Disaster Risk Finance Learning Series

Supporting Pacific Island Countries towards strengthened financial protection against disasters.

Virtual Learning Episode 5: Protecting people at risk: Disaster Risk Financing and Climate Risk Financing in the Pacific

Date: 7 February 2023

Summary

Speakers:

- **Mr Krishneil Narayan** (**MFAT)** Senior Development Adviser for Climate Change at the New Zealand Ministry of Foreign Affairs and Trade, Fiji.
- **Ms Lisa Buggy (UNDP)** UNDP Gov4Res project team, supporting a risk-informed development approach across the Pacific, Fiji.
- **Mr Mosese Sikivou (DRM Consultant)** engaged in supporting Disaster Risk Management and Resilience capacity building for Pacific Island Countries, Fiji.
- **Mr Karlos Lee Moresi (PIFS)** Programme Adviser – Resilient Development Finance, Fiji.

Moderated by Eileen Turare (SPC), GEM Division, Project Manager Capacity Building of Hazard and Exposure Database for PCRAFI II, Fiji.

Background

Following a review of the VLEs conducted in 2022 the results of an online survey confirmed strong interest in the conduct of additional VLEs in 2023. The four topics listed below came up very strongly and will guide the VLEs this year:

1.) Climate risk financing and synergies with DRF
2.) Loss+ Damage
3.) Financing Anticipatory Action/ Forecast based Financing 4.) Understanding Risk (Risk Information/ data)

VLE 5, the first for 2023 focused on **Climate Risk Financing** and discussed the differences but also complementariness with Disaster Risk Financing.

Summary of Key Messages and Interventions from Panelists

Karlos L. Moresi, PIFS:

- The VLEs are part of the Disaster Risk Finance Learning Series which commenced in early April 2022 with the objective of creating awareness and enriching the understanding of Disaster Risk Financing across the Pacific Islands region and galvanising support at regional, national and subnational levels
- As of now the DRF Learning Series has included a Media briefing (April 2022), Youth essay/art competition (July – August 2022), a DRF Symposium (May 2022)
- Supporting the DRF Learning Series are a number of knowledge products developed to help increase the understanding of DRF in the Pacific. One such product is An Overview of Climate and Disaster Risk Financing Instruments published by PIFS in https://www.resilientpacific.org/en/technical-working-groups
- The DRF Learning Series is supported by the members of the Pacific Resilience Partnership Technical Working Group on DRF
- Over the course of 2022, four (4) VLEs were conducted by the Disaster Risk Finance Technical Working Group of the Pacific Resilience Partnership. These covered the following topics: ***The Basics of Disaster Risk Financing, Linking early warnings to anticipatory action: changing the way we manage disasters, Absorbing the cost of disasters: common risk retention instruments in the Pacific, Risk Transfer: shifting responsibility of risk***

Mosese Sikivou, DRM Consultant:

- Mosese provided an overview of how DRF sits within the context of development.
- The Pacific is faced by multiple hazards, such as earthquakes, tsunamis, cyclones and also health pandemics. Given the nature of vulnerability and exposure of Pacific communities, hazard impact can result in disasters which in turn can bring about a downturn in the economic and social development
- Investments in resilience building are important to keep Pacific Island countries in an upward trajectory towards more resilient and sustainable development. If investments are scattered or not forthcoming, the pathway back to development following a disaster can be more arduous.
- Disaster Risk Financing is set up specifically to address the needs of governments and communities in the immediate post event period.
- DRF Instruments are set in place before an event and are able to be utlised immediately after to support government (national and local), communities, businesses, farmers and other groups to effectively respond. Disaster risk financing is typically mobilized to assist in the provision of emergency response and humanitarian action
- DRF as it is framed globally, and how it has been shared and communicated to us in the Pacific does not include but is very much linked to other aspects of financing that contribute to

building resilience. For example, Climate Change Financing, Disaster Risk Reduction financing, Recovery Financing and Development Financing are all interlinked and mutually beneficial.

- DRF particularly at the Government level helps to address short-term liquidity to address disaster response, including humanitarian action
- There are 5 different types or categories of Disaster Risk Financing instruments: (1) Preparedness Financing (e.g., Forecast based Financing and Anticipatory Action Financing); (2) Risk Retention (e.g., national disaster or reserve funds); (3) Risk Transfer (e.g., insurance; (4), International Emergency Financing (e.g., soft-trigger financing from multi-lateral development banks like the ADB and World Bank, and; (4) Post Event Policy Options (e.g., funds from national budgets that are re-purposed to support response).

Lisa Buggy, UNDP:

- Stressed again the fact that the biggest challenges in this space is the terminology used and particularly the kind of definitions used for the different financing mechanisms
- In terms of climate finance there is no internationally agreed definition
- Climate finance, refers to local national or transnational financing drawn from a variety of sources specifically supporting both mitigation and adaptation actions that will address climate change
- Climate Risk Financing (CRF) is financing anticipatory and early action for climate hazards, so financing instruments and mechanisms that specifically look at climate change and the impacts of climate change
- In General, CRF can be seen as finance and programs helping governments and vulnerable households to anticipate absorb and rapidly recover from climate shocks
- There is a lot of overlap and confusion around terminologies and other financing mechanisms. The architecture around financing is even more confusing
- One question that has been of particular interest to the pacific is the quantity of climate finance that can be accessed directly by PICs.
- However there is increasing focus on the effectiveness of this finance, including whether funds are reaching the communities
- We should be asking, how we can really think about this more holistically and in a more integrated way. There's different mechanisms and different flows that exist for a reason – how can we be strategic about how to use each of these and when. For example, insurance is a particular mechanism for addressing risk
- Climate Finance needs to be more holistic and strategic. Not creating silos of financing and trying to reduce duplication, which exacerbates issues (capacity, administration issues etc)
- All development initiatives should be cognizant of risks such as climate change and disaster need to also take into consideration gender and social inclusion issues which are at the heart of vulnerability and adaptive capacity
- Good to have a reality check and really look at the quality of financing

Krishneil Narayan (MFAT)

- In October 2021, Aotearoa New Zealand committed to spend NZ$1.3 billion in grant-based climate finance between 2022 and 2025.
- At least half of this climate finance commitment will go to the Pacific region and at least 50 percent will target adaptation.
- The allocation of this funding is guided by the *Aotearoa New Zealand International Climate Finance Strategy – Tuia te Waka a Kiwa*.
- Climate Risk Financing and Disaster Risk Financing, although covering different domains and envelopes of finance, are very much complementary to each other.
- Climate and disaster risk financing tools can help to reduce the financial burden of disaster and climate-related risks in vulnerable countries when combined with robust national risk management efforts.
- An important feature of the various disaster risk financing mechanisms is that no one instrument can cover all eventualities, but a layered approach is preferred given the varying severity, intensity, and frequency of certain events linked to a specific location or country's risk profile.
- Despite Pacific countries exposure to climate change and natural disasters there is a high reliance on reactive financial support organised post-disaster.
- The *Framework for Resilient Development in the Pacific 2017-2030* is the regional strategy that provides the overall approach for building resilience to climate change and natural disasters in the Pacific.
- The Framework recognises the role of insurance in supporting quick recovery of households and micro-, small-, and medium-sized enterprises following a natural disaster.
- Being financially prepared through insurance results in faster post-disaster recovery, rebuilding of livelihoods, and improved levels of resilience.
- The key benefit of climate risk financing programmes is that they enable predictable management of risks through targeted preventive action at the moment when it is most needed.
- This reduces reliance on ad-hoc and reactive resource mobilization following a climate shock, which is the prevailing paradigm in many humanitarian programmes.
- Climate risk financing programmes provide donors with an opportunity to invest in approaches that transform the current humanitarian model, from a repetitive and reactive humanitarian response, towards a forward-looking and proactive risk management model.

For more details and the summary of the Q&A session, please visit https://youtu.be/gIlrUqXeoAU