PROSPECTUS:
PACIFIC RESILIENCE FACILITY

Building Community Resilience in Extraordinary Times

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This document – *Prospectus: Pacific Resilience Facility* – is intended to provide potential donors and partners with an overview of the objectives, niche, specific purpose, structure and organisational arrangements of the Pacific Resilience Facility (PRF).

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EXECUTIVE SUMMARY

The Pacific Resilience Facility is a Pacific owned, led, and designed initiative endorsed by Pacific Islands Forum (PIF) Leaders (Pacific Leaders). The PRF will provide vital investments required to fundamentally reduce the vulnerability and exposure of Pacific communities to disaster risks, from climate change and other hazards. In doing so, the PRF will prioritise investments that will safeguard vulnerable groups, recognizing that disaster risks threaten to exacerbate existing vulnerability and inequality in Pacific communities. The PRF is the first Pacific-based regional fund dedicated to community resilience building. Through an innovative and pioneering approach to disaster preparedness and providing low quantum upfront investments in communities, the PRF will be positioned to respond swiftly and practically to the challenges faced by Pacific communities.

From its inception, the PRF has been driven by the collective efforts of Pacific Leaders and their Finance Ministers to increase investment in disaster preparedness in vulnerable communities. As a regionally-based, internationally-supported, and community-focused fund, the PRF will occupy a unique space in the Pacific's existing finance architecture. The self-sustaining design of the PRF satisfies a key pre-requisite for the fund, being the ability to provide requisite financing required to reduce community vulnerability, without increasing the national debt burden of Pacific Island countries.

For the majority of Pacific Island countries, the rising social, economic, and environmental impacts of disasters is increasing the cost of development and eroding existing, hard won development gains. This situation is further exacerbated in most Pacific Island countries' contexts by limited fiscal space, remoteness to market, and narrow economic bases.

The estimated cost of disasters globally over the last decade exceeded US$3 trillion surpassing that of the previous decade by approximately US$1 trillion.[1] The Asia Pacific region accounted for 44% of those disaster costs.[2] The Pacific region has experienced intensified disaster events which continue to detrimentally affect the lives, livelihoods and wellbeing of the most vulnerable. The Pacific's ability to achieve the 2030 Agenda and Sustainable Development Goals (SDGs) will be highly dependent on the effectiveness of practical resilience-building measures and the ability of Pacific Island countries to implement effective climate change and disaster risk reduction measures at the community level.

Given this reality, and the rising cost of development in the region, Pacific Leaders have accorded the highest priority to protecting vulnerable groups such as women and girls, and

[1] Eckstein, D., Kunzel, V. & Schafer, L. (2018) Global Climate Risk Index 2018, Briefing paper, German Watch, Bonn.
[2] Ibid.

persons with disabilities, who can be disproportionately affected by climate change and disaster risks. Global studies have found that every dollar invested in disaster preparedness can yield an estimated cost saving of up to $7 post-disaster.

Pacific Leaders recognise the financing constraints and the urgent need for a Pacific-specific facility to provide dedicated financing for community-level resilience building and disaster preparedness. Existing disaster risk financing options available to Pacific Island countries are largely triggered after a catastrophic event for post-disaster response, relief and recovery. Consequently, Pacific countries incur additional debt, as they rebuild their damaged and lost public and private assets – exacerbating already constrained fiscal space.

Extensive regional consultations have reaffirmed and reinforced the rationale to directly address community-level disaster preparedness. Pacific Island countries, the Pacific private sector, and communities, acknowledged and identified the challenges involved with securing finance for small-scale/low quantum disaster preparedness projects. Analysis of regional climate finance and development support flows further confirmed that community-level investments have, to date, not been widely supported and financed by development partners.

The niche of the PRF is to fill this critical gap and complement existing financing options, through the provision of predictable, sustainable, accessible and accountable grant funding (with some technical assistance, where required), for community-level projects. The PRF will make upfront investments in projects designed to fundamentally increase community resilience to disaster risks. By scaling up practical, forward-looking, high-impact, investments in community resilience, the PRF will contribute to national level resilience-building by enabling Pacific Island countries to scale-up socio-economic protection in highly vulnerable contexts.

The PRF aims to raise US$1.5 billion (equivalent to 1% of Pacific Regional Nominal GDP (NGDP) accumulated over a period of 5 years) to invest in community-level risk reduction and resilience building initiatives. The funds for the PRF will be raised through international fundraising efforts, including contributions from development partners and philanthropic funds.

The PRF will be a multi-donor funded facility with project operations spread across Pacific Island countries. Noting the urgency of progressing the establishment of the PRF against increasing costs of disasters to Pacific Island countries, the Pacific Leaders have agreed that the PRF should initially be housed within the Pacific Islands Forum Secretariat (PIFS) for the transitional period while the work to establish a fully-fledged independent entity is undertaken. It is estimated that it would take approximately two years to complete the full set-up.

Two operating principles will ensure sustainability:

(1) the capital base of the PRF is to be preserved and grown over time; and,

(2) the total value of disbursements of financial products is to be no greater than the net income generated on the capital base.

The PRF will have a tangible and transformational impact on the livelihoods and wellbeing of current and future generations of Pacific peoples. It will enable them to adapt to the unprecedented uncertainties, changes and challenges that are confronting us. By targeting the protection of people and place, the PRF directly supports the preservation of the cultures and societies that together constitute the Blue Pacific continent (depicted in the following map of the Pacific Islands Forum Member countries).

Figure 1: Map of the Pacific Islands Forum

1.0 INTRODUCTION

1. The increasing impacts of climate change-induced disasters makes building climate and disaster risk resilience an imperative for Pacific Island countries (see Annex 1).

2. Consistent with the *Framework for Resilient Development in the Pacific*[3] (FRDP), the PRF seeks to provide an integrated regional financing solution for small-scale disaster preparedness projects at the community-level. In so doing, the PRF will help address the following challenges:

(a) Limited access to finance for upfront small-scale community-level disaster preparedness investments;

(b) The fragmented nature of existing financing flows and the high transaction costs associated with securing finance irrespective of the quantum of the investment;

(c) The growing need for mobilisation of international private and public finance to leverage additional financing for Pacific Island countries to cover risk proofing new projects and retrofitting existing infrastructure to make these hazards risk-resilient.

3. In recent years, the intensity and impacts of disaster events across the Pacific region have been overwhelming. For example, Cyclone Pam in Vanuatu and Cyclone Winston in Fiji wiped out 65% and 33% of Gross Domestic Product, respectively. More specifically, in the case of Vanuatu, a generation of development gains was lost in a matter of mere hours. Experiences like these, as well as with Cyclone Gita in Samoa and Tonga, have reinforced the view that building resilience to climate change and reducing the impacts of disasters from natural hazard risks are real and present challenges for Pacific Island countries.

4. The current and increasing impacts of disasters have exposed Pacific Island countries and communities to extreme economic, social and environmental costs. In some cases, Pacific Island countries remain in disaster recovery and reconstruction mode, following multiple disaster events. In such cases, Pacific Island countries have and continue to struggle to regain economic stability.

5. Climate change impacts and slow and fast onset disaster events disproportionately affect the poor and most vulnerable in society. Without adequate protection measures, there is a major risk that climate change and disaster risk events will exacerbate and widen income and wealth inequalities and will increase vulnerabilities and exposure in and across the Blue

[3] In 2017, Forum Leaders endorsed the Framework for Resilient Development in the Pacific as a policy framework to guide the work of PIFS, and all policy in the Pacific.

Pacific continent.

6. The increasing intensity of disaster events and mounting impacts of climate change challenges traditional approaches to economic development in the Pacific's Small Island Developing States (SIDS). Increasingly, the direct and indirect losses (see Annex 2) from climate change and disaster risk events have begun to erode development gains and reduce growth in national and regional GDP.

7. The cumulative impacts of disasters (coupled with economic development challenges, long term costs of climate change adaptation and mitigation, and global market volatility) compound the physical and economic fragility of SIDS through temporary and/or permanent losses to the productive economic sectors, and to national public and private infrastructure and assets. For Pacific Island countries, the need to invest upfront in building economic, social and environmental resilience for their sustainable economic development is a fundamental prerequisite for advancing human development and economic well-being. The evidence makes a clear economic case for investing upfront in disaster preparedness.

8. Research has found that $1 in every $3 spent on development assistance is wasted, due to a lack of focus on ensuring investments contribute to overall resilience (Global Resilience Partnership, 2018). At the same time, global research shows that for every $1 spent on building risk resilience, that up to $7 will be saved in disaster response and recovery costs. Furthermore, investments that effectively increase resilience, not only reduce potential losses, but also help to preserve existing economic productivity, and in some cases, enhance it. These positive benefits or 'dividends' of resilience can only be realised if there is the capacity to invest upfront in preparedness and risk prevention.

9. It is important to outline the niche (nature, purpose and role) of the PRF vis-a-vis other bilateral, regional and international climate and disaster resilience initiatives, instruments and platforms available to Pacific Island countries.

10. The PRF will complement existing regional and national disaster risk financing initiatives such as the sovereign parametric insurance offered by the Pacific Catastrophe Risk Insurance Company (PCRIC), the Pacific Financial Inclusion Programme's proposed Pacific Insurance and Climate Adaptation Programme, and Fiji's household insurance[4], as well as the contingent financing instruments offered by Multilateral Development Banks (MDBs), which aim to increase the financial resilience of Pacific Island countries and provide the necessary financial liquidity to meet immediate funding needs post-disaster, reducing the

[4] Fiji's household insurance programme supported by the World Bank Group.

financial burden on individuals, businesses, and governments.

11. The PRF will be an innovative and focused facility for investing in ex-ante resilience in the Pacific and will:

(a) Enhance coordination and provision of regional public goods through a regional financing mechanism;

(b) *Be innately Pacific*. From the determination of the governance structure to decisions on investment priorities, to implementation at country or multi-country levels, the PRF will be defined by Pacific priorities;

(c) Scale-up innovative and "home-grown" solutions, which might not fit the traditional norms of development financing yet, due to high context-specific compatibility and relevance, and will have a profound impact on the lives of Pacific peoples and their economies;

(d) Better respond to the unique challenges of Pacific Island countries, recognising that the challenges the climate crisis brings to bear on the Pacific, must be managed alongside existing development issues, economic constraints, and cultural requirements; and

(e) Provide a further avenue for Pacific Island governments to leverage additional finance, through blending and/or co-financing with other sources of finance and risk guarantee mechanisms, including from local/national, regional and international sources.

2.0 THE OBJECTIVE AND NICHE OF THE PRF

12. The specific **purpose** of this Pacific designed, led, and owned initiative is to provide predictable, sustainable, accessible and accountable funding for community-level disaster preparedness projects.

2.1 The Objective

13. The **objective** of the PRF is to ensure that all Pacific communities are secure and safe, to minimise loss of life, and reduce the economic and social impacts of climate change and disaster events.

14. The PRF will assist communities to finance existing and/or new community-level projects designed to better prepare them for increasing risks of disasters. This support will include, where appropriate, technical assistance. The technical assistance can cover project pipeline development (including but not limited to project design, implementation and

evaluation), depending on the capacity needs identified by the Pacific Island country concerned.

15. While vulnerable people and communities bear the brunt of the burden from climate change and disasters, there are limited available regional financing mechanisms that provide targeted grants to build resilience at the community level through low-cost yet high-impact projects.

2.2 The Niche of the PRF

16. The **niche** of the PRF is its ability to provide low quantum grants upfront for community-level preparedness projects to build disaster resilience, without increasing national debt burden. These small-scale disaster preparedness projects at the community level are not currently widely supported and financed by development partners through any regional or international mechanism.

17. The PRF is well-placed to bridge the gap between humanitarian assistance and economic development efforts through direct grant support to Pacific people to build disaster resilience and preparedness in their communities.

18. Small-scale climate and disaster risk resilience and preparedness projects at the community level that can be sustainably financed by the PRF include:

(a) Community infrastructure such as multi-purpose community halls and logistics centres that can also serve as shelters and evacuation facilities;

(b) Jetties;

(c) Inter-island sea-lane navigation aids;

(d) Increasing ICT coverage and retro-fitting of ICT infrastructure;

(e) Increasing the coverage of Multi-hazard Early Warning Systems;

(f) Enhancing Natural/Eco-system resilience (e.g. increasing and enhancing natural protection measures for coastal communities); and

(g) Small-scale community-based water & energy projects designed to withstand the impact of climate change and natural hazard risks.

3.0 THE BUSINESS CASE FOR THE PRF

19. PRF investments will create tangible gains in community resilience by focusing on climate change and disaster preparedness projects that directly interact with risk mitigation and social protection issues.

20. The PRF seeks to exploit the concept of the 'triple dividend of resilience' by investing in projects that simultaneously reduce potential losses, protect socio-economic productivity, and produce further development co-benefits. The PRF will achieve this by investing in community-level projects designed to fundamentally protect people, and their livelihoods and wellbeing.

21. Additionally, the PRF will prioritise investments that produce co-benefits by helping to achieve more general development targets (i.e. SDGs) and, or by opening up the potential for further additional economic activity or savings (i.e. reduced energy costs from renewable energy, opportunities for local SMEs to be engaged to deliver project outcomes).

22. The Pacific-led, owned and driven PRF will provide critical finance as a self-sustaining, enduring grant financing mechanism for Pacific Island countries.

23. As a regional aggregator of finance and projects, the PRF will be positioned to identify and scale up best practice for community projects.

24. The PRF enters the regional development financing space with a strong regional mandate. The PRF's design has been shaped by decisions of Pacific Islands Forum Leaders and their central commitment to focusing efforts to reducing vulnerabilities and exposure of people, communities, and livelihoods to climate change and disaster risks.

25. Consistent with the vision of an indigenous regional solution to the challenges facing the Pacific, the governance and operational arrangements will reflect the overall orientation of regional ownership and leadership.

26. In summary, the PRF provides a regional platform for Pacific Island countries to:

(a) collectively mobilise appropriate resources for community resilience-building activities;

(b) fill the current gap in the regional finance landscape (i.e. limited/inadequate disaster risk finance for community-level preparedness projects) to complement existing high quantum investment initiatives by Pacific Island countries and development partners (including MDBs) by increasing access to results-based small-scale community level grants; and

(c) engage efficiently with communities, via the appropriate national systems, to streamline simplified processes to develop and implement projects consistent and responsive to the Pacific context and needs.

4.0 LINKAGES TO CURRENT PROGRAMMES & INITIATIVES

27. The PRF has benefitted from extensive consultations and technical analysis in the effort to ensure the design is fit-for-purpose, relevant to the needs of the region and provides low-cost and high impact solutions for disaster risk reduction at the community level. This work has taken place over two years – resulting in the development of a fit-for-purpose facility that will "fill a gap" in the existing development finance landscape in the region. The PRF will complement ongoing programmes by financing small-scale climate and disaster risk resilience and preparedness projects at the community level.

28. There are a number of disaster risk financing options already available to Pacific Island countries from MDBs, such as the following:

(a) **Catastrophe Risk Insurance for Sovereigns** – out of the Pacific Catastrophe Risk Assessment and Finance Initiative (PCRAFI, which commenced in 2007) a foundation in Cook Islands the Pacific Catastrophe Risk Insurance Company (PCRIC)[5] has been established, and currently has four (partner) countries being Cook Islands, Republic of Marshall Islands, Samoa and Tonga[6];

(b) **Sovereign Micro Insurance**[7] initiative which seeks to provide insurance to vulnerable households is being developed for Fiji by the World Bank Group. In addition, the UN Capital Development Fund (UNCDF) and the Pacific Financial Inclusion Programme (PFIP) have also introduced the Pacific Insurance and Climate Adaptation Programme for a number of Pacific countries in which they operate in. International Finance Corporation (IFC) for Fiji (with a view that this may be scaled for offer regionally);

(c) **Contingent Disaster Financing**:

(i) The World Bank Group (WBG) offers a **Catastrophe Deferred Drawdown Option (CATDDO)** – and Samoa and Vanuatu have accessed this instrument;

(ii) As part of the Disaster Resilience Program, the Asian Development Bank (ADB) offers **Contingent Financing for Pacific Island Countries** for

[5] The Pacific Catastrophe Risk Insurance Company (PCRIC)[5] is a captive insurance company based in the Cook Islands dedicated to providing sovereign parametric insurance to Pacific Island governments. The PCRIC's current existing parametric product is focused on wind speed and seismic perils.
[6] Note that initially there were more countries, but Solomon Islands and Vanuatu opted out of this facility noting their specific concerns.
[7] Spatial in nature, that is, linked to geographically high risk or cyclone prone areas in Fiji.

Federated States of Micronesia, Republic of Marshall Islands, Solomon Islands, Tonga and Vanuatu;

(d) **Rapid Credit Facility offered by the International Monetary Fund (IMF)** which provides Balance of Payment Support (to the Reserve Bank of Vanuatu after Tropical Cyclone Pam).

29. These existing disaster risk financing options (refer Annex 3 for more detail) are triggered after a catastrophic disaster event occurs and focus on relief and recovery post-disaster. Instead the PRF will seek to complement these initiatives by focusing exclusively on low-quantum risk proofing new and retrofitting existing community-level investments across Forum Island Countries.

30. Currently, the principal source of funding for disaster preparedness are mainly by government, some donors and through NGOs, and these are typically tagged on to larger scale post-disaster projects like infrastructure reconstruction and etc. Disaster preparedness funding are therefore much lower in the pecking order as a matter of priority and in terms of expenditure flows, due to other pressing priorities in Forum Island Governments' budgets.[8]

5.0 WHAT TYPE OF FUND IS THE PRF?

31. The PRF is a multi-donor funded trust fund. Its funds will be managed by independent and internationally recruited fund managers who will be responsible for investing the core funds of the PRF. The PRF's capital will be invested over the long term and the income generated on that capital (both income returns and capital returns), will be applied to the specific purpose of the PRF (build risk resilience and preparedness of Pacific communities to climate change and disaster risks).

32. The accountability of the PRF's funding will be covered by a rigorous system of project management, monitoring and evaluation including, where required, independent third party audits and reviews.

6.0 CAPITALISATION AND FINANCIAL INSTRUMENTS OF THE PRF

33. The target capitalisation of the PRF is US$1.5 billion (the Capital Base)[9]. The Capital Base will be invested utilising the services of internationally recognised fund managers recruited on a competitive basis.

[8] SPC/PIFS. Pacific Climate Change Financial Assessment Framework Reports for Pacific Island Countries. 2018 - 2019.
[9] Aspirationally, the PRF should raise 3% of the Regional NGDP over a period of 5 years (equivalent to US$4.5 billion), aligning with the average annual losses to NGDP experienced by the Pacific Island countries.)

34. As noted, the income generated off the Capital Base (both income returns and capital returns) will be applied to projects that meet the PRF's specific purpose.

35. The guiding principles for the management of the PRF's Capital Base are the:

- Capital Base of the PRF is to be preserved and grown overtime;
- Total value of the PRF's disbursements to Pacific Island countries is to be no greater than the net income generated on the PRF's Capital Base; and
- Management, reporting and accounting of all funds associated with the Capital Base shall comply with International Financial Reporting Standards (IFRS) in terms of best practices and conventions.

36. With a Capital Base of US$1.5 billion, upon commencement of operations (estimated to be January 2021), the PRF will make an initial triennial funding allocation of US$200 million for the first three years of operation. Of this amount, US$20 million will be retained by the PRF as the initial equity contribution of Pacific Island countries – i.e. the PRF will disburse US$180 million to projects over the first three years.

37. In the financial model we have assumed the initial triennial funding allocation of US$200 million will be drawn down as follows:

US$ Million	**Year 1**	**Year 2**	**Year 3**	**Total**
Total Triennial Funding	65.0	65.0	70.0	200.0
Less PIF Member Equity Contribution	(6.5)	(6.5)	(7.0)	(20.0)
Funds Applied to Projects	**58.5**	**58.5**	**63.0**	**180.0**

38. The Capital Base of the PRF will be managed by the Board of the PRF (utilising the services of quality internationally recognised fund managers) under an Investment Mandate provided by the Council of Members[10].

39. It is proposed that the board terms of the PRF's initial Investment Mandate will be as follows:

- Requires the Board to take a long-term view on maximising returns on the PRF;

[10] The Council of Members will include Pacific Island countries' Ministers of Finance and donors to the PRF. Refer to Figure 4, and paragraphs 96 and 97 of this Prospectus. The transitional Council of Members, its composition and responsibilities, are set out in clauses 10 and 11 of the PRF Transitional Arrangements (Annex 4).

- Benchmarks the PRF's total return against the U.S. inflation rate plus 4% to 5% per annum over the long term;
- Requires the Board to determine an acceptable but not excessive level of risk in targeting the benchmark return;
- Requires the Board to act in a way that:
  - Is consistent with international best practice for institutional investment;
  - Minimises the potential to impact on financial markets of Pacific Island countries; and
  - Is unlikely to cause a diminution of Pacific Island countries' reputation in financial markets.

40. In developing the financial model for the PRF we have adopted the following key assumptions:

Capitalisation	Target of US$1.5 billion accumulated
Disbursements to Pacific Island countries	Disbursements are made on a triennial basis with the initial triennial disbursement at the start of operations (January 2021) being US$200 million. Thereafter, triennial disbursements will be set at the level of 95% of the PRF's net income for the prior three-year period after adjustments (if any) for market volatility.
Equity contribution by Pacific Island countries	US$20 million drawn from the initial triennial disbursement.
Benchmark return – per annum	7% Net Return to the PRF (being US Inflation of 2% plus 5%) after external fund management expenses (see below) and taxes (if any).
External fund management expenses – per annum	The benchmark return of 7% is after external fund management expenses and taxes (if any). External fund management expenses will be negotiated on a case by case basis and are estimated to be in the range of 0.75% to 1.25%.
Management costs and expenses of operating the PRF – per annum	0.65% of the PRF's Capital Base plus 0.75% to 1.25% for fund management fees Total cost of up to 2% of the Capital Base

(including fund management fees)	

41. Applying these assumptions to the financial model generates the following estimates of triennial disbursements to Pacific Island countries:

Disbursement:	**Date**	**US$ Million**
Initial Triennial	January 2021	200
Second Triennial	January 2024	274
Third Triennial	January 2027	286

7.0 PROGRAMMING OF PRF GRANTS

42. The instrument of the PRF will be grants for small scale, low quantum projects aligned to Pacific Island countries' country systems and national development plan (and budgets). Figure 2 depicts the programming of community grants through Pacific Island countries' systems, approval processes, monitoring of projects and transparency of information.

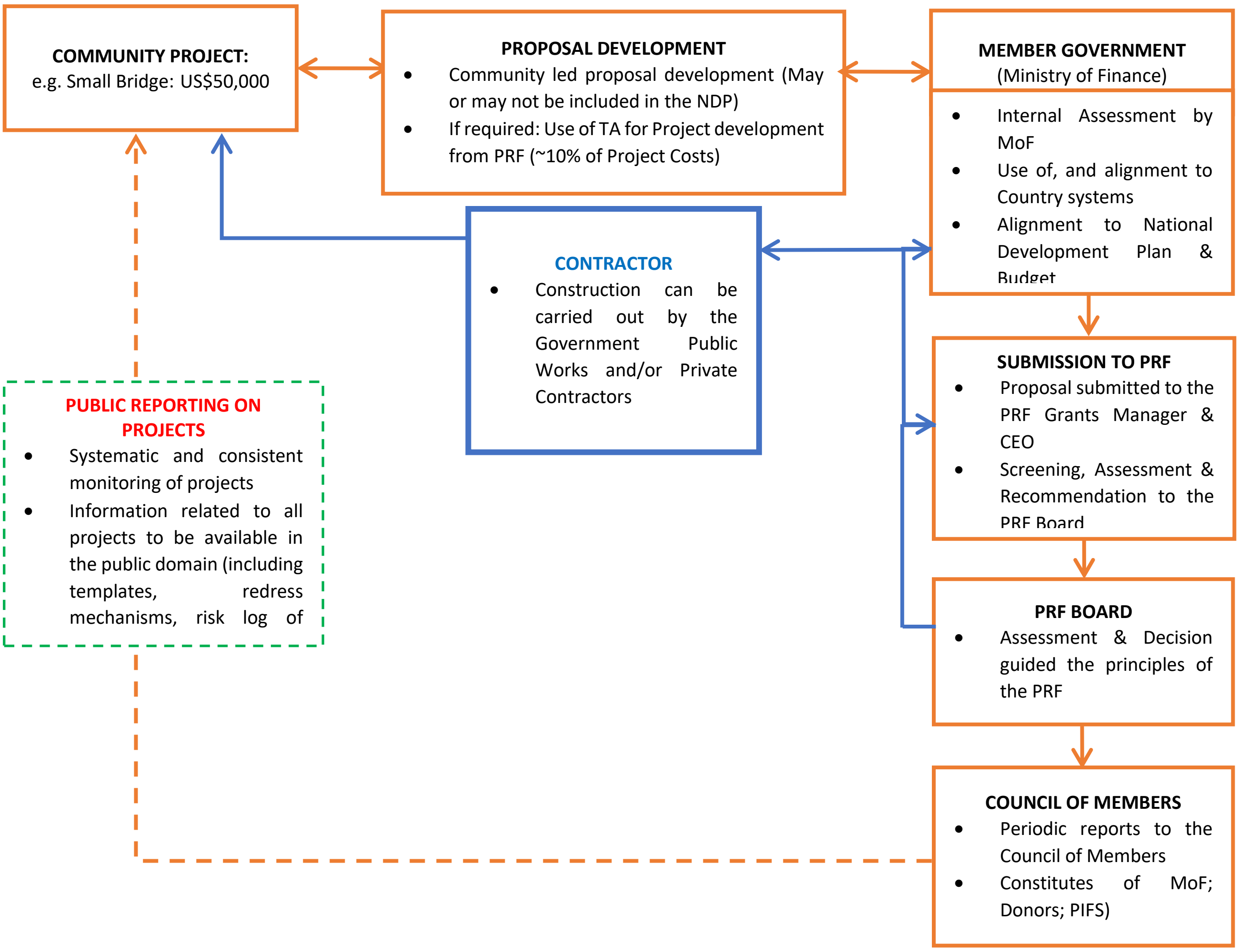
43. PRF projects will be managed by Pacific Island countries using their existing country systems (including Public Financial Management (PFM) systems, oversight institutions, environmental and social safeguards, etc. This will promote greater use of country systems, as articulated under the Paris Declaration on Aid Effectiveness in 2005 and 2008 Accra Agenda[11] for Action to build stronger, more effective partnerships for development.

44. Use of national systems generates greater national and government ownership of projects and their development outcomes. Based on evidence gathered in the region, including through the *Cairns Compact on Strengthening Development Coordination* (Forum Compact) Peer Review process[12] ,decades of development experience in the region show that by-passing country systems and policies weakens a country's ability to strengthen its PFM system and determine its own future.

[11] The 2005 Paris Declaration and the 2008 Accra Agenda for Action commit donors to more systematic use of country systems and to supporting countries in strengthening their financial management systems, procurement, statistics or in the management of technical assistance.

[12] The Forum Compact, adopted by Pacific Islands Forum Leaders at their meeting in August 2009, provides guidelines for accelerating the changes that support existing country efforts towards increased economic growth and social well-being in FIC). One of the mechanisms set up by the Compact is the Peer Review, which brings together officials of Pacific Island countries and development partners to mutually address development challenges. The Reviews look at how Pacific Island countries formulate their priorities, turn them into budgets, implement plans and monitor and report on results; and just importantly, how development partners act collectively and individually to support those priorities and processes.

Figure 2: Schematic of Financial Programming of PRF Community Grants



45. Over the last decade, the Pacific Island countries have made significant progress on their PFM systems (including building capacity of critical oversight institutions). Currently, work is progressing[13] on defining the appropriate[14] *"Fit-for-Purpose"* PFM systems to align with the capacity and small administration size of Pacific Island countries.

46. The PRF will enter into Memoranda of Understanding with Pacific Island countries, laying out the framework for engagement and collaboration between the PRF and the participating country. These MoUs will also take into account any gaps that may exist in national systems and include any necessary mitigating measures, leveraging the technical assistance that is available through the PRF and other partners.

7.1 Project Identification

47. The Board will meet on a quarterly basis; two meetings per year will serve as a Grant Event, considering the PRF's grant making function.

[13] This work is being conducted by the PIFS.
[14] 2019 FEMM Action Plan, paragraph 17(b & c).

48. At each Grant Event, Pacific Island countries will be requested to compile a prioritised list of community-based projects eligible for PRF funding – "the Prioritised List".

49. The eligibility requirements for projects on the Prioritised List will include the following:

(a) Projects must be consistent with the specific purpose of the PRF for upfront investment in climate and disaster risk resilience preparedness projects;

(b) Projects must focus on vulnerable and at-risk communities and use a risk informed approach;

(c) The review and approval process of projects will include consideration of:

(i) Development timeline and project budget (including an allowance for monitoring and audit costs);

(ii) Certification by an appropriately qualified professional of the project feasibility including consideration of materials, time, and labour costs; and

(iii) Best practices in environmental and social standards;

50. Technical assistance will be provided to support the preparation and development of pipeline projects, as applicable. Fully-fledged projects may be submitted for approval to the Board. The PRF will also be flexible to the immediate needs of countries if and when preparedness for imminent disasters are urgently needed. Re-prioritisation and re-programming of agreed projects could also be considered depending on the situation with each concerned member.

51. The PRF's management team (refer to Annex 4) will liaise with Pacific Island countries to review the Prioritised List and confirm eligibility of the projects – "the Confirmed Projects". The Confirmed Projects, along with the drawdown timeline of the project budget, will be presented to the PRF's Board for final approval.

52. PRF Management will maintain a database and a risk log of all the Confirmed Projects and regularly update the quarterly drawdown budget for both actual and projected drawdowns.

8.0 DISBURSEMENT CRITERIA AND MECHANISMS

8.1 Disbursement Criteria

53. The disbursement will be guided by the following methodology:

(a) PRF will make funding allocations to Pacific Island countries on a triennial basis (starting in 2021);

(b) Pacific Island countries will know their allocation at the start of each three-year period and can plan accordingly, with the funds remaining with the PRF until they are drawn down for projects approved by the PRF Board over the three-year cycle.

8.2 Disbursement Mechanism

54. The PRF will make Triennial Disbursements with the initial disbursement, at the launch of the PRF (January 2021), being US$200 million which will be shared equally amongst Pacific Island countries. Thereafter, at three-year intervals, the PRF will determine the Triennial Disbursement for the following three years.

55. The funds for the Triennial Allocation will remain with the PRF until drawn down for approved PRF projects. Pacific Island countries are not required to utilise their Triennial Allocation upfront – they will have access to the allocation at future Grant Events over the remainder of the three-year period.

56. Any unutilised portion of the Triennial Allocation at the end of each three-year period will be retained by the PRF. These unutilised funds can either be added to the base capital or be re-allocated to other Pacific Island countries based on the direction from the PRF Board. Further, any undrawn amounts for approved PRF projects will be rolled over into the next three-year cycle.

8.3 PRF's Financial Scenarios and Assumptions

57. Net return on the PRF's invested capital is 7% (based on long term averages of returns in Australia and the U.S.) after external fund manager fees and taxes have been deducted. The cost of operating the PRF has been estimated at 65 bps (or 0.65%) of the PRF's capital base. At a capitalisation of US$1.5 billion this equates to US$9.75 million per annum. These operating costs include salaries and wages of the PRF's management team and staff, occupancy costs, audit fees, legal fees, Board expenses, and travel costs.

8.4 Drawdown of Triennial Allocations

58. After the approval by the PRF Board of the Confirmed Projects, the PRF will disburse funds to Pacific Island countries from their Triennial Allocation.

59. The quarterly drawdowns will be based on the drawdown timelines of approved projects endorsed by the Board.

60. It is proposed that 10% of the Triennial Allocation will be held in reserve to cover

contingencies, with any unused balance of the contingency reserve at the end of the three-year period being rolled over into the next Triennial Allocation.

8.5 Monitoring of Projects

61. Pacific Island countries will report to the PRF on a bi-annual basis – "the Six-Monthly Report".

62. The Six-Monthly Report will include the following:

(a) Financial analysis on a project-by-project basis and on a consolidated basis of expenditure to date;

(b) Analysis of all variances greater than 10%;

(c) Changes (if any) to the Quarterly Drawdown Budget going forward;

(d) Brief written report on a project-by-project basis; and

(e) Sign off by the Quantity Surveyor (or equivalent).

63. There will be independent monitoring by the PRF as applicable and project evaluation will be undertaken, consistent with best practice.

64. The PRF shall provide appropriate visibility of approved projects, donors and partners (to the PRF), and the work of the PRF more broadly.

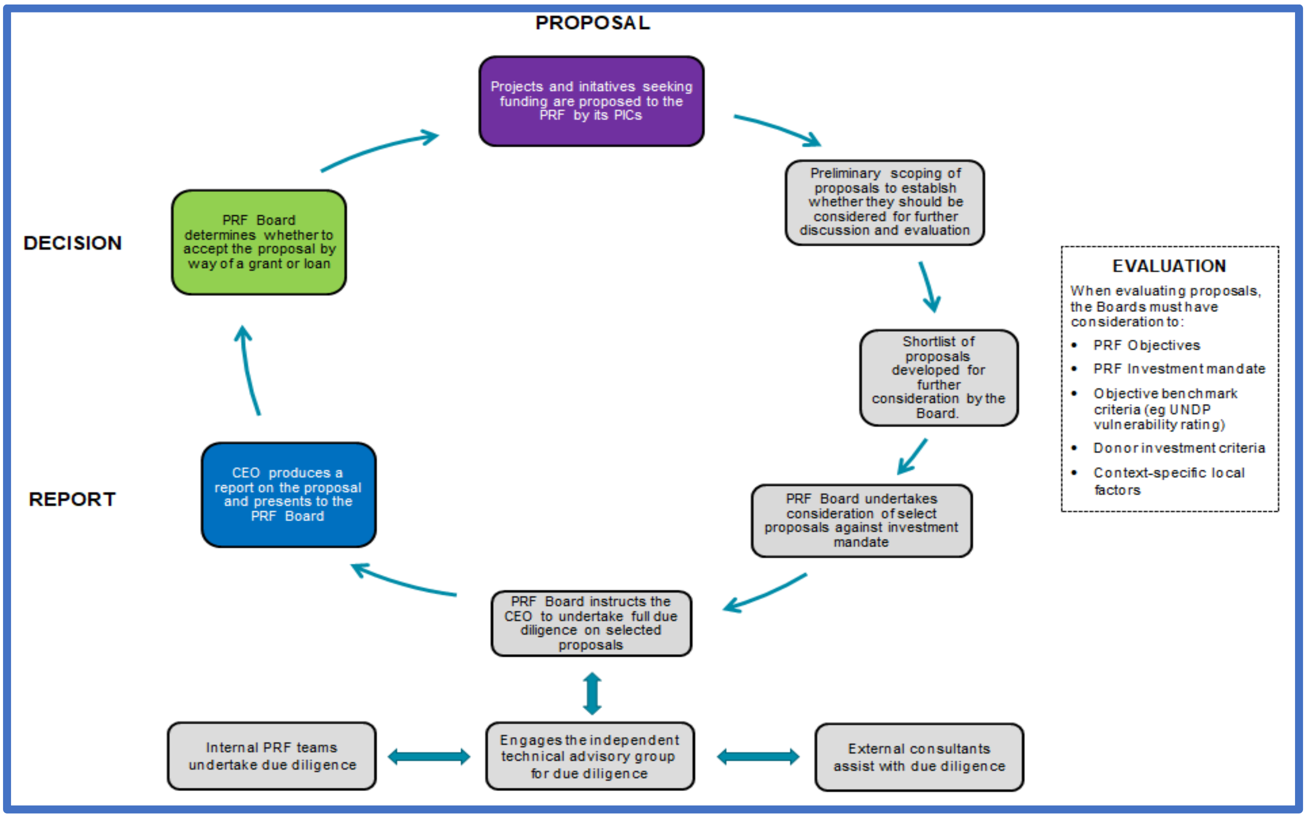
9.0 PROGRAMME MANAGEMENT, MONITORING AND EVALUATION

65. The project cycle of the PRF will be guided by the core principles of: value for money; accountability; and, transparency - with a focus on low-cost and high impact projects for vulnerable communities.

66. As set out in the Governance arrangements (see Section 11.0 and Annex 4), the Council of Members will provide strategic direction and guidance for the PRF. This will reinforce the oversight and accountability responsibilities of the Board of Trustees. Moreover, it will also ensure the project investment portfolio is consistent with the core mandate and operational principles of the PRF in responding to the challenge of enhancing disaster risk reduction.

67. Project approval will comply with international best practice to review submissions ensuring proposals meet the core mandate of the PRF. Projects will be identified and submitted by Pacific Island Governments to the PRF where they shall be subject to a review ensuring they are consistent with the core objective and operational principles of the PRF. The proposed project management cycle is outlined below:

Figure 3: Proposed Project Management Cycle for the PRF



68. The PRF will have a small team dedicated to supporting the project cycle - ranging from identification, review, approval, and monitoring and evaluation. Extra-PRF expertise will be leveraged including from partners, as applicable - to support the project review process. The Board of Directors will have the mandate to approve projects in the PRF. Upon approval by the Board and the formal signing of the project document between the respective Government and the CEO of the PRF, funds will be released for project implementation.

69. The PRF will be monitored and evaluated consistent with global best practice, with a rigorous and systematic approach to project monitoring, evaluation and reporting. A detailed monitoring and evaluation plan will be prepared upon initial establishment of the PRF in the first year of operations, and presented and approved by the Board of Directors. Dedicated resources will be reserved for monitoring, reporting, evaluation and communication of results as an essential dimension of the plan and the annual budget.

70. The PRF will leverage government systems and align to government priorities, plans and targets in the implementation of PRF projects. This information will be used to inform donors and partners on project impacts and outreach. Every effort will be made to utilize gender-disaggregated data.

71. Approved projects will be subject to a systematic and consistent monitoring utilizing

technical staff of the PRF, government's systems and independent verification. PRF projects will be subject to a rigorous evaluation process including independent evaluation. Monitoring and evaluation reports will be presented to both the Board and the Council of Members, to inform programming so lesson learnt can be leveraged.

72. In recognizing the importance of delivering results where it matters, that is, in reducing disaster risks in vulnerable communities, results reporting will be an integral part of the PRF's approach to communication. Given the broad partnership and range of partners envisaged to participate in the PRF, every effort will be made to communicate the results not only in the region but also in contributing countries to ensure requisite visibility can be provided to all stakeholders. Based on the operating principle of delivering value for money, the PRF will utilize low-cost, high-impact approaches to communications and outreach including the use of social media.

73. In line with the need to have some degree of flexibility for rapid disaster preparedness initiatives/projects, the Board will consider Government's needs, depending on the nature of the imminent disaster at hand.

10.0 MANAGEMENT OF THE CAPITAL BASE

74. The organisation structure of the PRF has a Council of Members which appoints an independent Board which will have responsibility for managing the PRF.

75. The Board will establish the PRF's investment guidelines, as per the investment mandate approved by the Council. The Guidelines will cover the risk profile, target asset allocations, geographic allocation, manager allocation and the management of environmental, social and governance issues.

76. The Board will also establish the grants process for the PRF and appoint the Management team who will be responsible for the day-to-day management of the PRF.

77. The CEO will be accountable to the Board and will report to the Board on a regular basis, and the Board will report to the Council of Members on an annual basis.

78. The PRF's Management team will include the CEO, the Grants Manager, the Investment Manager and the Reporting, Monitoring and Evaluation Manager.

79. The responsibility of the Fund Manager will be to manage the capital base of the PRF on a day-to-day basis in accordance with the investment guidelines established by the Board.

10.1 PRF's Fund Management Operations

80. The PRF's Investment Mandate requires the Board to maximise the return on the

PRF's capital base over the long-term.

81. The PRF Board will obtain expert actuarial and asset consulting advice on the asset allocation, the relevant benchmarks to measure the performance of investments and external fund manager selection. Asset classes will include cash, fixed interest, alternative investments (e.g. private equity, direct infrastructure), property and global Equities.

82. The PRF will appoint an independent custodian through a competitive process, to hold title, in Trust, to the assets of the PRF. For example, the PRF's main bank account(s) and other investments. All donor funds for the capitalisation of the PRF will be directed to the PRF's main bank account which will be held in Trust by the custodian. This account will be used, under 'proper instruction' from the PRF fund management executives to the custodian, to transfer funds to the external fund managers to invest. The account will also be used to receive funds form the external fund managers as investments are realised. Funds will also be transferred under proper instruction for disbursements to Pacific Island countries and to fund the day-to-day operating costs of the PRF.

83. Once the asset allocations are determined and the preferred fund managers selected, the role of the PRF's fund management executives will be to monitor the performance of fund managers and the performance of the investments.

84. As further capital flows into the PRF from donors, the fund management executives will be required to invest this capital in accordance with the PRF's overall investment guidelines and asset allocation policies.

11.0 ARRANGEMENTS OF THE PRF

11.1 Establishment Agreement (Treaty) for the PRF

85. In 2019, Pacific Islands Forum Leaders endorsed the establishment of the PRF as an international organisation and, in the interim, for transitional arrangements for the PRF to be housed and executed "as a programme of the Pacific Islands Forum Secretariat (PIFS)", pending agreement, ratification and accreditation steps for the new international organisation.

86. Additionally, the decision to house the PRF under the PIFS was also intended to allow the PRF to leverage off the PIFS status as a DAC accredited international organization eligible as a channel to deliver ODA. The DAC has confirmed that the niche/gap that the PRF intends to address [disaster preparedness and risk resilience-building] are indeed ODA-

eligible activities, and that in the interim period when the PRF is housed under the PIFS, that donors can report assistance that benefit countries, using the PIFS as the channel of delivery.

87. Following the capitalisation of the PRF, the process of developing and negotiating the Establishment Agreement (Treaty) for the PRF will commence. The treaty is expected to be a multilateral, legally binding agreement between Pacific Islands Forum Members.

88. As an international multilateral treaty for the Pacific Islands Forum region, it will be developed under the auspices of the PIFS, an established international (inter-governmental) organisation (*Agreement Establishing the Pacific Islands Forum Secretariat* 2000).

89. As recognised by Pacific Islands Forum Leaders, the treaty making process for the PRF is expected to take place during the transitional period to enable a sufficient period for negotiations, including determination of objectives and parameters, negotiating positions, and formal national processes, including consultations, and parliamentary or executive processes for depositing signature and ratification.

90. Upon its establishment as an international organisation, the PRF will establish robust governance arrangements ensuring value for money, accountability and transparency as well as the delivery of low-cost high-impact interventions at the community level. The emphasis in the governance arrangements will be to deliver accountable results whilst having simplified procedures and processes, within a light and agile architecture.

91. The international agreement will also set out a grievance and disputes settlement mechanism.

11.2 PRF Transitional Arrangements

11.2.1 Pacific Islands Forum Secretariat

92. The PIFS is a legal entity, established under the *Agreement Establishing the Pacific Islands Forum Secretariat* (2000). The purpose of the Secretariat, as set forth under the Agreement, is to facilitate, develop and maintain co-operation and consultations between Member governments on economic development, trade, transport, tourism, energy, telecommunications, legal, political, security and such other matters as the Forum may direct.

93. In establishing the PIFS, the agreement confers upon the PIFS the legal status of *body corporate* and vesting in the Secretariat *legal personality* recognised and respected in the jurisdictions of Pacific Islands Forum Member States. The implication is that, as a *body corporate recognised legal personality,* the Secretariat is indeed a legal person, and as such, possesses the capacity to enter into transactions, hold assets, dispose of assets, enter into contracts and agreements and technically can sue or be sued – which enables the PIFS in its

own right to undertake the duties and responsibilities assigned to it under the agreement.

94. In addition to these legal attributes, the Secretariat as such, is also accorded certain privileges and immunities in the jurisdiction of Forum Members. In this regard, the Secretariat is immune from suit and legal processes, and its property and archives, and premises are inviolable. The staff of the Secretariat consists of the Pacific Islands Forum Secretary General, who serves as the head of the Secretariat. It also comprises a Deputy Secretary General and such other staff as may be appointed by the Secretary General.

95. The implications for hosting the PRF in the transitional period under the Secretariat is that the Facility, as a programme of the Pacific Islands Forum, enjoys by extension the benefits, privileges and immunities enjoyed by the PIFS as an entity. This would mean that the PRF, its employees and assets are similarly covered under the benefits, privileges and immunities enjoyed by the PIFS. It is intended that privileges and immunities would be likewise built into the Treaty that is intended to permanently establish the PRF as a standalone international organisation, for these reasons.

96. A relevant example of Transitional arrangements housed in PIFS is the establishment of the Pacific Islands Forum Fisheries Agency (FFA) in 1978. In August 1977, Forum Leaders decided to establish the FFA and directed the interim FFA to be housed under the South Pacific Bureau for Economic Cooperation (SPEC, which was later re-named as PIFS). Transitional arrangements were organised as such until the FFA was established as an international organisation, through its establishment agreement *Pacific Islands Forum Fisheries Agency Convention* (1979).

11.2.2 Transitional Arrangements

97. Consistent with the decision and direction of Pacific Islands Forum Leaders to house the PRF as a transitional arrangement under the PIFS, governance and corporate arrangements are in place to facilitate the transitional arrangements.

98. A comparative analysis or the advantages and disadvantages of the different models has been undertaken and on the basis of this analysis the recommended approach was to establish the PRF as an international organization. This analysis was carried out and presented to 2019 FEMM (Denton Report) and Economic Ministers agreed to the proposed arrangements.

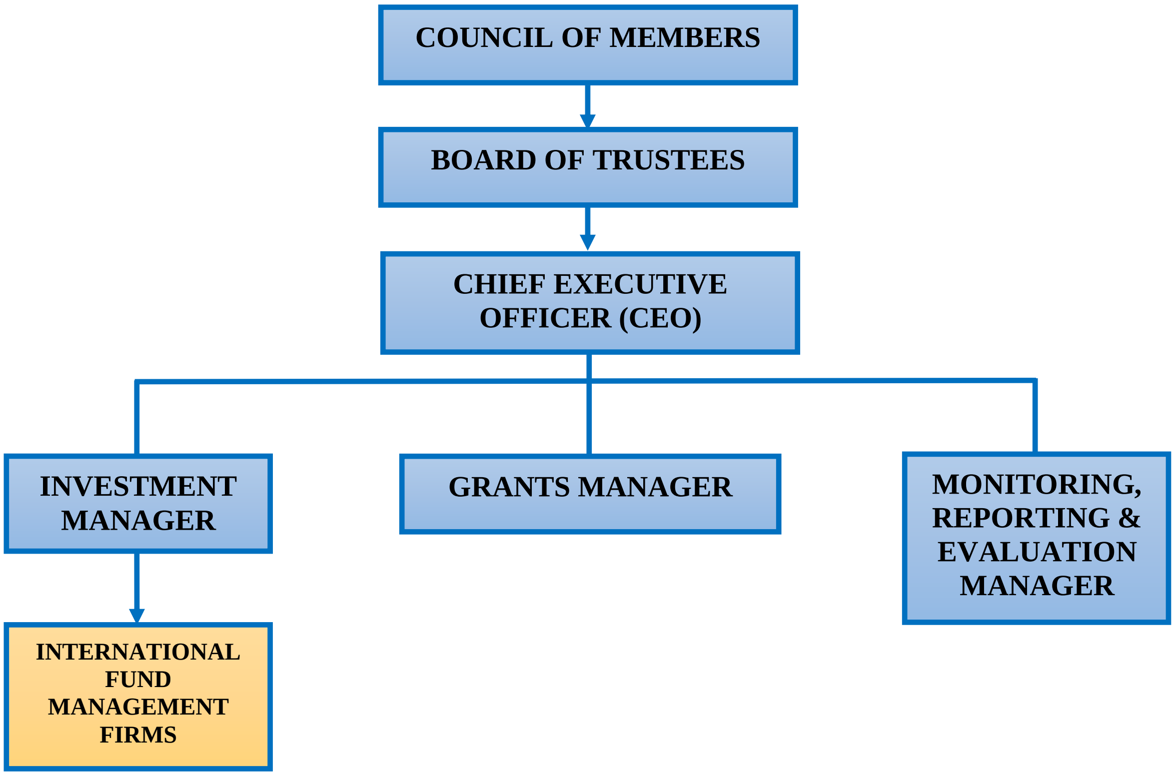
99. Detailed in Annex 4, the framework for the PRF Transitional Arrangements clearly sets out the following mechanisms:

(a) the PRF Transitional Governance Structure:

(b) the PRF Transitional Office, its administration and operation; and

(c) PRF funding, financial provisions, and accountability mechanisms

Figure 4: PRF Transitional Governance Structure



100. The Governance Structure comprise the Council of Members, the Board of Trustees, and the Transitional Office consisting the Chief Executive Officer and other key positions including the Investment Manager, the Grants Manager, and the Reporting, Monitoring and Evaluation Manager.

101. Details of the composition, roles and responsibilities of each of the organs of the Transitional Governance structure are provided in Annex 4.

102. A key component of the Transitional Arrangements is the Memoranda of Understanding that will be signed between PRF/PIFS and Pacific Island countries. The MoU will lay the framework for engagement and collaboration between PRF and Pacific Island countries, including transparency of grant execution and implementation arrangements, and accountability requirements.

103. The Transitional Arrangements are expected to conclude upon completion and fulfilment of all formal and legal arrangements and requirements for the setting up of the PRF as an international organisation. The timeframe for these Arrangements is expected to be two years from January 2021 to December 2022, or until such time as the Agreement

establishing the PRF enters into force.

12.0 IMPLEMENTATION OF THE PRF

104. Following commencement of the development of the PRF initiative in 2017 (refer to **Box 1** for Genesis of the PRF), extensive consultations have been carried out with key stakeholders such as PIF Members, the private sector, civil society organisations, MDBs and institutions, development partners of the Pacific region, as well as the Pacific Ambassadors in Canberra (Australia), Wellington (New Zealand) and New York (USA). These consultations have played a significant role in informing the development of the PRF, which led to its endorsement by Forum Leaders in August 2019.

105. Since October last year, a series of extensive consultations within PIFS, with the TWG and major development partners were undertaken on the PRF. These culminated in the development of the draft Prospectus and the Transitional documents from early this year which were the basis for subsequent consultations until February.

106. However, the onset of the COVID-19 global pandemic has seriously affected the agreed timeline and schedule of activities. These have now been revised and tentatively projected only to the next few months, in cognizance of the uncertainties surrounding the still unfolding repercussion of the pandemic. The approach therefore is to consolidate the technical documentation that will underpin the PRF's governance and operations for endorsement by FEMM in July 2020 and Forum Leaders in August 2020, in the lead up to the planned 2020 Global Pledging Event (subject to the changing global landscape on the impact of the COVID-19 pandemic, including travel restrictions):

February 2020	**Endorsement of the PRF Prospectus** • By the PRF-TWG from 17 to 19 February **Special Meeting of the PIFS Forum Officials Audit and Risk Sub-Committee** (ARSC) (28 February) to consider and provide feedback on the draft PRF Transitional Arrangements
March 2020	**Independent Assessment** of the PRF Prospectus by an Independent Review Panel (IPR) of consultants • Concluded by early April

April – July 2020	Following on-set of COVID-19 pandemic, and resulting re-shuffling of PIFS activities and resources, as well as border restrictions and work from home arrangements, the PRF Team undertakes ongoing revisions and refinements to the PRF documents – Prospectus and Transitional Arrangements – as per the feedback received from the ARSC and the IPR. In direct response to the COVID-19 pandemic, further work was undertaken to analyse and advise on the possible inclusion of **"pandemics"** in the scope of the PRF, as well as to revise implementation timelines. **Endorsement of the PRF Prospectus and the Transitional Arrangements, including revised timelines** • FOC, July 2020 • FEMM, July 2020

12.1 Post-Global Pledging Event Activities (Jan – June 2021)

107. The timing of the Global Pledging Event has been revised to November 2020, subject to clarifications of post-COVID-19 ramifications on PIFS's schedule of activities to end of 2020. PRF donors will be consulted in order to agree the way in which pledges will be actualised over an agreed period of time. This will be completed through a systematic approach, which will include the registration and management of pledging commitments from donors at the Global Pledging event, as well as the preparation and finalisation of necessary documents and proposals relating to establishment of the PRF.

108. An update on post-Global Pledging Event progress shall be submitted to the 2021 FEMM and the Forum Leaders' Meeting for consideration.

109. Decisions derived from these key meetings are expected to include a decision establishing the Council of Members (which will include Pacific Island countries' Ministers of Finance and donors to the PRF) and a decision relating to the delegation of appropriate powers to establish the expected organs of the governance and management structure of the PRF.

110. Accordingly, the following key activities have been scheduled as follows:

Nov – Dec 2021	• Negotiations and development of contracts for PRF Pledges
Dec – Jan 2021	• Working with PRF donors on the Actualisation of their pledges to the PRF • Begin developing, including engagement with Pacific Islands Forum Members, the Establishment Agreement of the PRF as an international organisation
Jan – Feb 2021	• Implementation of PRF Transitional Arrangements, including Council of Members and the Board of Trustees
Feb –June 2021	• Recruitment begins for the Management Team for the PRF Transitional Office – Chief Executive Officer, Investment Manager, and Grants Manager • Fund management contract finalized • PRF funds invested with Fund Manager • Setup and logistical arrangements for the PRF Transitional Office within PIFS

12.2 PRF transition to an International Organisation

111. As envisaged by Forum Leaders and Economic Ministers, the transitional operation of the PRF is scheduled to commence operations from June 2021. During this transition phase, the Transitional PRF Board will also be working on the transition to an OECD-DAC[15] accredited international organisation domiciled in a PIF Member States jurisdiction. It is expected that this independent international organisation will succeed the Transitional PRF structure and arrangement from June 2023.

112. Key milestones envisaged include the following:

July 2021	• Council of Members appoint the Transitional Board of Trustees

[15] Organisation for Economic Co-operation and Development – Development Assistance Committee

	• Transitional PRF, including PRF Transitional Office, commence operations (housed within the PIFS)
August 2021	• Relevant policies, plans, and strategies for the PRF Transitional Arrangements are finalised
Sept 2021	• Allocation of PRF quotas to Members and consideration of submitted projects by Pacific Island countries
Jan 2022	• First round of grant disbursements based on decisions of the Board • Henceforth, bi-annual disbursement of grants
Nov 2021–Feb 2022	• Consideration and endorsement of the transition plan of the PRF into an international organisation by the Forum Leaders and FEMM
March 2022 – June 2023	• PRF established as a Separate and Independent Organisation • The PRF becomes an OECD-DAC accredited institution

ANNEX 1: GENESIS OF THE PRF

At the 2017 Forum Economic Ministers Meeting (FEMM), the Economic & Finance Ministers requested a comprehensive look at present regional financing models geared to cope with disasters, given the catastrophic impacts of cyclones in the region. Economic Ministers recognised that post-disaster finance space was well capitalised in terms of the various financial support and products available from development partners and Multilateral Development Banks (MDBs).

Given the concern of FEMM, extensive multi-stakeholder consultations were undertaken (including with PIF Members, the private sector, communities and development partners). This revealed the imperative to finance small-scale disaster risk preparedness projects that are not widely supported and financed by major development partners (including MDBs) but are crucial for resilience of the poorest and most vulnerable and risk exposed communities.

Hence, Forum Economic Ministers, guided by the discussion at 2017 FEMM, agreed to work on a simple low-cost high-impact initiative that can deliver real and tangible solutions for safe and resilient communities. Forum Economic Ministers were also keen to ensure that such an initiative minimize the loss of lives and livelihoods & well-being, along with reducing the economic and social impacts from catastrophic events.

At the 2018 Forum Economic Ministers Meeting (FEMM), Economic Ministers agreed to the proposal of the PRF. Economic Ministers requested that further technical analysis be undertaken to establish and operationalise the PRF. This was carried-out under the technical oversight and guidance of a PRF-Technical Working Group (PRF-TWG) comprising Finance Secretaries from Member countries.

A revised PRF proposal with a draft governance and management structure, and financial products, was considered by the Economic Ministers at the 2019 FEMM in May 2019. Economic Ministers welcomed the opportunity for further consultation with Forum Member countries and development partners, and further development of the proposal before a Special FEMM to be held in July 2019, to decide on the immediate and medium-term steps for the PRF initiative which is owned, led and driven by PIF Members.

Further revisions to the PRF proposal by the PRF-TWG and PIFS based on feedback of the Economic Ministers at the 2019 FEMM, culminated in a revised proposal of the PRF, which focuses on providing small scale, low quantum grant funds to the most vulnerable of communities to build resilience to climate change and disaster risks. The revised PRF proposal was considered by the Economic Ministers at the 2019 Special FEMM (25th July 2019).

Economic Ministers endorsed the revised PRF proposal, and agreed to establish the PRF, as well as to mobilise regional and international stakeholders to capitalise the PRF, including through global pledging event. The Forum Leaders fully supported and endorsed the establishment of the PRF at their 2019 Forum Leaders Meeting in Tuvalu mandating PIFS to advance this high-priority initiative.

ANNEX 2: IMPACT OF CLIMATE AND DISASTERS ON PACIFIC ISLAND COUNTRIES

The Global Climate Risk Index 2018[16] reports the extreme vulnerability of 11 Pacific Island countries from extreme weather events from 1997 to 2016. Fiji was classified as one of the three most affected economies in the world from weather related loss events in 2016. Based on the economic losses as a percentage of per unit of Nominal Gross Domestic Product (NGDP) criteria of the Climate Risk Index for 1997-2016, 9 out the 11 of the PICs are ranked in the top 35 at risk countries (see Table 1).

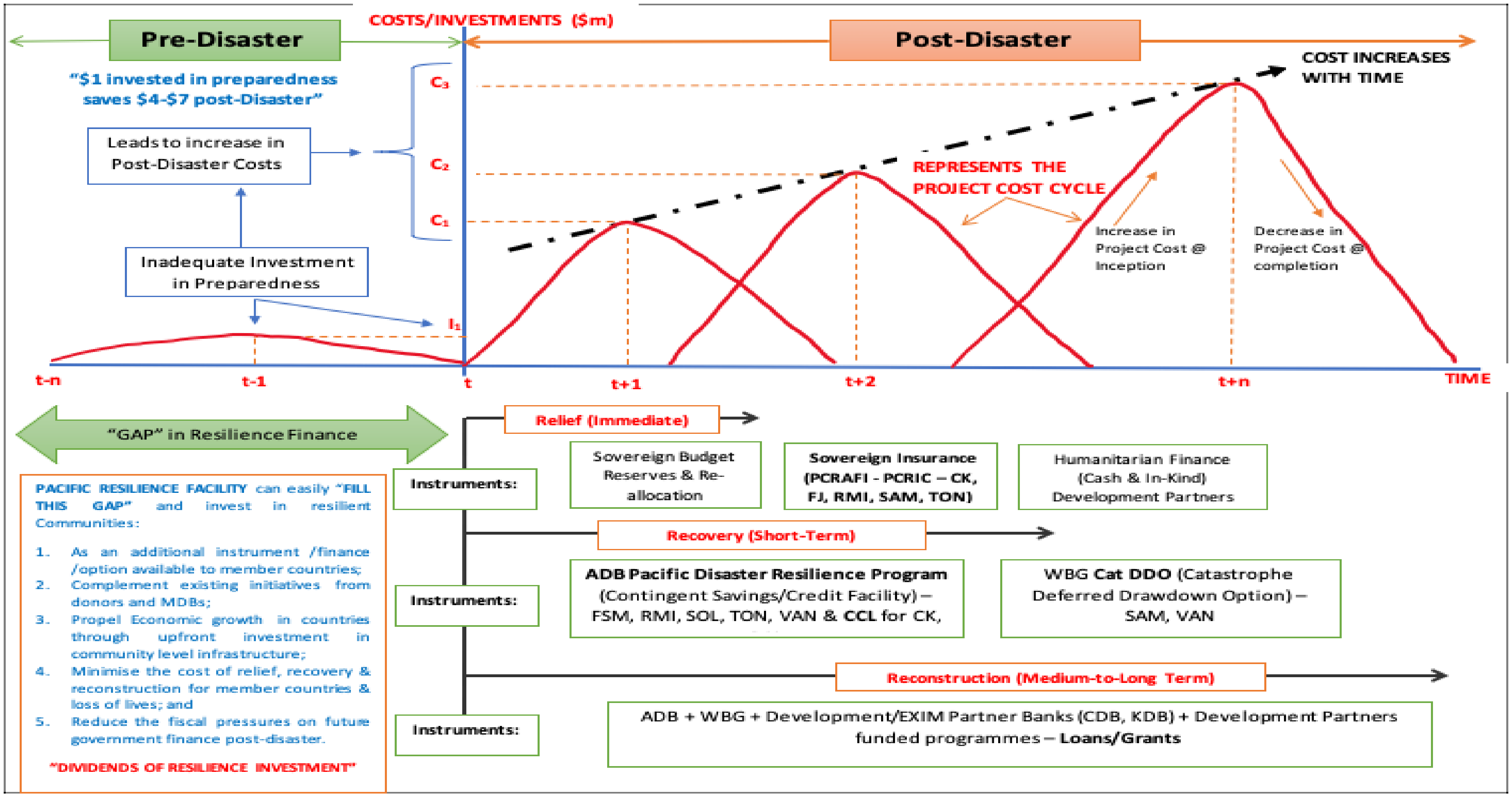
The summation of the selected Pacific Island countries' averages over 1997-2016 shows that these countries have lost around one third (i.e. 31%) of the regional per unit NGDP. These selected Pacific Island countries have lost (on average) around 3% of their per unit NGDP over 1997-2016 due to extreme weather events. Table 1 also shows that average losses per unit of NGDP for the five PIFS Smaller Island States[17] (SIS) are significantly larger at around 5% per unit of NGDP over 1997-2016 and alludes to disproportionately amplified impact on the PIFS-SIS, which have limited resources to build resilience to catastrophic events. The requisite investment to scale-up community level disaster preparedness and resilience is currently not adequately addressed through existing funding sources (see Annex 3).

Table 1: Global Climate Risk Index 1997-2016 Ranking of PICs: Losses Per Unit of NGDP (%)

Selected PICs	Losses US$m (PPP)	Losses per Unit of GDP (%)	
	Avg.	Avg.	Rank
Fiji	119.478	1.974	11
Kiribati	10.607	6.598	5
Rep. of Marshall Islands	9.018	6.664	4
Fed. States of Micronesia	2.474	0.897	22
Palau	0.056	0.025	150
Papua New Guinea	36.831	0.196	73
Samoa	8.600	1.003	17
Solomon Islands	5.667	0.680	31
Tonga	6.870	1.571	13
Tuvalu	2.630	8.500	1
Vanuatu	15.852	2.960	8
Selected PICs Total Average Losses	**218.083**	**31.066**	
o/w Selected PIFS-SIS	**24.785**	**22.683**	
Selected PICs Average Losses	**19.826**	**2.824**	
o/w Selected PIFS-SIS	**4.957**	**4.537**	

[16] Eckstein, D., Kunzel, V. & Schafer, L. (2018) Global Climate Risk Index 2018, Briefing paper, German Watch, Bonn.
[17] Kiribati, Republic of Marshall Islands, Federated States of Micronesia, Palau and Tuvalu are included in this report. Cook Islands, Nauru and Niue are the other PIFS-SIS but not included in the global report.

ANNEX 3: THE NICHE OF THE PRF



Source: PIF

ANNEX 4: PRF TRANSITIONAL ARRANGEMENTS

[To be inserted]