accountability mechanisms.

20. A key component of the Transitional Arrangements is a Memoranda of Understanding mechanism that will be signed between PRF/PIFS and FICs. The MoU will lay the framework for engagement and collaboration between PRF and Forum Island Countries, including transparency of grant execution and implementation arrangements, and accountability requirements.

21. The Transitional Arrangements are expected to conclude upon completion and fulfilment of all formal and legal arrangements and requirements for the setting up of the PRF as a standalone organisation. The timeframe for these Arrangements is expected to be two years which would commence upon their set-up. These Arrangements, including all necessary savings and transitional provisions, will remain in place until the Agreement establishing the PRF enters into force.

22. The Transitional Arrangements also forms part of the PRF Prospectus to support the global pledging/fundraising campaign to capitalise the PRF.

Proposal for Inclusion of Pandemics in the PRF

23. Based on consultations with the independent panel of assessors/experts as well as development partners and practitioners, the TWG recommends that consideration be given to including preparedness to “pandemics” in the scope of the PRF, in order to enhance Pacific countries resilience to public health risks in the future. This remains consistent with the definition of “disaster” in the FRDP, which provides the regional policy guideline that underpins the PRF. The FRDP definitions of disasters and hazards are premised on the UN International Strategy for Disaster Risk Reduction (UNISDR) 2009 which include pandemics.

24. Noting that the PRF focuses on disaster preparedness of Pacific communities, it is proposed that the facility could also cover pandemics preparedness to strengthen resilience at the community level, as an output of the PRF that is in-line with the current niche, purpose and objectives of the PRF, and its implementation arrangements.

25. The inclusion of pandemics preparedness in PRF may attract new resources and further attract support of the PRF (including traditional, as well as non-traditional partners), and importantly elevate the relevance of the PRF to Pacific region, as well as to development partners. The COVID-19 pandemic demonstrates the need for a regional facility that strengthens the region’s capacity to prepare for and build resilience to pandemics and other public health emergencies that may occur in the future.

26. In accordance with the PRF’s niche, purpose, and objectives, it is proposed that the PRF will support PRF beneficiary countries only in their *preparedness efforts to pandemics*, at the community-level.

27. In this regard, and for the PRF to be relevant to the current critical needs of the Pacific communities and peoples, the PRF should have some degree of flexibility and responsiveness in its delivery mechanisms at grant management, programming and project implementation levels. This is based on the reality (and existing lessons from the COVID-19 pandemic) that pandemics can have a short lead-time before its onset but can quickly take its toll at the community level where the basic level of preparedness

are not in place. It will therefore be critical to have that flexibility to ensure the quick turnaround of responses to prepare for such disasters like pandemics.

C. Next Steps

28. Many of the activities planned for 2020 were disrupted by the impacts of COVID-19, with these activities now deferred to 2021. The following table proposes key activities which the PRF project would undertake post-2020 FEMM. The activities are contingent on how effectively and how soon COVID-19 is contained, and how and when major countries around the globe lift travel restrictions and open their economies.

29. In addition, and importantly, the successful implementation of the proposed activities of the PRF and indeed the overall success of the PRF will also depend on sustained engagement and political support of Forum Economic Ministers and Leaders on the PRF initiative. The sustained commitment by FEMM and Forum Leaders would provide a crucial and important signal to other stakeholders and donors that the PRF initiative is Pacific-driven, owned and implemented.

Proposed Date	Proposed Activity	Comment
July – December 2020	Consultations with key stakeholders to implement FEMM Decision, based on the PRF Prospectus and Transitional Arrangements Establish PRF Transitional Arrangements	Desk work and virtual meetings and consultations, as required
Quarter 1 & 2, 2021	Mobilise support with relevant stakeholders for PRF leading up to capitalisation of PRF leading up to global pledging event	Noting that economies/travel may not fully normalised due to COVID-19; and key restrictions are still in place by countries
Quarter 3, 2021	Global Pledging Event	On the assumption that economies and travel would have been fully restored, and most restrictions lifted
Quarter 3 & 4, 2021	Formalise Transitional Arrangements of PRF to be housed at PIFS Recruit PRF staff, PRF Board of Trustees, fund managers, etc. Work on establishing PRF as a	Board of Trustees to have two quarterly meetings on establishing relevant operational/corporate structures of the PRF, as appropriate.

	<p>separate entity from PIFS</p> <p>Work towards actualisation of pledges made at the Global Pledging Event. This will require set-up of the appropriate contract/legal documents for fund disbursement by donors.</p> <p>First Meeting of PRF Council of Members</p>	
2022	<p>Work on establishing PRF as a separate entity from PIFS continues.</p> <p>Second Meeting of Council of Members</p>	
Quarter 4, 2023	<p>PRF established as separate entity by end of Quarter 4, 2023</p> <p>Third Meeting of Council of Members</p>	<p>This includes transitioning of PRF location at PIFS headquarters to the domicile country.</p>