5 Things You Need to Know on Building Financial Resilience in the Pacific

Building resilience to natural hazards, such as tropical cyclones, floods and droughts, has become an important topic in recent years due to their increasing frequency and severity taking place as a result of climate change. It is no secret that countries in the Pacific are particularly vulnerable, but how *can these countries best use financial instruments to increase resilience to climate hazards?*

Here are 5 things you need to know on building financial resilience in the Pacific:

1. *We need more knowledge exchange*

There should be more knowledge sharing to enable peer to peer learning on financial products. This will encourage replication of solutions that have worked in the Pacific region as well as allow for exchange on how financial products can be improved to better meet the needs of various target groups.

As said by Aholotu Palu, the Chief Executive Officer of the Pacific Catastrophe Risk Insurance Company (PCRIC) during the COP26 Resilience Hub's virtual session "Building Financial Resilience in the Pacific" on November 3rd, 2021, "the reason behind the slow uptake of insurance in the region, it's based on two issues, one is affordability and the other one is a lack of understanding, specifically technical understanding of the product or model being used."

2. *Stakeholder engagement is crucial*

It is important to highlight the role of different stakeholders in building financial resilience in the Pacific and the changes that need to take place to enable more involvement from different actors. For example, the Australian Government has undergone a paradigm shift in recognizing the critical role that climate resilience plays in ensuring that development efforts are not set back after a natural hazards strikes. The Australian Government pledged AUD 1 billion to climate resilience initiatives between 2015 and 2020 and exceeded this pledge by committing over AUD 1.4 billion in climate resilience.

Another good example of this is the Pacific Insurance and Climate Adaptation Programme, which is a joint-UN programme being implemented by the UN Capital Development Fund, UN Development Programme, and UN University - Institute for Environment and Human Security through the Munich Climate Insurance Initiative. This Programme works to develop private sector agencies' ability to create and offer climate risk insurance products and trains governments on the role that disaster risk financing instruments can play in building resilience. Tim Gill, the Director of the Climate and Development Integration Unit of the Department of Foreign Affairs and Trade of the Government of Australia, underlined these points, stating "We need to recognize the importance of funding programmes like the Pacific Insurance and Climate Adaptation Programme, as it aims to improve the financial preparedness of Pacific households, communities, small businesses, organizations and governments towards climate change and natural hazards through a combination of stakeholder engagement, co-creation of climate risk insurance and disaster risk financing solutions, awareness and capacity building, and digital linkages."

3. *We need more access to financial instruments and training*

Increasing access to financial instruments like insurance will help ensure that vulnerable populations do not have to deplete their savings or take on expensive credit after extreme weather events.

It is important to consider financial literacy in the equation. As an example, the Cane-farmers' Cooperative Savings and Loans Association (CCSLA) has been working with the Programme to conduct financial literacy trainings and onboard their members that are interested in purchasing climate risk insurance products. CCSLA has also worked a lot with women to understand their needs and ensure that they also have the ability to purchase these products.

Losana Kumar, a Project Lead at CCSLA has stressed the importance of training individuals on financial tools, stating that for their members, in the case of "calamities like cyclones, the most vulnerable target population would be this underprivileged population due to the fact that they do not have any back up plans to secure or assist them post disasters they do not have access to insurance covers and they may not be aware of what these kinds of protections fully entail."

4. *Understanding youth and the way they communicate is key*

Insurers should focus on using communication channels that the youth in the Pacific are accustomed to using in order to raise awareness about their financial products. Social media is growing in popularity among the younger populations in the region, is an ideal platform for sharing information on different types of disaster risk financing instruments.

Sivendra Michael from Pacific Climate Warriors has explained how not investing time and effort to engaging youth on topics like climate finance can affect young people's ability to develop and prepare for the future, saying "The youth perspectives on such critical matters are left out, which perhaps explains why the notion of building financial resilience is not adequately debated or unpacked amongst young people…. Our commercial banks (in Fiji), they do not have enough products to encourage youth entrepreneurship. Their processes and procedures can demoralize young people from investing as well."

5. *We need to involve all governmental agencies*

It is of great importance to have all governmental agencies involved in the planning and execution of financial resilience building initiatives to ensure underrepresented and most vulnerable groups like women, the youth, and the physically challenged are not neglected. Different levels governments, from the national down to the local level have a strategic role to play, whether it is through creating an enabling regulatory environment or facilitating opportunities for partnerships between the public and private sector.

Mosese Sikivou of the Pacific Island Forum Secretariat (PIFS) has emphasized the importance of different stakeholders, saying "For governments, I think they play an important enabling role, it's very multifaceted, they facilitate, coordinate, connect, monitor … and they need to create the correct and appropriate enabling environment for the suite of products and instruments to be developed, focused, and targeted at addressing the issues of vulnerability and risk that our communities face."

Pacific Island States should become more proactive than reactive towards financial resilience and natural hazards. Governments play the key role in setting up an environment that motivates private sector to innovate, develop, and offer financial solutions. Similarly, NGOs have a key role to play in educating and informing their members about these developments, empowering individuals to develop a disaster risk financing strategy that meets their needs. There is also a need for the private sector to provide differentiated financial product offerings that meet the specific needs of different markets as well as to work on the deepening financial literacy and empowering individuals to purchase these products through increased access.

*These and other key points were discussed during the Resilience Hub's virtual session "Building Financial Resilience in the Pacific" as part of their Finance and Investment Day on November 3rd, 2021 at COP26. This event was organized and hosted by the Pacific Insurance and Climate Adaptation Programme, which is a joint-UN programme being implemented by the UN Capital Development Fund, UN Development Programme, and UN University - Institute for Environment and Human Security through the Munich Climate Insurance Initiative. The session brought together a broad array of stakeholders from regional institutions, donors, and local organizations to provide their perspective on the topic. The featured panelists included: Mosese Sikivou, the Regional Coordinator for the Pacific Island Forum Secretariat (PIFS); Aholotu Palu, the Chief Executive Officer of the Pacific Catastrophe Risk Insurance Company (PCRIC); Tim Gill, the Director of the Climate and Development Integration Unit of the Department of Foreign Affairs and Trade of the Government of Australia; Losana Kumar, a Project Lead at Cane-Farmers Co-operative Savings & Loans Association; and Sivendra Michael, who is part of Pacific Climate Warriors and gave the youth perspective.