

# Financing Instruments and Access to Finance

Workshop on Building Resilience  
to Natural Disasters and Climate Change

6 April 2017

# Outline

1. What needs to be financed?
2. What funds are there?
3. How can Pacific countries access funds?
4. What is being done?
5. Issues looking forward

# What needs to be financed?

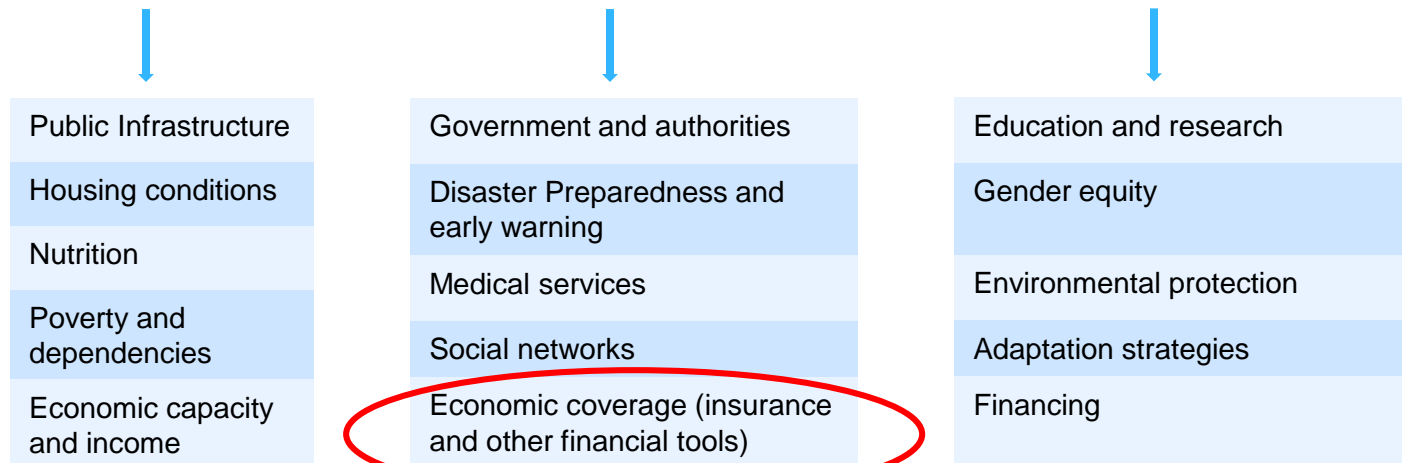
# Understanding risk


Pacific Countries are the top rankers of the World Risk Index

$$\text{RISK} = \text{Exposure to hazards} \times \text{Vulnerability}$$

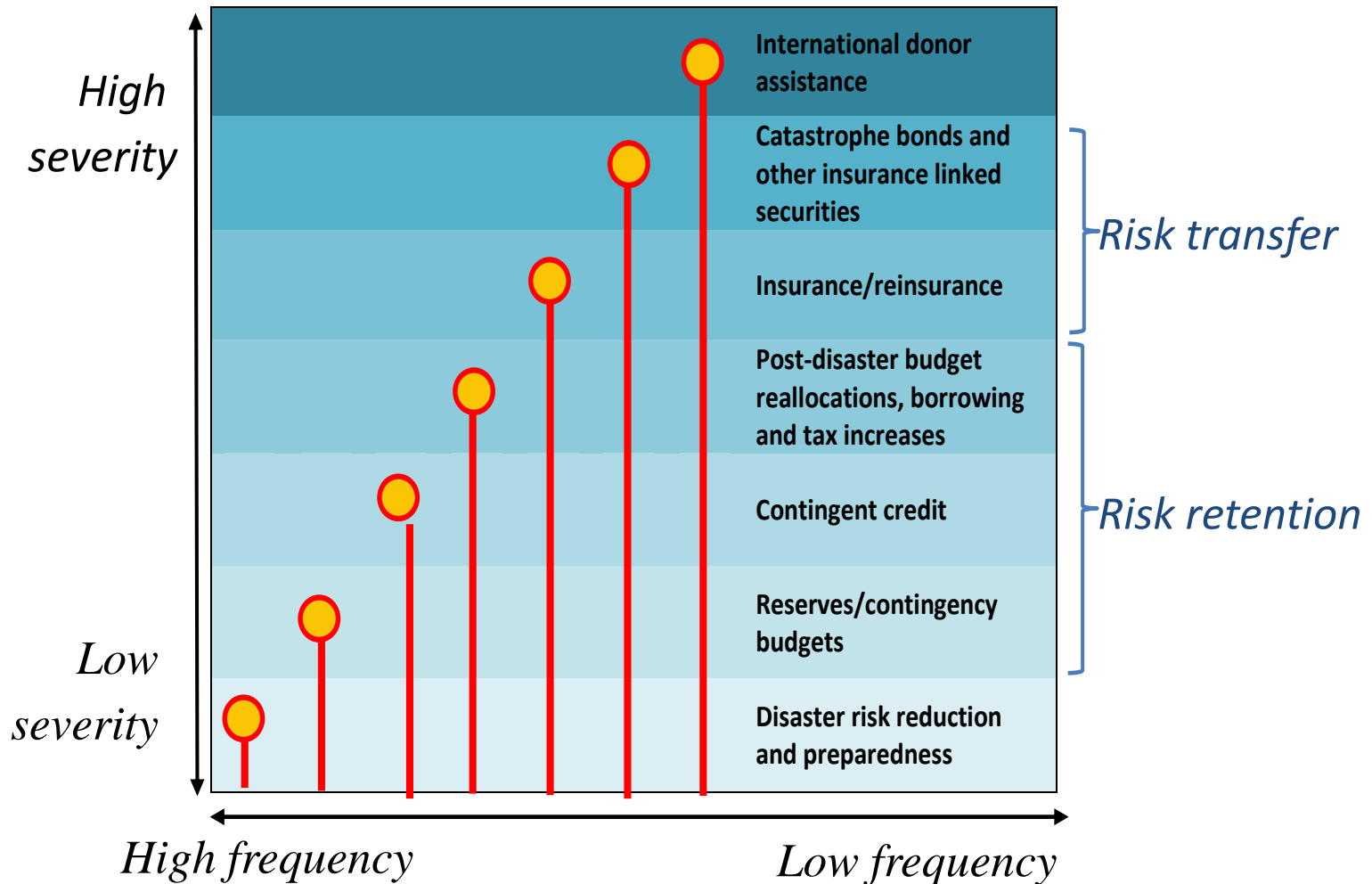
Effective disaster risk management requires understanding of what drives vulnerability

$$\text{VULNERABILITY} = \text{Susceptibility} \times \text{Lack of coping capacities} \times \text{Lack of adaptive capacities}$$



 Risk factor → Small economies

# Risk Layering - Applying Financial Instruments



# ADB's DRM Approach

- \* ADB's Operational Plan for Integrated Disaster Risk Management, 2014–2020
- \* Mainstreaming DRR
  - \* Existing disaster risks and potential changes in extreme climate events due climate change
- \* Core business processes reflect mainstreaming requirement
  - \* Climate risk screening mandatory since March 2014
  - \* Web-based tool for full coverage of climate-related and geophysical hazards
  - \* Guidance materials
- \* Stand-alone DRR interventions enhance disaster risk knowledge and strengthen resilience
  - \* ADB only \$164 million (2005–2014), why?
    - \* Preference to address short-term development priorities
    - \* insufficiently understood
    - \* post-disaster assistance weakens incentives to invest in DRR

# What funds are there?

# What are climate funding sources, and what are their pros and cons of each source?



- \* Country allocations
- \* Internally managed funds (mostly for project preparation)
- \* Externally managed funds (for preparation and implementation)



# Country Allocations

- \* Regular OCR-only countries
  - \* COO and FIJ
  - \* Above a per capita income cutoff
  - \* Amount is rolling average past 3 years approvals
- \* OCR blend countries
  - \* PAL, PNG, TIM
  - \* OCR Factors: Rolling average past 3 years approvals
  - \* COL Factors: Outcome of country performance based assessment, per capita income, and population
- \* COL-only countries
  - \* Factors: Outcome of country performance based assessment, per capita income, and population
  - \* Risk of debt distress determines if receive grants or not
  - \* COL – TON, SAM, SOL, VAN
  - \* ADF Grant only – FSM, KIR, NAU, RMI, TUV

# Internally-Managed Funds

Fund	Date Established	Fund Size (\$ m)	Uncommitted (\$m)
<b>ADB Climate Change Fund (ADB net income)</b>	May-08	<b>59.1</b>	Very little
<b>Urban Climate Change Resilience Trust Fund</b>	Nov-13	<b>140.7</b>	<b>90</b>
<b>Asia Pacific Disaster Response Fund (ADB, from Asian Tsunami Fund)</b>	2009	<b>60.2</b>	<b>6.9</b>
<b>Integrated Disaster Risk Management Fund (Canada)*</b>	Feb-13	<b>8.5</b>	<b>0.5</b>
<b>Disaster Response Facility (ADF Set aside)</b>	Jan 2013	??	??
<b>Disaster Risk Reduction (ADF Set Aside)**</b>	Jan-17	<b>163.0</b>	<b>163.0</b>
<b>Total</b>		<b>858.5</b>	<b>&lt;160.4</b>

\* For South East Asia DMCs only.

\*\* For Pacific countries, \$19.8 million

# Disaster Response Facility (DRF)

- \* Since 2011, \$29 million for 4 projects (Solomon Islands, Tonga, Tuvalu, and Samoa)
- \* DRF supports emergency assistance, restoration, and rehabilitation and reconstruction needs
- \* Assistance provided as grants or loans depending on country's status
  - \* COL-only country can get up to 100% of country's annual Performance Based Allocation (PBA) or \$3 million per disaster, whichever is higher
  - \* Blend country can receive up to 3% of its annual PBA

# ADF DRR Funds

- \* All COL-only countries will receive DRR allocations available as grants or grants and loans

SCOPE of INTERVENTIONS	TYPE of ACTIVITIES
<ul style="list-style-type: none"><li>Multi-hazard approach</li></ul>	<ul style="list-style-type: none"><li>Stand-alone DRR projects focusing on DRR as their primary objective</li></ul>
<ul style="list-style-type: none"><li>Enhance awareness of the scale, nature and potential implications of disaster risk</li></ul>	
<ul style="list-style-type: none"><li>Tackle the root causes of disaster risk</li></ul>	<ul style="list-style-type: none"><li>Discrete DRR components of other grant and loan projects</li></ul>
<ul style="list-style-type: none"><li>Catalyze further investment in DRR</li></ul>	
<ul style="list-style-type: none"><li>Contribute to sustainable development over the longer term</li></ul>	<ul style="list-style-type: none"><li>Integrated DRR measures into structural project design</li></ul>

## Non-structural DRR measures

Measures not involving physical construction that use knowledge, practice, or agreement to reduce risks and impacts, particularly through policies and laws, disaster risk assessments, public awareness raising, training, and education

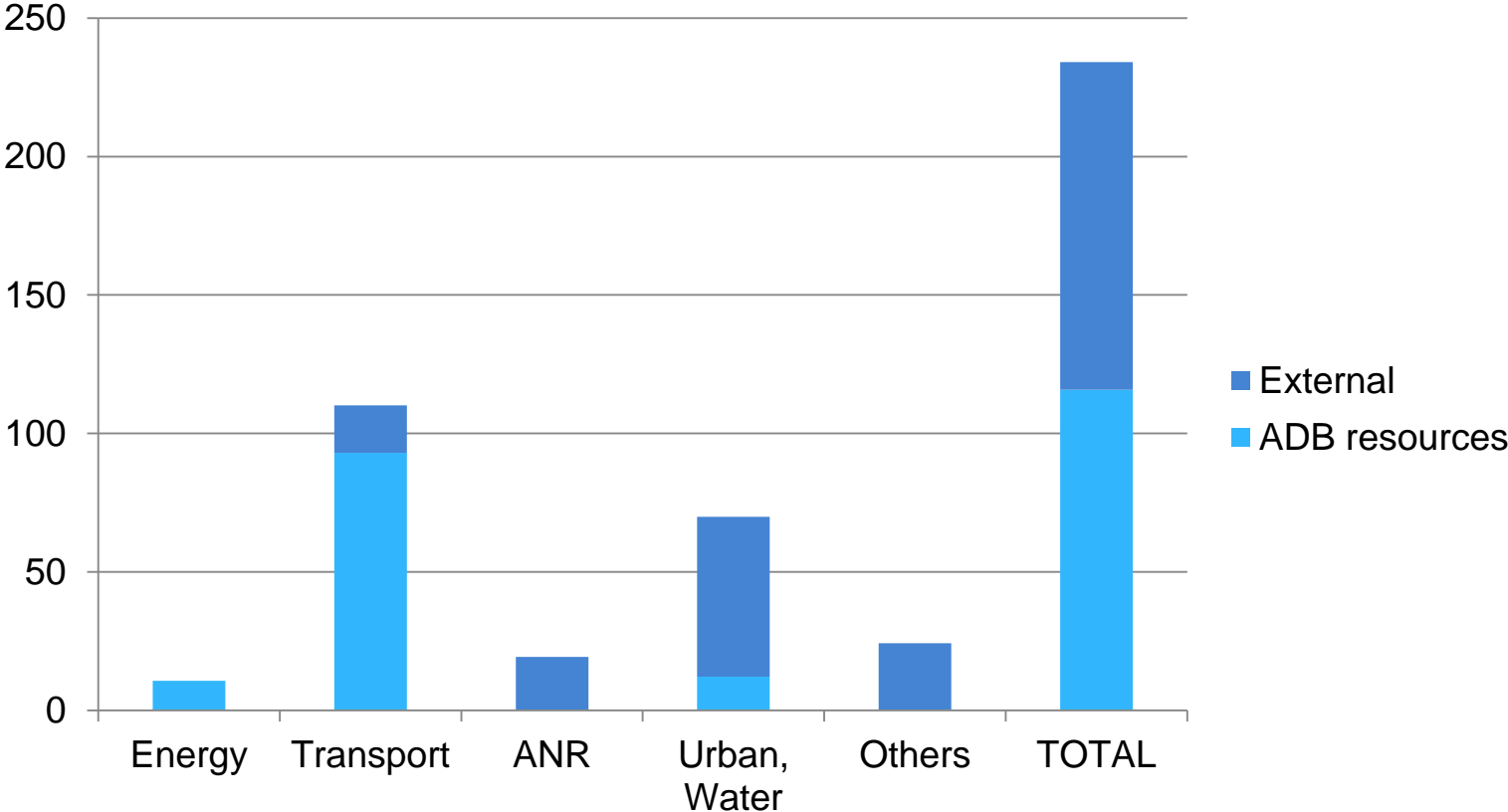
## Structural DRR measures

Entail physical construction and the application of engineering techniques to strengthen disaster resilience

# Externally Managed Funds

Fund	Established	Total Global Fund Size (\$m)	Uncommitted (\$m) est	ADB has accessed (\$m)
<b>A. Climate Investment Funds</b>		<b>8,081</b>	Very little	<b>1,552</b>
Pilot Program for Climate Resilience	2008	1,200	Very little	286
<b>B. Global Environment Facility</b>	1991	<b>7,410</b>	None	<b>134</b>
B.1 GEF Trust Fund	1991	6,127	None	105
B.2 GEF-Least Developed Countries Fund	2002	935	None	14
B.3 GEF-Special Climate Change Fund	2005	349	None	15
<b>C. Kyoto Protocol Adaptation Fund</b>	2009	<b>351</b>	ADB not pursuing	<b>0</b>
<b>D. Green Climate Fund</b>	<b>2010</b>	<b>10,200</b>	9,000 (est)	<b>31</b>
<b>TOTAL</b>		<b>26,042</b>		<b>1717</b>

# Pacific Climate Change Adaptation Funding 2011-2016, \$ million



# How can Pacific countries access funds?

# Accessing funds

- \* Development partner managed funds
  - \* Talk with MDB and bilateral partners to find out what is available
- \* Externally managed funds
  - \* Through implementing agencies for GCF in the Pacific - ADB, IFC, SPREP, UNDP, World Bank
  - \* Working towards direct access, readiness funds



# What is being done?

# Post crisis response

- \* Humanitarian aid
- \* Asia Pacific Disaster Response Fund (APDRF)
  - \* Grants up to \$3 million in event of a natural disaster (includes droughts)
  - \* Quick approval and disbursement for use through budget processes
  - \* APDRF support (2009 - 2016) in the Pacific \$7.4 million
    - \* Fiji, \$4 million (3 grants)
    - \* Marshall Islands, \$0.5 million (2 grants)
    - \* Palau, \$0.2 million
    - \* Samoa, \$1.5 million (2 grants)
    - \* Solomon Islands, \$0.2 million
    - \* Vanuatu, \$1.0 million

# Post crisis response (cont'd)

- \* Drawdown of Special Purpose Funds
- \* Budget reallocation
  
- \* Emergency Loans/Grants
  - \* Uses country allocation + potentially DRF
  - \* 8-12 weeks to approve
  - \* Typically implemented through a project modality
  - \* Fiji Winston



## TON: Cyclone Ian Recovery Project

- Cyclone Ian hit Ha'apai in January 2014
- \$4.52 million (DRF) and \$4.27 million (NZL) for energy and education sector reconstruction, and climate and disaster proofing







# SOL: Transport Sector Flood Recovery Project

- April 2014 flash floods in Honiara and Guadalcanal
- APDRF: \$200,000 for humanitarian relief
- DRF: \$13.22 million for transport reconstruction and climate and disaster proofing





## FIJ: Emergency Assistance for Recovery from Tropical Cyclone Winston

- February 2016:  
62% population affected,  
damage/loss 31% GDP
- APDRF: \$2m for humanitarian relief
- \$50 million in fast dispersing financial support for disaster recovery reconstruction programs







## Example of Climate Proofing: Solomon Islands

- Starting in 2006, the Solomon Islands Road Improvement Project included climate change adaptation measures
- Measures included protection of coastal roads, high-level and long-span bridges, and river training
- Building on the SIRIP experience, ADB helped the government develop a Guidance Manual to systematically consider climate change and its effects in transport sector infrastructure development
- All subsequent projects have included adaptation measures and incremental finance as standard practice



## Example: High Level Bridge in Makira Province







## Example: River Training in Guadalcanal Province







## Example: Flood protection in Timor Leste



# Cook Islands

## Contingent Disaster Financing

- \* Disaster Resilience Program,
  - \* December 2016, \$10 million
- \* Support prior actions
  - \* Policy and institutional DRM arrangements strengthened
  - \* Disaster resilience of physical assets improved
  - \* Disaster risk financing expanded
- \* In event of a nationally declared disaster, can access up to NZ\$13.95 million
  - \* Disbursement-linked repayment schedule



# Issues looking forward

# Areas for further focus

- Improvements in systematic screening and climate /disaster proofing of ADB investments
- Support integration of disaster risk management and climate change adaptation
- Support country processes and mainstream adaptation into development planning
- \* Smarter leveraging of disaster / climate change financing
- \* Cross country collaboration on disaster preparedness
- \* Implementing GCF-financed activities
- \* Wider use of contingent credit
- \* Pilot insurance market development

# Regional Contingent Savings Facility

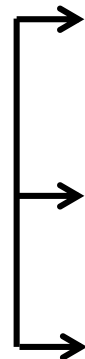
1. ADB concessional finance through PBLs with DRM policy conditions,

2. Countries deposit their PBL in the PDCSF, where funds earn interest

3. External donors may contribute to increase the funds held in the PDCSF



Country  
PBA 1/3  
COL/ADF  
Regional  
2/3



Country 1



Country 2



Country 3



Pacific  
Disaster  
Contingent  
Savings  
Facility  
(PDCSF)

External  
Donors



4. Upon the event of a disaster, a country receives an immediate payout

Countries may make voluntary payments into PDCSF

Thank You