



**PACIFIC ISLANDS FORUM SECRETARIAT**

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**FORUM ECONOMIC OFFICIALS MEETING**

6 - 7 July 2021

**FORUM ECONOMIC MINISTERS MEETING**

13 - 14 July 2021

Virtual

**INFORMATION PAPER 1:  
PACIFIC ISLANDS CLIMATE CHANGE INSURANCE FACILITY**

**Purpose and Summary**

**Purpose**

This paper provides an update to FEMM on work undertaken to advance the Pacific Islands Climate Change Insurance Facility (PICCIF), and to seek guidance from FEMM as to next steps.

**Summary**

A specialised broker function for the Smaller Island States (SIS) to engage with the existing regional institutions and ongoing initiatives in disaster and climate change risk management should be developed to:

- advocate and integrate SIS needs and priorities at the project and product development phase to leverage research and evaluate outputs to inform decision-making and implement solutions;
- support knowledge management and straightforward access to climate change risk data; and
- support SIS to weave together existing capabilities to develop and implement comprehensive climate change risk management and financing strategies under a unified framework.

Technical resources should be used to develop innovative climate change risk financing mechanisms that address slow-onset climate impacts on assets, livelihoods, ecosystems, and public services. SPREP is continuing to seek resources to implement next steps in the PICCIF process.

Given the need to establish this specialised brokerage function with the requisite technical expertise Economic Ministers are requested for their views on SPREP continuing to seek further financial assistance, and to give their endorsement to this effort.

## **A. Overview**

The security, prosperity, and integrity of Pacific Island communities are threatened by negative impacts of anthropogenic climate change caused by increasing atmospheric concentrations of greenhouse gases. Climate change impacts are already apparent across the region, and projections in climate research indicate future increases in climate change related hazards. The peoples of the SIS are particularly vulnerable and building resilience across the SIS is one of the most urgent development priorities for communities and governments.

2. One key way to build resilience is through comprehensive climate change risk management strategies, which include risk reduction (e.g. investments in up-front, structural adaptation such as infrastructure upgrades) and risk management (which includes understanding the evolving risk landscape and planning for future responses, including the arrangement of financing to support response measures). Therefore, the government of Tuvalu proposed the development of a Pacific Islands Climate Change Insurance Facility (PICCIF) at the Pacific Regional Dialogue on Financial Management of Climate Risks (Apia, Samoa, 26-28 June 2017, sponsored by the Government of Tuvalu). The need for PICCIF was recognised and endorsed by the leaders of the Pacific Smaller Island States (SIS) and the Forum Economic Ministers Meeting (FEMM) in 2018.

3. The Secretariat of the Pacific Regional Environment Programme (SPREP) secured resources from Germany (GIZ) and United Nations Environment Program (UNEP) to undertake a series of expert consultancies that created a data repository on loss and damage issues and an introductory report on comprehensive climate change risk management approaches. It was intended to convene a regional workshop as well as a subsequent workshop to test the discussion outcomes in an outer island setting. However, the Covid-19 situation prevented these plans. A regional workshop was held virtually in August 2020.

4. Economic Ministers are reminded that while climate change risk management, including insurance, should not be viewed as the only strategy for responding to climate change, it is an important component. The region should therefore continue to consider and investigate options for including climate change risk management in its climate change response.

## **B. Discussion**

5. As mentioned above SPREP was able to secure resources as well as relevant expertise to undertake significant work on the PICCIF initiative. A data repository on loss and damage from climate change in the Pacific was documented and is available through the Pacific Climate Change Portal. This provides information on documented impacts, community risks, approaches taken in the region to adapt, and other important documents. It is also available through the Portal's search functions.

6. In addition, a major study was conducted into options for comprehensive climate change risk management in the region. This was developed by international and regional experts with inputs from national experts familiar with the work area. The draft report was considered by the regional virtual workshop, and further refined. It contains recommendations for further actions which will be highlighted below. Refer to **Attachment 1** for the report.

7. It was not feasible to hold the regional workshop in person. Nor was it feasible to bring the results of the discussions to an outer island setting. As a result, significant resources needed to be returned to GIZ under the contract.

8. In terms of progress the major study on options has focused on the situations and needs of the Smaller Island States. The rationale is that these options need to be first tailored to remote and low capacity areas, as they can also be scaled up for urban settings.

9. The key findings of this work for enhancing action on comprehensive climate change risk management in the Pacific region are as follows:

#### *Gaps / SIS Needs and Priorities*

10. The Smaller Island States (SIS) of the Pacific Islands Forum (PIF), and other remote, outer island communities, are often overlooked and underserved by existing climate change risk management initiatives.

11. Gaps in climate change risk management mechanisms available to the SIS include:

- Disaster risk financing instruments, which are tailored to the SIS and remote communities; and
- Ex-ante financing mechanisms that address the impacts of slow onset climate change hazards to assets, ecosystems, livelihoods, and public services, particularly related to sea level rise (e.g. chronic inundation and saltwater intrusion) and ocean warming and acidification (e.g. coral bleaching and ecosystem degradation).

12. Given the above, the PICCIF workshop identified the need for a brokerage function to be established. This would need to be a physical unit of personnel that would act as an intermediary between the various parties engaged in comprehensive climate change risk management, including insurance. It would comprise several functionalities but would primarily be the linking element between SIS countries and providers of capacity building (e.g. financial literacy, insurance modalities), risk coverage providers (e.g. existing insurance, reinsurance), and information and knowledge holders (e.g. adaptation technology firms, adaptation techniques in practice). For this reason, the workshop settled on the term brokerage function, to use the functions of an insurance broker as an allegory for what services are actually required by SIS.

13. Other than the SIS desk officers at the Pacific Islands Forum Secretariat (PIFS), there is currently no brokerage function on climate change risk management at which the SIS can engage, provide input, view the landscape of initiatives and projects, leverage technical outputs and seek solutions. There is no unified SIS voice, and solutions are siloed.

14. The SIS and regional institutions have few resources available for data maintenance and knowledge management, leading to dispersed data, less integrated and systematic planning, missed opportunities to integrate existing technical and scientific work into decision-making, and duplication of effort.

#### **C. Existing Regional Initiatives**

15. There are regional institutions - for example, the PIFS, the Secretariat of the Pacific Regional Environment Programme (SPREP), the Pacific Community (SPC), and the Pacific Catastrophe Risk Insurance Company - with significant, but siloed, capabilities related to climate change risk management that should be used for the SIS.

16. There are ongoing initiatives in Disaster Risk Financing in the region - including the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) and the Pacific Insurance and Climate Adaptation Programme (PICAP) - from which the SIS could benefit from deeper integration and collaboration at the product development stage.

17. There are existing sources of climate change data - such as those developed through the Pacific Climate Change Science Program (PCCSP) and the Pacific-Australia Climate Change Science Adaptation Planning programme (PACCSAP) - which could benefit the SIS in the development of climate change risk management and financing strategies.

18. There is a definite need for the establishment of a broker function - with technical expertise and regional and national relationships - for ensuring the needs of SIS states are well represented and considered across existing initiatives and for championing the development of solutions for gaps.

#### **D. Next Steps**

19. A specialised broker function for the SIS to engage with the existing regional institutions and ongoing initiatives in disaster and climate change risk management should be developed to:

- advocate and integrate the SIS needs and priorities at the project and product development phase to leverage research and evaluate outputs to inform decision-making and implement solutions;
- support knowledge management and straightforward access to climate change risk data; and
- support the SIS to weave together existing capabilities to develop and implement comprehensive climate change risk management and financing strategies under a unified framework.

20. Technical resources should be used to develop innovative climate change risk financing mechanisms that address slow-onset climate impacts on assets, livelihoods, ecosystems, and public services.

21. SPREP is continuing to seek resources to work on the next steps in the process. Covid-19 has made the search for funds more challenging. It was hoped that a second phase could be sourced from GIZ but there has been slow communications since delivery of the final reporting.

22. Given the need to establish this specialised brokerage function with the requisite technical expertise, Economic Ministers are requested for their views on SPREP continuing to seek further financial assistance, and to give their endorsement to this effort.

Secretariat of the Pacific Regional Environmental Programme (SPREP)  
4 June 2021