



PACIFIC ISLANDS FORUM

Session 4: Leveraging climate and disaster risk financing

Topic: Regional initiatives from FEMM mandates

UNESCAP Pacific Forum, 25-26 November 2021



Presentation outline

FEMM regional initiatives: PSIDS debts

Pacific Resilience Facility (PRF)

Conclusion



Addressing PSIDS debts

- Most PSIDS faced slowdown in growth, increased deficits, tight fiscal space
- Situation exacerbated by impacts climate change and COVID-19
- As a result, PSIDS have high debt distress levels as shown by DSAs by IMF and WB
- Some PSIDS have benefited from schemes such as Debt Service Suspension Initiative (DSSI) and IMF's Catastrophe Containment & Relief Trust Fund (CCTRF) but not all because of income status
- FEMM Mandate: Addressing PSIDS debts is a priority issue



Addressing PSIDS debts (cont'd)

2 Components:

1. Debt-for-climate/resilience swaps

- Collaboration with ESCAP
- TA/Consultant is assessing and exploring the practicalities of these innovative instruments.
- Increasing interest from many countries
- Outcomes of COP26 could be important for this work

2. Regional debt conference

- Planned for March 2022 and to be co-hosted with ESCAP
- Platform for debtors and creditors to discuss options for debt relief, restructuring, assurance mechanisms, reforms in debt space

Pacific Resilience Facility (PRF)



To build the Blue Pacific's resilience in the face of more frequent and intense disasters and climate change, the Pacific Islands Forum established a regional financing facility with a goal of US\$1.5 billion

Context



Gap:

- Existing disaster risk financing options are only triggered after a catastrophic event
- Disaster risk preparedness finance for community-level projects to build sustainable and long-term resilience
- Need to finance small-scale/low quantum disaster risk preparedness projects that are not widely supported and financed

Two compelling design issues:

- **Climate Emergency:** Climate change is the greatest threat to the region and there is need to address the extreme vulnerability of communities
- **Debt Sustainability:** A desire not to further contribute to the debt distress of PSIDS

PRF Niche



PRF Niche

1. Unique, sensible, prudent and forward-looking policy option to invest upfront in low-quantum community-level projects;
2. High-impact on the resilience of communities' overtime

Purpose

To provide predictable, sustainable, accessible and accountable funding for disaster preparedness and climate risk resilience-building within vulnerable communities.

Objective

To ensure all our communities are safe and to minimise the loss of lives, and the economic and social impacts from catastrophic events.

PRF could support:



Multi-purpose community halls.



Inter-island sea-lane navigation aids.



Increasing the coverage of Multi-hazard Early Warning Systems.



Building/risk proofing community-based water & energy

Jetties.



Increasing ICT coverage and retro-fitting of ICT infrastructure.



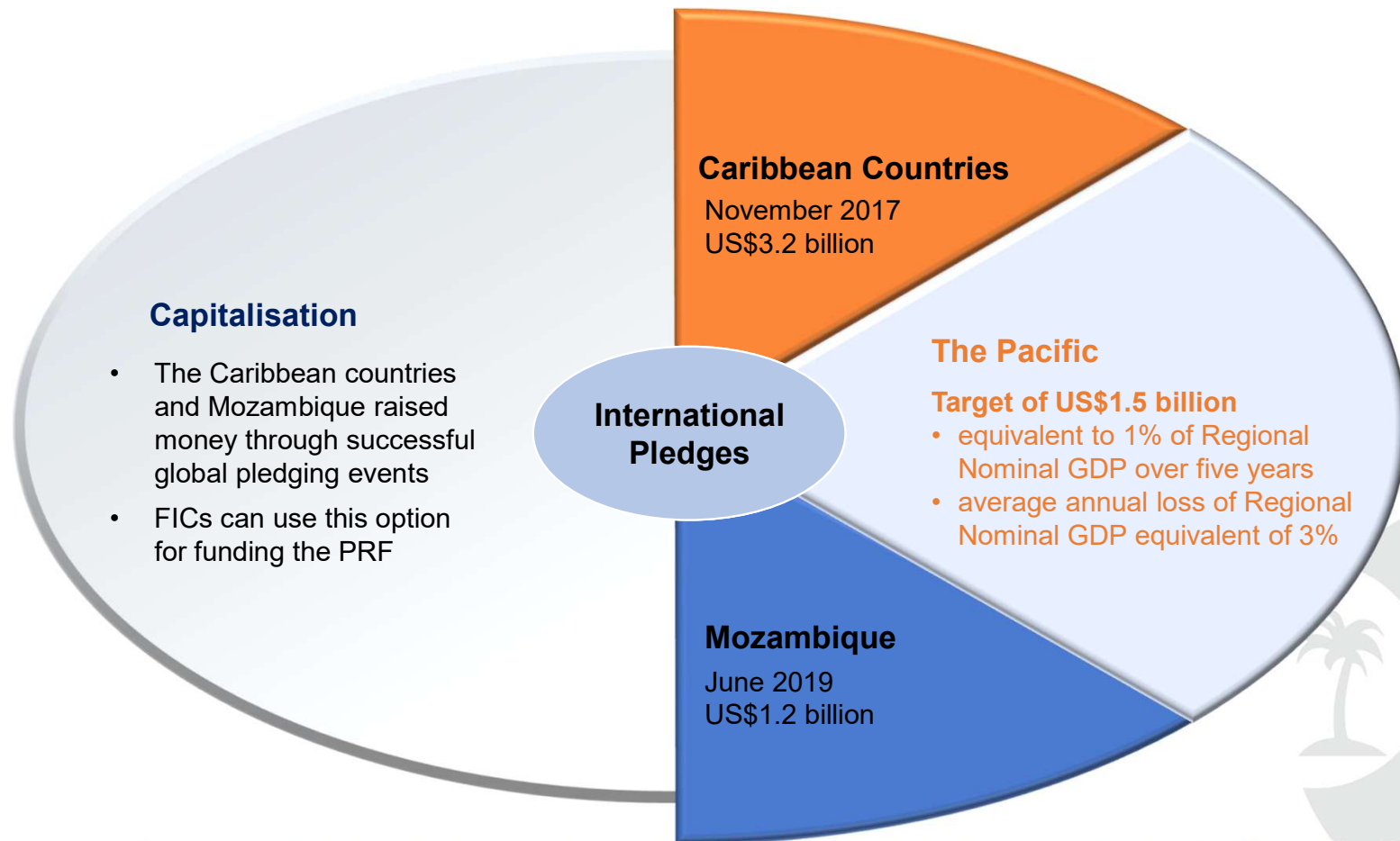
Enhancing natural/ecosystem resilience.



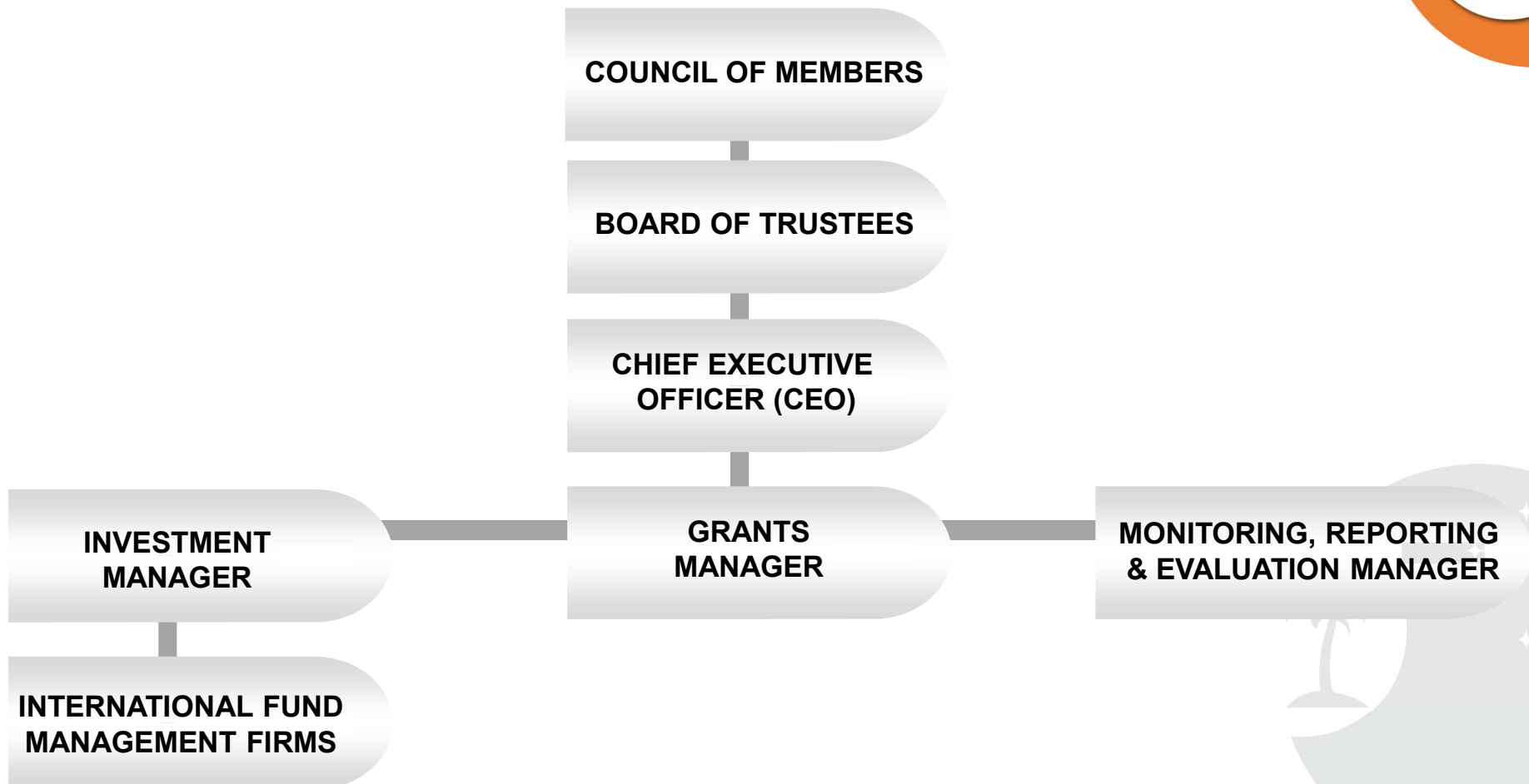
Community disaster emergency and logistics centres.



Capitalisation



Governance



Pre-Global Pledging Event Activities

- Initially planned for October 2021
- Now deferred for a later date in 2022
- Awareness/outreach with PIF Members continues
- Continue to solicit support and commitment for development partners



Conclusion

- Addressing PSIDS debts could free up financial resources tied up in debt servicing for other regional priorities, e.g. health/education
- Debt-for-climate swaps, if operational could be a win/win situation for creditors and debtors.
- The PRF when fully operational, will support PSIDS communities deal with disasters that hit the region every year.
- Getting financial support and commitments to capitalise the PRF is the challenge currently facing PIFS
- Thank you