



## PACIFIC ISLANDS FORUM SECRETARIAT

PIFS(22)FEMM.5

### FORUM ECONOMIC OFFICIALS MEETING

### FORUM ECONOMIC MINISTERS MEETING

10 - 12 August 2022

Port Vila, Vanuatu

## AGENDA ITEM 5: PACIFIC RESILIENCE FACILITY

### Purpose and Recommendations

#### Purpose

This paper:

- i. provides an update to Forum Economic Ministers and Officials on the progress of the Pacific Resilience Facility (PRF) since the last FEMM and potential competition from the Caribbean Resilience Fund; and
- ii. seeks Ministerial guidance and support on the way forward for the PRF to mobilise development partners and donors' commitment for the establishment of the PRF transitional arrangement, including the Board, to spearhead the fundraising efforts and securing of financial commitments leading up to a global pledging event to capitalise the PRF.

#### Summary

- i. Despite setbacks from the impacts of the COVID-19 pandemic, geo-political tensions, and challenging development financing landscape, work on the PRF progressed in the last twelve months. These include:
  - a. The launch of the PRF Prospectus and logo in May last year,
  - b. Consultations with over thirty countries, international organisations, and private foundations in the last 12 months. Although there was broad support for the PRF, apart from a cash contribution from Turkey, and indications of pledges from New Zealand and Qatar, no firm commitments were received from other development partners,
  - c. Engagement of Helen Clark as special envoy of the PRF, to support the Secretariat's efforts to secure financial commitments from development partners and other organisations as well as provide advice on the pledging event to be convened in collaboration with the Office of the UN Secretary General at a later date.
- ii. Potential competition to the PRF has emerged from the recently announced Caribbean Resilience Fund (CRF), as the CRF would likely approach the same funding sources that PRF is also targeting.
- iii. Due to lack of support to fund the PRF, a change in approach is proposed. There is a need to better understand and address technical concerns that partners may have with the PRF model, while continuing to align to Forum Leaders and Economic Ministers' decisions and aspirations for the facility. In this regard, the deferment of the PRF pledging event is recommended, and

would proceed in due course once all necessary preparations have been completed and funding support from development partners are secured.

#### **A. Problem/Opportunity Identification**

The PRF provides predictable, sustainable, accessible and accountable funding for disaster preparedness and climate risk resilience-building within vulnerable communities. It fills a significant financing gap in the regional financing landscape in the Pacific by providing small-scale grants upfront for community resilience building before disasters hit communities.

#### **B. Background and Progress of PRF since 2021 FEMM**

2. The PRF is Pacific designed, led and owned. Work on PRF is led by a Technical Working Group established by the 2018 FEMM, which is composed of senior Economic officials of several Forum countries.

3. Economic Ministers will also recall that the PRF was endorsed by the Forum Economic Ministers and Forum Leaders in 2019. A prospectus was developed for the PRF, which was officially launched in May 2021, together with a PRF Logo. The prospectus provides details of the PRF and promotes its unique features.

4. Despite setbacks from the impacts of the COVID-19 pandemic, geo-political tensions, and challenging development financing landscape, work on the PRF progressed in the last twelve months.

5. During the period, PIFS consulted and engaged with over thirty countries, organisations including FIFA, the world's governing body for football and private foundations. The consultations have been positive with broad support expressed for the PRF. Further consultations, that would involve FIC leaders and ministers, are expected in the months ahead.

6. PIFS secured the support of Rt Hon Helen Clark, former Prime Minister of New Zealand and former Head of the UNDP. Ms Clark was appointed as the Secretary General's Special Envoy to the PRF and would support the Secretariat's efforts to secure financial commitments from development partners and other organisations. She would also advise on a pledging event to be convened in collaboration with the Office of the UN Secretary General at a later date.

#### **C. PRF Action Plan & proposed phases**

7. Due to the lack of support from development partners to capitalise the PRF, a shift in approach is proposed. Prior to seeking significant pledges from development partners, there is a need to better understand and address technical concerns by partners on the PRF model, while continuing to align to Forum Leaders and Economic Ministers' decisions and aspirations for the PRF. In this regard, the PRF pledging event has been deferred, and would proceed in due course once funding support from development partners had been secured. The implementation of the action plan will be done in nine phases as follows:

**Phase 1: Develop clear project plan and budget, with clear milestones and reporting expectations (4Q22)**

8. Broadly, the project plan will clearly outline the mandatory monthly, quarterly and annual reporting requirements to PRF TWG, ARSC and FOC, to ensure an inclusive well-managed approach, that is responsive and aligned to best practice for an international organization.

**Phase 2: Review and enhance the co-design of the PRF governance, funding and return structure with anchor funders (4Q22)**

9. Conduct internal review of the PRF, including re-assessment of the capital and funding structure, and return assumptions given the changes in the development finance landscape. This would be further shaped by the co-design exercise above and include governance strengthening where needed. The outcome of Phase 2, once approved, is to feed back into to the project implementation plan.

**Phase 3: Seek seed funding to establish PRF (4Q22)**

10. This phase seeks to secure donor funding (2-3 year-funding), particularly from Australia and New Zealand and other donors where possible, to fund the establishment of the PRF interim administration, including a Chief Executive Officer, a Fund-raising expert, a Project Manager, and a support staff. Once funding is secured, the set-up process will commence.

11. Funding proposals have been developed and are being fine-tuned for submission to Australia and New Zealand and other donors. Other forms of support will be secured, including formalizing offers that have been extended from the Pacific Regional Infrastructure Facility (PRIF) and Japan International Co-operation Agency (JICA) on technical and project management assistance.

**Phase 4: Set-up PRF (1Q-2Q23)**

12. This phase will formally set-up the PRF, commencing with the legal registration process, which will include tax and international organization status. This will be followed by an international recruitment process to fill key roles. The recruitment will be conducted to seek suitably qualified people for the positions, or have the positions filled by seconded persons from Members or contributing development partners.

13. The new PRF team will then establish the governance and financial arrangements, including key performance indicators and the set-up of relevant sub-committees for decisioning within the PRF governance structure, which broadly may include a finance and investment and a project and operations sub-committee. The Secretariat will continue to support the transition to the formal set up to ensure continuity.

14. The finance and investment sub-committee will approve the investment policy statement and the RFP for the fund manager, approve finance policies, and set-up of a bank account. The operations and project sub-committee will approve key operational policies, including the development of a risk-centric project management framework. These sub-committees will also oversee the approval of RFPs for key service providers.

**Phase 5: Investment and Project Set-up (3Q23)**

15. This phase will establish the investment and project set-up for PRF. On the investment aspect, this phase will select a fund manager and commence the investment mandate process. Operationally, this phase commences receiving funds into the bank account from donors and commences payments for operational and project work set-up costs.

16. An assessment of all sub-regional countries, donors, project pipelines, will take place in this phase, with clear project identification, assessment, selection, approval, monitoring and evaluation processes and reporting templates developed. This phase will conduct stakeholder consultations on community projects and identify the first lot of potential PRF projects.

#### **Phase 6: Project Pipeline Approval & Investor Due Diligence (4Q23)**

17. This phase will assess projects for approval, including a desk-top and on-site visit. Once approved, project documentation with Governments will commence for funding through national systems, for disbursement to community-level projects. Project implementation planning will also commence during this phase.

18. The due diligence for target investors for PRF will also commence during this phase. The objective will be to secure multi-year pledges from various funds, Governments, philanthropic and development partner sources.

#### **Phase 7: Project Disbursement & Investor Road-show planning (1Q24)**

19. This phase will commence project disbursement and test the project monitoring and evaluation cycle and effectiveness and also commence the investor road-show planning, which will be informed by the investor due diligence process.

#### **Phase 8: Investor Road-show and Pledge (2Q24)**

20. In collaboration with the special envoy and Pacific leaders, investor road-shows will be conducted. The target will be to achieve \$1.5b in pledges, adjusted for any funds received prior to the pledging event. the pledging event will be organized in collaboration with the Office of the UN Secretary General.

#### **Phase 9: Pledge Received and PRF transitions into stand-alone entity (3Q-4Q-2024)**

21. Once pledges are received, agreements will be finalised with donors. The project monitoring and evaluation cycle will also kick-in. PRF then transitions into being a stand-alone entity.

22. The Forum Secretariat in consultation with the PRF Technical Working Group will chart out a way towards the pledging event, and inform the Forum Members accordingly for support, as required.

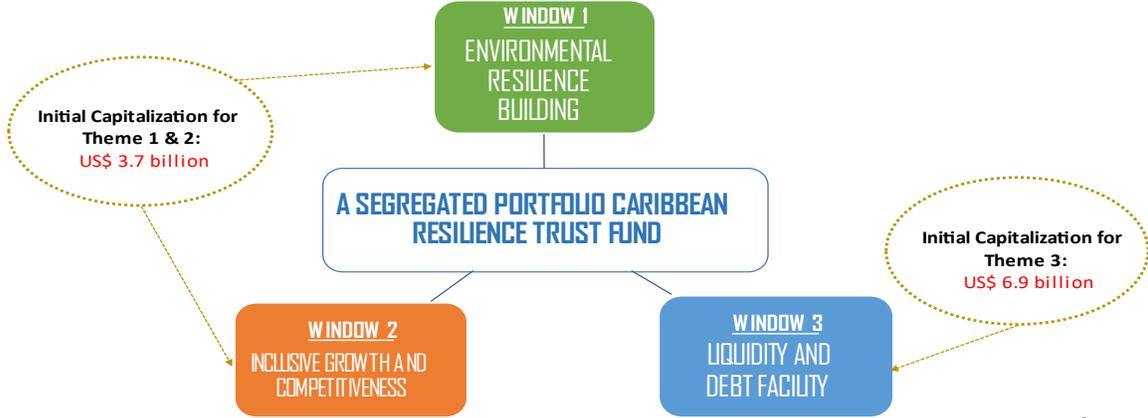
### **D. Potential competition**

24. The Caribbean region have recently announced the Caribbean Resilience Fund (CRF) aimed at an initial capitalization of US\$10.6 billion to support three development needs, including (1) environmental resilience building, (2) inclusive growth and competitiveness and (3) liquidity and debt facility. (**See diagram below**). The CRF is much broader in scope than the PRF and could potentially compete for the same funding sources that PRF is also targeting. Although PRF has a slight edge because it is more

advanced, the CRF presents serious competition for the PRF.

# The Caribbean Resilience Fund

A segregated portfolio trust fund supporting three critical development needs  
*An initial capitalization of US\$10.6 billion required*



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### E. Next Steps

25. Most of the activities planned for the last twelve months were disrupted by the impacts of COVID-19, and the lack of firm commitments from development partners. The new areas of focus going forward are as presented above. The successful implementation of the proposed activities and indeed the overall success of the PRF will depend on sustained engagement and political support of Forum Economic Ministers and Leaders on the PRF and the support received from development partners to capitalise the PRF.

Pacific Islands Forum Secretariat  
13 July 2022

## Annex 1

<b>PRF – Proposed Phases for PRF Next Steps</b>	
<b>Proposed Phases and Actions (*ARSC issue treatment)</b>	<b>Proposed Timelines</b>
<b>3Q-2022</b>	
<b><i>Next Steps Action Plan Endorsement</i></b>	
Obtain TWG endorsement for proposed next steps	July
Obtain ARSC endorsement for proposed next steps	
Joint Meeting ARSC and TWG	
Present proposed next steps to FOC	
Develop FEMM paper based on above for decision	
Present PRF next steps to FEMM	August
<i>Mandatory Monthly reporting thereafter to TWG, ARSC, FOC – For Decisions*</i>	<i>September onwards</i>
<b>4Q-2022</b>	
<b><i>Phase 1: Develop project plan and budget</i></b>	
Develop 2-year costed implementation plan with key milestones*	September
Finalise detailed project and set-up budget*	September
Risk management plan to accompany implementation plan*	September
<b><i>Phase 2: Review and co-design structure</i></b>	
Conduct review of PRF return and governance structure	September
Conduct co-design workshops with core funders	September
Obtain approvals for project implementation plan and budget	October
<b><i>Phase 3: Secure funding for set-up</i></b>	
Ensure 2023 budget submissions incorporate PRF approved budget	October
Operational funding discussions with donors	September onwards
Send off PRF funding proposals	September onwards
Preliminary groundwork for interim structure and set-up	October
Operational funding for set-up to be secured by end Dec 2022	December
<i>Project Quarterly reporting to key stakeholders*</i>	<i>Quarterly</i>
<b>1Q-2023</b>	
<b><i>Phase 4: Entity Set-up</i></b>	
Legal set-up initiated	January to March
Interim bank account set-up	
Interim structure - role advertisement	
RFPs to be issued for key services	
<i>Project Quarterly reporting to key stakeholders*</i>	<i>Quarterly</i>
<b>2Q-2023</b>	
Registration set-up in place	April to June
Appointments for structure in place	
Bank account opened	
PRF key policies for set-up in place	
Risk-centred Development Project Management framework in place	
<i>Project Quarterly reporting to key stakeholders*</i>	<i>Quarterly</i>
<b>3Q-2023</b>	
<b><i>Phase 5: Investment and Project Set-up</i></b>	
Fund Manager selection to take place	July to September
Investor due diligence commences	
Funding starts being received into bank account	
Project processes in place	

Project pipeline identification commences in sub-regions	
<i>Project Quarterly reporting to key stakeholders*</i>	<i>Quarterly</i>
<i>FEMM Status Reporting*</i>	<i>August 2023</i>
<b>4Q-2023</b>	
<b><i>Phase 6: Project Pipeline Approval &amp; Investor Due Diligence</i></b>	
Project pipeline selection takes place (desktop and site visit)	October to December
Project approvals commences for first lot of disbursements	
Project funding documentation commences with Governments	
Investor due diligence completed	
<i>Project Quarterly reporting to key stakeholders*</i>	<i>Quarterly</i>
<i>PRF 1<sup>st</sup> Annual Report*</i>	<i>December 2023</i>
<b>1Q-2024</b>	
<b><i>Phase 7: Project Disbursement &amp; Investor Road-show planning</i></b>	
Project implementation planning commences	January to March
First lot of disbursement to take place	
Investor road-show planning starts	
<i>Project Quarterly reporting to key stakeholders*</i>	<i>Quarterly</i>
<b>2Q-2024</b>	
<b><i>Phase 8: Investor Road-show and Pledge</i></b>	
Roadshow to take place	April to June
Pledge date to be determined	
Successful pledging event completed	
<i>Project Quarterly reporting to key stakeholders*</i>	<i>Quarterly</i>
<b>3Q-4Q-2024</b>	
<b><i>Phase 9: Pledge Received and PRF transitions into stand-alone entity</i></b>	
Pledges agreements completed and pledges tranches received	July to December
Project M&E kicks in	
PRF transitions into stand-alone entity	
<i>FEMM Status Reporting*</i>	<i>August 2024</i>
<i>PRF Annual Report*</i>	<i>December 2024</i>