



Mid-Term Review Report of the Pacific Insurance and Climate Adaptation Programme

Jan 2021 – September 2022

Submitted by:



Submitted on:

November 06, 2022

Submitted to:



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Acknowledgments

FinValue Advisors would like to thank the core programme team and MEAL team of the Pacific Climate Insurance and Adaptation Programme (PICAP)¹ as well as colleagues from the Communications, Gender, Finance and Administration teams for providing all the required documentation, and guiding the evaluator by explaining the Programme context, initiatives and functions. The PICAP team provided immense support to the evaluator in scheduling virtual interviews with select stakeholders in the month of September 2022 and organizing an in-country mission in September-October 2022 for in-person interviews with stakeholders, implementation partners, and end-users/clients/non-clients.

We would also like to extend our gratitude to the Programme counterparts and implementing partners who participated in online and face-to-face interviews, namely, the Reserve Bank of Fiji, the Ministry of Economy, the Department of Social Welfare of the Ministry for Women, Children & Poverty Alleviation, Reserve Bank of Vanuatu, Tonga Development Bank, Pacific Island Forum Secretariat, PCRIC, University of South Pacific, MFAT, DFAT, UNDP, UN Women, WFP, UNDRR, MCII, AP Climate Partnership, ITGalax, Sun Insurance, FijiCare, Tower Insurance, WRMS, MCII, Vodafone and Digicel.

Our special thanks to the aggregator partners - Fiji Coconut Millers Limited, CCSLA, Nature's Way Cooperative, Fiji Rice Ltd, Pacific Disability Forum, Tailevu Dairy Federation, Consumer Council of Fiji, and Sugarcane Growers Council - who not only provided their perspective about the Programme, but also mobilized members/non-members in their network for client interviews.

Finally, we would like to express our appreciation for the members/non-members of aggregator partners who participated in in-depth interviews and Focus Group Discussions and shared their experiences freely with us on the economic losses caused to them by natural hazards like cyclones, flooding, and heavy rainfall as well as their existing coping mechanisms.

¹ The PICAP is a joint initiative with UNCDF as the lead agency and UNU-EHS and UNDP as the participating agency

Programme Data Sheet

Region: Pacific (Small Island Developing States)

Programme Title: The Pacific Insurance and Climate Adaptation Programme

Financial breakdown (by donor, USD)

Donors	Commitments as per Project Document (ProDoc) - USD	Actual project budget (as at Sept. 30, 2022) - USD
UNDP	50,000	200,000
MFAT	4,000,000	4,000,000
DFAT	N/A	1,540,701
India-UN South-South Fund	850,000	850,000
SIDA	43,500	87,000
UNCDF	N/A	100,000
Government of Fiji (Luxembourg- through the Drua Incubator)	N/A	333,181.77
Un-funded	2,558,871.62	
Total	7,502,371.62	7,110,882.77

* An amount of USD 950,000 has been committed by the Asia-Pacific Climate Finance Fund of BMZ and will be routed through the ADB. The agreement between the parties is yet to be signed.

Delivery against Workstream based on Annual Work Plan

Donor	2021 Target	2021 Actuals	2022 Target	2022 Actuals
Policy & Regulation	440,187.00	103,930.20	334,960.00	312,985.63
Digital Ecosystems	598,537.00	598,134.47	639,364.00	430,999.68
Inclusive Innovation	809,741.00	419,129.58	897,532.00	882,082.49
Empowered Customer	487,937.00	306,505.27	457,367.04	774,140.41
MEAL & Communications	416,767.85	280,976.85	559,371.00	281,871.90
Management	218,155.00	137,416.42	362,056.00	347,652.42
Total	2,971,324.85	1,846,092.79	3,250,650.04	3,029,732.53

Question	Details
Executing Agency	UNCDF
Implementing Agency	UNCDF
Key Project Partners	Government of Fiji (through Ministry of Economy; Ministry for Women, Children and Poverty Alleviation; Ministry of Commerce, Trade, Tourism, and Transport) Reserve Bank of Fiji, Reserve Bank of Vanuatu, FijiCare, Sun Insurance, Tower Insurance, Vodafone, Digicel, ITGalax, Tonga Development Bank, etc.
Project Duration as per the Programme Document	January 01, 2021 – December 31, 2022 (Inception Phase) January 01, 2023 – December 31, 2025 (Scale-up Phase)
Evaluation Date	October 28, 2022

Other UNCDF projects in the country: Pacific Digital Economy Programme (PDEP)

Previous UNCDF project (if relevant): Pacific Financial Inclusion Programme (PFIP)

Table of Contents

ABBREVIATIONS & ACRONYMS	1
EXECUTIVE SUMMARY	2
1. PROGRAMME CONTEXT	10
2. PROGRAMME DESIGN	11
2.1 BACKGROUND	11
2.2 PROGRAMME APPROACH AND CONTOURS	11
3. EVALUATION DESIGN	14
3.1 PURPOSE AND OBJECTIVES OF MID-TERM REVIEW	14
3.2 APPROACH	14
3.3 THEORY OF CHANGE	14
3.4 SCOPE OF EVALUATION	15
3.5 EVALUATION FRAMEWORK	15
3.6 DATA COLLECTION	23
3.7 SAMPLING	23
3.8 DATA ANALYSIS	24
3.9 LIMITATIONS TO THE STUDY	24
4. PROGRAMME IMPLEMENTATION – CURRENT STATUS & OBSERVATIONS	25
4.1 PROGRAMME ACHIEVEMENTS AND STATUS	25
4.2 KEY ACHIEVEMENTS OF THE PROGRAMME	26
4.3 RESULTS DASHBOARD	29
4.4 QUARTERLY PROGRESS AGAINST INCEPTION PHASE TARGETS	30
5. EVALUATION FINDINGS	36
5.1 RELEVANCE	36
5.2 EFFECTIVENESS	44
5.3 EFFICIENCY	51
5.4 SUSTAINABLE	54
5.5 TARGETED	58
5.6 REPLICABLE	60
5.7 EXTERNALITIES	62
6. RECOMMENDATIONS	64
7. ANNEXURE	65
COUNTRY CONTEXT	65
LIST OF STAKEHOLDERS CONSULTED	67
LIST OF CLIENTS/BENEFICIARIES/NON-CLIENTS INTERVIEWED	68

Abbreviations & Acronyms

Acronym	Item
AWP	Annual Work Plan
CCF	Consumer Council of Fiji
CCSLA	Cane Farmers' Cooperative Savings and Loan Association
CDRF	Climate Disaster Risk Financing
CDRF	Community Disaster Resilience Fund
CDRFI	Climate Disaster Risk Financing and Insurance
DFAT	Department of Foreign Affairs and Trade, Australia
DSW	Department of Social Welfare
FCML	Fiji Coconut Millers Limited
FL	Financial Literacy
FRL	Fiji Rice Limited
GE	Gender Equality
GESI	Gender Equality and Social Inclusion
HR	Human Rights
KIIs	Key Informant Interviews
M&E	Monitoring & Evaluation
MCII	Munich Climate Insurance Initiative
MFAT	Ministry of Foreign Affairs and Trade, New Zealand
MSME	Micro, Small and Medium Enterprises
PCRIC	Pacific Catastrophe Risk Insurance Company
PDEP	Pacific Digital Economy Program
PDF	Pacific Disability Forum
PFIP	Pacific Financial Inclusion Program
PICAP	Pacific Climate Insurance and Adaptation Programme
PICs	Pacific Island Countries
PIF	Pacific Island Forum
RBF	Reserve Bank of Fiji
RBV	Reserve Bank of Vanuatu
RFA	Request for Application
SCGC	Sugarcane Growers Council
STEERER	Sustainable, Targeted, Effectiveness, Efficiency, Relevant, Externalities, Replicable
TDFCAL	Tailevu Dairy Farmers Cooperative Association Limited
TOC	Theory of Change
TOT	Training of Trainers
UNDRR	UN Disaster Risk Reduction
WFP	World Food Programme
WRMS	Weather Risk Management Services

Executive Summary

Programme Context

The Pacific Small Islands Developing States (PSIDS) are highly prone to climate change and natural hazards. Over the last more than 60 years, extreme weather-related events in the region have affected approximately 9.2 million people, resulting in about 10,000 reported deaths and damage costs of around US\$3.2 billion. According to the World Risk Index 2018, ranks five PSIDS countries rank among the top 20 most at-risk countries in the world.

PSIDS have a small population which does not enable them to benefit from the economies of scale. These countries rely heavily on grants, and external loans and have a poor or under-developed disaster-resilient infrastructure. All of this compounds the economic impact of natural disasters on PSIDS and makes them more vulnerable compared to other low-income and emerging economies.

Programme Design

The United Nations Capital Development Fund (UNCDF), in collaboration with the United Nations Development Programme (UNDP), the United Nations University Institute for Environment and Human Security (UNU-EHS), aims to address the above-mentioned challenge through its Pacific Insurance and Climate Adaptation Programme (PICAP). PICAP was designed to “improve the financial preparedness of “Pacific households, communities, small businesses, organizations, and governments towards climate change and natural hazards”.

The Programme aligns with the United Nations Pacific Strategy, UNCDF global strategies, and the respective country’s national development plans, by having a regional focus on Fiji, Samoa, Solomon Islands, Tonga, Vanuatu, and other PSIDS. The Programme also intends to target women, youth, and MSMEs. The design of the Programme allows for a phased approach with the inception phase only focusing on Fiji and Vanuatu (for the first two years).

PICAP aims to build resilience via three (formerly four) workstreams. The three workstreams are: a) Enabling Policy and Regulation, b) Digitally enabled inclusive innovation (formed by merging two work streams, namely - Open Digital Payments Ecosystem, and Inclusive Innovation), c) Empowered Customers.

The Theory of Change (TOC) has identified a common set of activities across all work streams also called ‘ecosystem activities’. It is expected that these activities would allow for a positive change in the mindset and awareness of CDRFI products among stakeholders, specifically, policymakers, the private sector: and development partners. PICAP anticipates that in the medium run, these outputs would translate into a harmonized regulatory approach towards CDRFI products, which would also allow for the deployment of CDRFI products at scale, along with an enhanced value chain at the last mile where development partners would be able to deliver the needed literacy to beneficiaries to allow for enhanced uptake and usage of the CDRFI products. The final anticipated and desired impact from PICAP is the improved financial preparedness and resilience of Pacific governments and communities, specifically vulnerable segments of society and economic sectors towards climate change and natural hazards.

Evaluation Design

The Mid-Term Review (MTR) was designed to assess progress towards project objectives and results in the inception phase through an objective assessment of the Programme; assist UNCDF and key partners understand the relevance, efficiency, effectiveness, likely impact, and sustainability of the Programme; identify key challenges and any factors that may have affected implementation; as well as identify key lessons learned and other emerging opportunities for future programming. The MTR findings and recommendations would be considered to support the Programme’s scale-up in 2023 and beyond.

The MTR was conducted using the theory-based approach to evaluation, which helped in understanding the rationale for the Programme logic. Specifically, the MTR has attempted to analyze whether and how the Programme activities are expected to lead to outputs and outcomes while taking into account the context in which Programme interventions have taken place. It has also factored into the situation created due to the Covid-19 pandemic and the associated restrictions.

To evaluate the progress of the Programme, the comprehensive ‘STEERER’ framework² has been developed. This framework draws predominantly from the OECD-DAC framework that includes criteria such as **R**elevance, **E**ffectiveness, **E**fficiency, and **S**ustainability. Additionally, several nuances that are unique to UNCDF’s approach, strategy, and larger objective for their projects in general, and the PICAP Programme in specific, have also been included. These include additional criteria such as **T**argeted, **R**eplicability, and **E**xternalities. Together, these criteria constitute the ‘STEERER’ framework, which has been used to assess different levels of the Programme’s Theory of Change and intervention logic.

Since the Programme aims to target women, youth, MSMEs, and migrants, the MTR has attempted to assess the issues of gender equality in access and use of CDRFI products; access, and usage by rural and underserved population segments (such as people with disabilities and other vulnerable groups).

The evaluation was conducted right after the end of the first phase of the Programme. It is critical to note that there has been no climate-related incidence/disaster that would have triggered the payouts, and hence, could have helped test the actual implementation of the products and systems being designed. The evaluation hence heavily relies on the data and evidence from stakeholder consultations, and monitoring and evaluation sheets of each partner organization. To this extent, the study is hence purely qualitative.

Programme Implementation – Achievements and Status

PICAP has been able to conduct all specified activities across stakeholders by September 2022. A synopsis of the progress of the Programme against its targets is as below:

- a. The Programme has made visible progress under all indicators of the Results Framework though the progress in Q2 and Q3 of 2021 slowed down due to the restrictions induced by COVID-19.
- b. In concurrence with the target, the Programme has mobilized USD 2,447,518 worth of partner contribution against UNCDF’s grant contribution of USD 2,045,979. The cost-sharing modality of the Programme has ensured ownership from partners where they are invested in the Programme given their involvement of time, money, and human resources.
- c. PICAP’s results measurement framework requires capturing sex-disaggregated data at both the Programme and project levels. The Programme has an overall target of at least 50% gender coverage of its total outreach. However, no targeted efforts were made to design the product per the needs of women.
- d. PICAP has made strategic alliances with UN organizations like UNDRR, WFP, and UN Women, regional partners like Pacific Insurance Forum, PCRIC, and academia like the University of South Pacific to join hands to provide technical assistance, research, and analysis, de-risking financial instruments to expand the Programme operations in other small island developing states and develop solutions to cover low-income people, particularly people engaged in sectors acutely affected by natural hazards like fishing, agriculture, tourism, and MSMEs
- e. It has been successful in forging technical partnerships with global and regional players in the climate and disaster risk financing space. These include partnerships with the InsuResilience Global Partnership (IGP), a2ii, representation in the Risk Finance Working Group (RWFG) under the Pacific Resilience Partnership; and participation at COP 26 in collaboration with MCII, UNU-EHS, and the currently ongoing COP 27.

² Adapted from the OECD-DAC framework by FinValue.

- f. Established an Insurance Hub in 2022 to support the development of inclusive insurance markets in the Pacific.
- g. Has been selected for the International Conference on Inclusive Insurance (ICII).
- h. It has participated in the Asia-Pacific Ministerial Conference on Disaster Risk Reduction (APMCDRR) 2022.
- i. PICAP has engaged with partners based in Europe to give visibility to the Programme by showcasing its achievements and success as well as to explore additional collaboration and funding opportunities for joint climate risk insurance projects, beyond the current Programme in the Pacific.

Evaluation Findings

Relevance

Aligned with the national goals of Pacific Island Countries, PICAP offers a unique yet blanket solution (parametric insurance) for beneficiaries at the last mile, along with knowledge and capacity-building support for insurance providers, the government, and implementation partners. While tackling climate change is not a key element in UNCDF's strategy, PICAP also offers the capability and intention to converge efforts and resources with other regional and bilateral players (such as other UN entities). The products, processes and larger approach adopted across the project would further benefit if the nuanced challenges and needs of women across various sub-segments are studied and need-based modifications are made in the product design.

PICAP is aligned with Fiji's priorities in responding to natural disasters, and the financing gap that the country faces. The Programme has made strategic partnerships with regional forums such as the Pacific Islands Forum (PIF) and Pacific Catastrophe Risk Insurance Company (PCRIC) and found complementarity with each of the two programmes.

PICAP has proven to be a critical lever/trigger that has helped the insurance players come together and work on a new kind of insurance product. In the first phase, the insurance providers (except one) have strategically chosen to target all sub-segments within the broader category of the low-income population. There is an appreciation and understanding, though, among the stakeholders about the needs of various target segments, and their limitations.

The Programme is structured to allow for a very strong level of convergence across different implementing partners, hence helping ensure that partners learn from each other through the possibility of cross-learning initiatives and also through the building of capacities and skill sets.

The most significant initiative of PICAP in this direction has been the provision of support to insurance companies by bringing in a specialized weather risk modelling company to develop the parametric insurance product. The insurance industry in the Pacific had not had any prior experience in offering such a type of index-based product and did not have expert, in-house capacities. The engagement of WRMS to develop the product has helped build internal capacities within the insurance companies. To some extent, it has also helped build the understanding of other stakeholders, particularly aggregator partners, about the features and benefits of parametric products vis-à-vis the conventional indemnity product for climate-related disasters. However, insurance companies need to work substantially to strengthen their expertise, build adequate risk assessment models in-house, and train their human resources to manage index-based/parametric products.

Effectiveness

Activities considered under PICAP are realistic and practical in achieving the desired outcomes. There is a high possibility of the program contributing towards new relevant policies that allow for more avenues of risk mitigation products for the vulnerable. The Programme also allows for a high level of collaboration, convergence, and hence learning across partners, also resulting in an increase in the

capacity of these partners. The Programme has also helped partners network with other players to further capitalize from the product and knowledge developed.

The design of PICAP had appropriately anticipated the likely challenges it might face during the implementation and the likely slow pace of the progress of activities. The proposal to have the inception phase run for a period of two years was therefore grounded in the realistic situation in the country and the region. The persistence of the pandemic and the resultant slowdown of travel and other activities were factored in timely by PICAP.

In the given period, the Programme as a whole has been able to make considerable progress on almost all key parameters and indicators. The Programme initiatives have allowed for the development of an eco-system around the data flows to improve the product, monitor its performance, and develop synergies across stakeholders. It is critical to note that these developments are substantial given the novelty of the product for the region, the lack of supporting data, and the limited/weak capacity of local stakeholders to develop the product, launch, and support it, on their own.

Through the Programme, significant awareness and recognition of the need to introduce and implement climate disaster risk financing in the Pacific (like parametric insurance) have been created among governments, policymakers, regulators, and other sector-level stakeholders.

The Government of Fiji has shown the intent to support this critical aspect of resilience building by extending VAT exemption for the parametric microinsurance premium through its 2021/2022 National Budget (July 2021) announcement. This is seen as a major policy support and an indicator of the government's recognition of PICAP that for the first time such a provision has been allowed even before the product was launched. Likewise, the Reserve Bank of Fiji through its regulatory sandbox has shown considerable proactiveness in testing the parametric insurance product and shows the willingness to make need-based changes in policy and regulatory framework to support the growth of CDRF, going forward.

PICAP's major attention in the inception phase has been focused on developing and launching the flagship parametric insurance product. PICAP has focused on leveraging the power of digital technology to help the implementing partners achieve viability. Hence, there is far greater progress, in tangible terms, in the combined workstreams of an Open Digital Ecosystem and Inclusive Innovations.

On the Policy workstream, there have been encouraging results, especially in terms of sensitizing the policymakers and drawing their attention to the critical need for resilience building through CDRF. As policy changes usually take a longer time to come about, PICAP may be required to put in more effort under the Policy workstream as it expands its footprint into other countries. It is hoped that in the scale-up phase PICAP will have more tangible and evidence-based progress to show under this workstream.

As of now, there is limited evidence to demonstrate the Programme's efforts toward building the capacity of the governments in Fiji and beyond. In the scale-up phase and as PICAP moves into other Pacific countries, it will be called upon to provide more structured and intensive capacity-building support to regulators and policymakers in these countries.

The Programme has helped galvanize the private sector to think beyond the conventional insurance product suite and consider introducing a climate insurance product for the mass market segment. The private sector values the support of PICAP in bringing global technical experts into the country to help local institutions build their capacities in terms of product development, risk management, advanced digital technologies, actuarial services, product pricing, etc. besides developmental initiatives such as

financial literacy training. All implementation partners acknowledge PICAP's in-house subject matter expertise and their willingness to share it with the partners, as needed.

The PICAP follows a Results Measurement Framework (RMF) derived from its Theory of Change. The RMF monitors 19 indicators (most of them being quantitative in nature) across the different levels of the TOC. The Programme RMF also forms the basis for drawing up the Results Plan of individual grant projects. There is a clear pathway through which the indicators in the project-level Results Plan link up with the indicators in the Programme RMF.

As of now the indirect Programme results or the information about sector-level initiatives undertaken by PICAP is captured through quarterly/semi-annual/annual reports. There does not appear to be a centralized repository where qualitative information (not captured through the RMF) is captured and documented. PICAP has generated a wealth of knowledge and experience in the last two years of its operation. The qualitative data and information, if synthesized and analyzed could provide valuable insights to the PICAP team as well as the external stakeholders and inform them on specific interventions, better targeting, improved strategies or risk mitigation measures etc.

Efficiency

Activities considered under PICAP are time-effective, especially when the progress achieved to date is considered. Delays in specific activities and launches in countries have occurred owing to the pandemic, and hence could not be avoided. However, there has been a lack of gender-centricity across Programme nuances, which is likely to be addressed given that the GESI coordinator is now with the team. Specific development partners have expressed a need for increased funding, especially when it comes to enhancing the outreach of the product amongst hard-to-reach vulnerable segments.

Overall the Programme has performed reasonably well in terms of the completion of activities as envisaged in the Annual Work Plans (AWP). In 2021, the Programme reported the completion of 91% of activities as envisaged in the AWP 2021. For the current calendar year, the Programme has reported the completion of 70% of activities up to September 30, 2022. The annual average achievement of RMF targets for 2021 was 108% while for 2022, the average achievement of RMF up to Q3 2022 has been reported to be 100%. The trend analysis of indicators shows that the progress on most indicators has been consistent across the quarters since the start of the Programme.

The Programme has however been quite economical in terms of its budget spends. In 2021, the Programme achieved its AWP performance of 91% by utilizing about 61% of its financial resources allocated for the year. This trend has continued in the current year with the AWP performance of 70% (up to Q3 2022 having been achieved by spending 93% of its budget).

Partners had varying perceptions regarding the reporting requirements by UNCDF as a part of the PICAP. They were of the view that they had very little time to prepare internally to take up a Programme of this type as well as to reach out to clients and conduct awareness and FL sessions before signing them up for the insurance products. Since they have been assigned targets for enrolling customers, many of them have had to struggle to reach the target numbers in a short duration.

The study identified cumbersome and disaggregated reporting formats for partners, which while comprehensive individually, are likely to be challenging for the PICAP team to track, and update. Additionally, it might be prudent to consider aggregation of the larger work plans to help the PICAP team to gather a bird's eye view of the progress made in every quarter. There is scope for PICAP to help make their internal monitoring of the partner performance more comprehensive, and systemic, rather than cumbersome.

Given the ambitious design of the PICAP, the staffing needs to be further strengthened as the Programme is all set to expand into Vanuatu and Tonga in the near future. The second-line managers

are experienced; however, they would need to be supported by a team of junior experts as the Programme scales up and there is a greater need for closer engagement with aggregator partners as well as new partners being onboarded in the Programme.

Sustainable

Through PICAP, relevant products for climate risk resilience are being developed. Since this is a novel product introduced in the region for the first time, it is leading to the creation of new policies as well as guidelines to ensure adequate customer protection. However, the product is yet to be tested at its full capacity. The Programme is offered through specific community organizations at the last mile, that also attempt to educate the segments on financial literacy. However, the quality of the information provided is not found to be relevant, effective and sustainable by both partners and the beneficiaries. Beneficiaries are unclear about specific nuances around the quantum of payout. Existing systems mandate the collection of gender-disaggregated data, however, its utilization and scope are currently restricted given the limited segments to which the product is being offered.

All players, especially insurance providers, are trying to find ways to sustain the product and its associated activities independent of the funding from PICAP, to allow for the development of an exit strategy for PICAP. However, given the lack of a natural disaster post the launch of the product, the exact viability of the concept amongst the beneficiaries is yet to be determined.

The sustainability of the Programme depends on the acceptability of the product without subsidy and funding by market-specific players, affordability of the product at the level of the last mile beneficiary (given the uncertainty of the event occurring), and the regulatory compliance of the product.

Another key risk to the sustainability of the product is the ability of the product to attract a sufficient quantum of reinsurers, especially in the event of a disaster where the product will need to cover beneficiaries in large numbers. While funders are currently satisfied with the progress made by the Programme, and the products launched, it is critical to note that funders cannot have a long-term financing agenda for such programs.

The government of Fiji is cognizant that climate resilience is not a 3 to 5-year project. To make climate resilience a more mainstream topic, a change in the mindset is needed for not only consumers but for providers as well. According to the government, this is likely to take over 10 years to materialize. Pertinent questions raised by the government have included - the need to create a banking and/or financial institution to make the structure sustainable and grow the industry. The government is also looking forward to seeing the response of the market to the newly introduced products via the sandbox which would in turn inform their stance on the extent to which this Programme is sustainable.

Stakeholders are unanimous in their view about the need to continue the Programme even beyond its designated term.

Targeted

The current product offering is more generalized to meet the needs of all beneficiaries in the low-income segment. The product and processes offered are not necessarily gender-centric. No specific nuance for youth as a segment has been looked at as well. This is owing to the larger approach and set of assumptions followed by the Programme that includes – 1. High priority to educate and develop a basic product first, and then develop variants, especially given COVID-19, and 2. The assumption is that the generalized segments targeted include the youth and women and that nuanced variants of the product focusing only on their needs need not be developed. A specific product for MSMEs is under consideration and is being developed.

Replicable

Climate-specific natural disasters are common across countries in the region, however, the nuanced needs of the population, especially the vulnerable, are likely to be different. Hence, while the larger concept of the Programme can be replicated, the product will have to be altered significantly to adequately address the needs of the various segments in different geographies. The Programme staff and the partner organizations have the capability to act as technical support systems for any other region where the Programme wishes to be replicated.

Donors see high value in replicating the Programme in other Pacific Island countries. While they acknowledge that each country brings its own set of challenges, given how PICAP has approached the expansion of the Programme to Tonga and Vanuatu, they are confident that the Programme will be able to align based on contextual factors. Regional partners are also concerned about the possibility of crowding out existing players in regions where the Programme could be replicated, and hence recognize the need to ensure that local players are involved as much as possible. Given the context in the Pacific when it comes to insurance, these regional partners do believe that PICAP will have to undertake significant groundwork to be able to introduce basic insurance products, to begin with.

Externalities

PICAP helps develop clear leads on policy changes owing to the introduction of a new category of insurance products. Through this, there is also an attempt to educate beneficiaries and other stakeholders on the nuances of the product concept, and on progressive technology that could help enhance the implementation, monitoring, and evaluation of the product. Financial literacy initiatives are unfortunately not as effective as desired, and do not result in the beneficiaries understanding the difference between parametric insurance and other typical insurance. The product is offered to segments outside the target group identified in the Programme and hence allows for positive externalities in the scope. Given that the product is extremely new, there is a likelihood of risk for insurance companies, especially if a significantly severe disaster occurs. Additionally, there is a risk of a lack of adequate quantum of re-insurers in case the product is not considered lucrative by them.

The successful deployment of the product will hence ensure the sustenance of employment opportunities despite climate-specific disasters occurring in the future. In the medium to long term, the product has the potential to help build resilience for low-income segments, and also support employment generation by allowing MSMEs to build back quickly in these locations.

Recommendations

There are nine key recommendations that could be critical for PICAP to address, to help make the Programme more relevant to its larger objective and vision. These are:

1. There is an urgent need to re-evaluate the product and its surrounding processes in terms of its gender-centricity for the last-mile beneficiary.
2. There needs to be a higher level of “effective” financial literacy for the last mile beneficiary so that there is an increase in the perceived value of the product for these beneficiaries. This should include ensuring no miscommunication on the larger owner or validator of the product.
3. At the same time, the product needs to be reconfigured to be more affordable given the odds of a natural disaster happening, especially given climate change.
4. There is an urgent need to analyze the climate risks faced by the youth and design a nuanced product for them.
5. Going forward, PICAP needs to adopt a customer journey-driven approach to identifying the needs, pain points, barriers and experiences of different customer segments. This approach will help PICAP identify specific actionable areas that should be pursued under the four workstreams.

6. Greater engagement on the part of PICAP to become a member of government's committees would enable it to influence conducive policy-making by the governments. PICAP should continue to engage more proactively and closely with RBF to maintain a good handle on regulatory issues confronting the central bank and provide them with technical support on appropriate regulatory interventions from time to time.
7. Given the ambitious goal of PICAP of bringing about an ecosystem-level change in the Pacific with respect to climate adaptation and financial resilience building, there is a strong rationale for donors, governments and other development partners to come forward and support the Programme for the next 3-5 years, to help it scale -up and replicate the successful initiative across the region.
8. The sustainability of PICAP beyond the funding commitment by UNCDF is the most critical issue that requires the attention of all stakeholders going forward. Given the complexities involved in establishing an ecosystem that promotes sustainable CDRF in Pacific countries, continued and longer support is needed to help all stakeholders including governments, regulators, the private sector, delivery channel partners, and the customers, at large. To that extent, PICAP and its supporting partners including donors, funding agencies, governments and regulators should explore the possibility of institutionalizing the PICAP beyond its defined life term.
9. It is critical to ensure that the learnings from this Programme are not lost, and hence, are documented in effective, easy-to-digest formats for the consumption of a variety of stakeholders. Learning sessions, and strategic planning exercises should be undertaken with the core PICAP team before replicating the Programme in other geographies given the nuanced context of both the target segments in each country and the product design in specific.

1. Programme Context

The Pacific Small Islands Developing States (PSIDS) comprising 15 independent island countries are extremely vulnerable to climate change and natural hazards, with a wide variety of natural catastrophes (cyclones, droughts, earthquakes, electrical storms, extreme winds, floods, landslides, storm surges, tsunamis, and volcanic eruptions) occurring on an annual basis. Between 1950 and 2011, extreme weather-related events in the Pacific islands region has affected approximately 9.2 million people, resulting in about 10,000 reported deaths and damage costs of around US\$3.2 billion. From 1981 to 2016, there have been 27 Category 5 and 32 Category 4 cyclones which have had significant impacts on the PSIDS. Being struck by a Category 5 cyclone has been a 1-in-10-year event for Fiji, Tonga and Samoa and a 1-in-5-year event for the Solomon Islands and Vanuatu. The impact of natural disasters has been estimated to be equivalent to an annualized loss of 6.6 percent of GDP in Vanuatu, and 4.3 percent in Tonga.

By the virtue of its geographic location and small population, PSIDS fail to benefit from the economies of scale and have low GDP. These economies rely heavily on grants, and external loans and have poor or under-developed disaster-resilient infrastructure. It is further critical to note that apart from the immediate economic loss, natural disasters reduce the capacity of these small island countries for long-term growth. The frequent devastations divert resources away from long-term development goals to immediate rescue and reconstruction activities. All of this compounds the economic impact of natural disasters on PSIDS and makes them more vulnerable compared to other low-income and emerging economies.

These nations have limited capacity to help their population and the economy overcome the significant economic losses that they incur repeatedly owing to these disasters. According to the World Bank, “historical records suggest that the increase in impacts associated with tropical cyclones in the past several decades globally is largely due to increased exposure and vulnerability, rather than an increase in intensity or frequency of cyclone hazards.” The World Risk Index 2018 measures risks for disasters and the resultant socio-economic vulnerabilities, and ranks five PSIDS among the top 20 most at-risk countries in the world. PSIDS also typically have very small population sizes largely dispersed across islands, owing to which, businesses are unable to achieve economies of scale in these countries.

While many PSIDS had developed national and sub-national Disaster Risk Management (DRM) plans, as of 2020, no country had an integrated Climate Disaster Risk Financing (CDRF) strategy to better manage economic losses after a disaster until recently. It is critical to note that Tonga and Samoa have developed a DRF strategy with assistance from the World Bank but they are yet to be nationally socialized. CDRF learnings are available globally but there are significant gaps in the knowledge and capacity to access and accelerate their usage in the Pacific context.

Governments and policymakers recognize the importance of medium-term economic and fiscal planning to minimize the adverse impact of disasters on economic development. PSIDS countries take cognizance of climate risks and are building fiscal buffers to cope with rescue and recovery costs; however, there hasn't been any marked-led solution addressing CDRFI in the region, particularly for low-income people who are the worst hit by natural disasters.

2. Programme Design

2.1 Background

The United Nations Capital Development Fund (UNCDF), through a joint programme with the United Nations Development Programme (UNDP), the United Nations University Institute for Environment and Human Security (UNU-EHS), and in close collaboration with key stakeholders from the government, public, private sector, and other development partners, aims to address the above-mentioned challenge through the structured Pacific Insurance and Climate Adaptation Programme (PICAP). PICAP was designed with the objective 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 solutions, awareness and capacity building, innovative financing options and digital linkages – with a robust interface to the 2030 Sustainable Development Goals.”

The Programme was designed with the intent to align with the United Nations Pacific Strategy, UNCDF global strategies, and the respective country’s national development plans, by having a regional focus on Fiji, Samoa, Solomon Islands, Tonga, Vanuatu, and other PSIDS. The Programme also intended to specifically target women, youth, and MSME segments to work across agriculture, fisheries, retail and tourism sectors, and to be implemented in a phased approach with the inception phase only focusing on Fiji and Vanuatu (for the first two years).

The Programme contributes to climate change and disaster risk reduction (DRR) goals and builds the capacities of the government, policymakers, private and public partners, communities, small businesses, and households to build financial resilience towards climate change and natural hazards.

The Programme has followed a cascading approach, where the activities that were conducted in the first year for the first two countries were to be subsequently carried out in a third country during the second year. This approach was selected to allow for the incorporation of feedback and lessons learned during the inception phase, and transfer the same to other countries for a more efficient and effective implementation. The third country was to be chosen in the second year based on: a) Government and/or Central Bank support, b) resource mobilization, c) supply and demand side factors, d) vulnerability, and e) partnerships.

2.2 Programme Approach and Contours

PICAP’s design uses a blended finance instrument to unlock public-private partnerships through grant financing or letter of agreement. Since getting approval from the Investment Committee (IC) in December 2020 the Programme has designed a systematic onboarding and tracking process to mobilize funds from donors as well as the private sector under the governance and oversight of the IC. Apart from 14 committee members from UNCDF, UNU-EHS, UNDP, MFAT, DFAT, Ministry of Economy, Fiji, Pacific Islands Forum Secretariat, and EU Delegation - Fiji, the committee also consists of a technical advisory committee that guides the Programme on screening grant applicants and provides technical assistance for the application procurement process.

To achieve the said objectives meaning to address - the significant financing and protection gap that exists at the micro, meso, and macro levels - PICAP aims to build resilience via three (formerly four) workstreams. While the results are tracked as per the revised Theory of Change (ToC), the reporting, budgeting, and expense tracking are done based on initial four workstreams plus MEAL and Comms.

- a. **Enabling Policy and Regulation:** Increasing the awareness and understanding of climate and disaster-specific risk amongst policymakers, and thereby preparing the eco-system for the introduction of specific tools by an adequate change in behaviour, perception, and policy regulations towards climate disaster risk financing specific insurance products

- b. **Digitally enabled inclusive innovation:** Increasing access and uptake of risk resilience financial products through the digital ecosystem and by developing and deploying inclusive market-based insurance and blended financing instruments for the micro and meso levels using mobile and digital technologies. This workstream was formerly split into two work streams, namely - Open Digital Payments Ecosystem, and Inclusive Innovation.
- c. **Empowered Customers:** Educating individuals and consumers on the benefits of using insurance and other risk financing tools as part of a DRM strategy

The theory of change conceptualized by the PICAP team, to achieve the above three key work streams has been detailed below:



Activities: The ToC conceptualized by the Programme identified a common set of activities across all work streams also called ‘ecosystem activities’ that included - Conducting research; Sharing knowledge; Fostering a community of practice; Raising awareness and education (on CDRFI products); Providing capacity building and training workshops (to stakeholders including beneficiaries); Identifying and targeting Fintech/Insurtech companies; Providing grants and investments; Providing technical advisory; Brokering relationships between private sector actors; Advocating for private-public dialogue; and Providing exposure to global good practice.

Outputs: PICAP anticipated that the above set of activities would allow for a positive change in the mindset and awareness of CDRFI products amongst the stakeholders. More specifically, they anticipated the following changes at the level of each stakeholder:

- a. **Policymakers:** a positive change in willingness and capacity of policymakers when it came to CDRFI products
- b. **Private sector:** Improved understanding of and commitment towards CDRFI products, and the piloting of a CDRFI product
- c. **Development partners:** Improved understanding of the CDRFI products

Outcomes: PICAP anticipated that in the medium run, the positive changes in the perception and mindset of the stakeholders at the output level would translate into a harmonized regulatory approach towards CDRFI products, which would also allow for the deployment of CDRFI products at scale, along with an enhanced value chain at the last mile where development partners would be able to deliver the needed literacy to beneficiaries to allow for enhanced uptake and usage of the CDRFI products. This would also lead to:

- a. Individuals and MSMEs have increased access and usage of CDRFI products that are distributed and serviced in ways that effectively meet their needs, also owing to improved knowledge and skills to access, take up, and use appropriate CDRFI and digitally enabled tools
- b. A regulatory environment that promotes investment and market innovation in the supply of inclusive insurance products and services and supports the demand for services by middle to low-income communities
- c. Increased variety of affordable, reliable, and appropriate technology-enabled inclusive insurance products and services in the market
- d. Growth of the inclusive insurance market as providers and distributors expand their portfolio of products and services and other market actors respond to the new opportunities created

The final anticipated and desired impact from PICAP is the improved financial preparedness and resilience of Pacific governments and communities, specifically vulnerable segments of society and economic sectors towards climate change and natural hazards.

3. Evaluation Design

3.1 Purpose and Objectives of Mid-term Review

The Pacific Climate Insurance and Adaptation Programme (PICAP) was designed keeping in view the fact that Climate Disaster Risk Financing (CDRF) including parametric insurance is a new concept for most Pacific countries, and the awareness among the governments and other stakeholders about such innovative instruments is generally low. The Programme was therefore designed to be implemented in a phased manner after familiarizing the stakeholders with the new concepts, approaches, and product types, and factoring in the early stage of market development. Hence, the Programme had an inception phase of two years.

Accordingly, the Results Framework for the Programme was drawn up for two years to coincide with the inception phase. As per the ProDoc, it was planned to conduct a mid-term review of the Programme in the third quarter of 2022 to assess the progress, achievements, and challenges of the inception phase. Based on the findings of the mid-term assessment, the Results Framework for the remaining period of the five-year Programme was proposed to be developed.

The TOR for the Mid-Term Review defined the purpose and objective of the review as follows:

- a. Assess progress towards project objectives and results in the inception phase, presenting an objective assessment of the extent to which the Programme responds to the needs of national partners, their commitment to the realization of the project's objectives, and their capacity to deliver on these
- b. Assist UNCDF and key partners understand the relevance, efficiency, effectiveness, likely impact, and sustainability of the Programme
- c. Identify key challenges and any factors that may have affected implementation; as well as identify key lessons learned and other emerging opportunities for future programming.
- d. Present findings and recommendations that could be used to support the Programme's scale-up in 2023 and beyond.

3.2 Approach

The Mid-term review of PICAP has been conducted using the theory-based approach to evaluation. This has helped in understanding the rationale for the Programme logic and validating the same through observations from the field and interaction with stakeholders. Specifically, the MTR has attempted to analyze whether and how the Programme activities are expected to lead to outputs and outcomes while taking into account the context in which Programme interventions have taken place. It has also factored into the situation created due to the Covid-19 pandemic and the associated restrictions.

3.3 Theory of Change

The Programme Document of PICAP formulated a Theory of Change (TOC) that was based on the four workstreams (namely, Enabling Policy & Regulation; Open Digital Payments Ecosystem; Inclusive Innovation; and Empowered Customers as enshrined in the global UNCDF strategy. This version of TOC had identified activities mapped to each of the four workstreams. The Outputs, and Outcomes (Stakeholder level, Client level, and sector level) followed a causal chain linked to the activities of the four workstreams.

In Q1 2021, the Programme team decided to revise the TOC by merging workstream 2 “Inclusive Open Digital Payments and Ecosystems” and workstream 3 “Inclusive Innovation” under a combined “Digitally Enabled Inclusive Innovation” pathway. The revised/updated TOC is therefore built on the following three pathways.

- a. Policy and Regulation
- b. Digitally Enabled Inclusive Innovation (Infrastructure and Innovation)
- c. Empowered Customers (Skills)

The other major change in the revised TOC was the re-defining of activities in a more generic way rather than being specific as was done in the original TOC. Moreover, the revised TOC merged all activities across all three workstreams, such that there is no clear mapping or prominent causal linkage of a certain activity (or a set of activities) to a certain output.

According to PICAP's semi-annual report for January-June 2021, the decision to revise the TOC was made by the Programme considering that activities under Workstream 2 (Open Digital Payment Ecosystem or Infrastructure) would leverage on the work of its ongoing sister Programme, "the Pacific Digital Economy Program" (PDEP) and avoid duplication of activities. It was also expected to optimize costs and results. The revised Programme TOC recognizes that while the causal linkage between ecosystem activities and the outputs can be prominently established, during the inception phase period, it may be less profound at the Outcome level. The linkage of activities to the outcomes would probably be more pronounced at the end of the Programme period.

For the MTR, the evaluation has tried to explore the causal linkage between the activities and the various Outputs as defined in the revised TOC, and not so much at the Outcome level.

3.4 Scope of Evaluation

The scope of the Mid-Term Review includes:

- a. Review of Programme activities from January 2021 to September 2022.
- b. Review of individual projects supported by PICAP
- c. Consultation with key Programme counterparts such as the Reserve Bank of Fiji, the Ministry of Economy, donors, and implementing partners
- d. Interaction with end-users, clients, non-clients, and beneficiaries supported under the Programme
- e. Review of Gender issues
- f. Review of Governance and Management arrangements of the Programme

3.5 Evaluation Framework

To evaluate the progress of the Programme, the comprehensive 'STEERER' framework³ has been developed. This framework draws predominantly from the OECD-DAC framework that includes criteria such as **R**elevance, **E**ffectiveness, **E**fficiency, and **S**ustainability. Additionally, several nuances that are unique to UNCDF's approach, strategy, and larger objective for their projects in general, and the PICAP in specific, have also been included. These include additional criteria such as **T**argeted, **R**eplicability, and **E**xternalities. Together, these criteria constitute the 'STEERER' framework, which has been used to assess different levels of the Programme's Theory of Change and intervention logic.

Since the Programme aims to target women, youth, MSMEs, and migrants, the MTR has attempted to assess the issues of gender equality in access and use of CDRFI products; access, and usage by rural and underserved population segments (such as people with disabilities and other vulnerable groups). This is also in line with UNCDF's global strategy of Leaving No One Behind, UNCDF's Strategic Framework, and the UN Evaluation Group's gender-responsive evaluation guidelines.

The evaluation was conducted right after the end of the first phase of the Programme. It is critical to note that there has been no climate-related incidence/disaster that would have triggered the payouts, and hence, could have helped test the actual implementation of the products and systems being designed. The evaluation hence heavily relies on the data and evidence from stakeholder consultations, and monitoring and evaluation sheets of each partner organization. To this extent, the study is hence purely qualitative. The key components of the framework and areas of enquiry have been detailed below:

³ Adapted from the OECD-DAC framework by FinValue.

Relevance

Key question: Has the Programme, in general, and interventions, in particular, been designed to respond to the needs of identified target segments, governments, regulators, and institutions?

Supporting question	Source of information	Nature of analysis
Does the Programme design reflect the current context of the focus countries and the Pacific region, in general with respect to climate related challenges?	Secondary research Primary interviews with Programme staff (including project teams) Programme documents	Subjective
To what extent does the Programme design align with and support the achievement of national goals of respective countries and the regional priorities of Pacific Island Countries?	Secondary research Primary interviews with Programme staff (including project teams) Programme documents	Subjective
Have the Programme activities designed to address the gaps faced by the target segments? (for example - are the products/processes gender centric for women)?	Secondary research Primary interviews with Programme staff (including project teams) Programme documents	Objective
Does the Programme include relevant activities to help bridge the gaps in capabilities of partners so that they are able to address the needs of the segments?	Primary interviews with Programme staff (including project teams) Programme documents	Subjective
How well is the Programme aligned to UNCDF's global strategy?	Secondary research Primary interviews with Programme staff (including project teams) Programme documents	Subjective
Does the Programme design support linkages with other UN programs as well as with development partners having similar focus?	Secondary research Primary interviews with Programme staff (including project teams) Programme documents	Subjective
To what extent has the Programme design taken into consideration gender equality (GE) according to international norms and agreements and country policies? Does the Programme have a clear gender strategy?	Secondary research Primary interviews with Programme staff (including project teams) Programme documents	Subjective

Effectiveness

Key question: How aligned are the activities to the desired outputs and Programme outcome and objectives and how likely is it for the activities to achieve these goals/objectives?

Supporting question	Source of information	Nature of analysis
Are the activities realistic/practical in achieving the desired outcomes? Could the outcomes be achieved in a more effective way?	Primary interviews with Programme staff (including project teams) Programme documents	Subjective
To what extent is the Programme contributing towards bringing about enabling change in legal, policy and regulatory environment for climate disaster risk finance?	Primary interviews with Programme staff (including project teams) Programme documents	Subjective
Are there differential results across various workstreams? What are the major factors that have so far determined the success or otherwise of the various work streams?	Primary interviews with Programme staff (including project teams) Programme documents	Subjective
To what extent is the Programme contributing towards strengthening the capacity of regulators and policymakers to make informed policy decision on CDRFI	Primary interviews with Programme staff (including project teams) Programme documents	Subjective
To what extent is the Programme contributing towards strengthening the capacity of private sector players (providers, aggregators etc.) to develop inclusive, viable and scalable CDRFI products, business models and partnerships	Primary interviews with Programme staff (including project teams) Programme documents	Subjective
To what extent is the Programme contributing towards strengthening the capacity of development partners to deliver digital and financial literacy initiatives for communities	Primary interviews with Programme staff (including project teams) Programme documents	Subjective
How appropriate is the Programme's results measurement and monitoring systems to track direct and indirect Programme results?	Primary interviews with Programme staff (including project teams) Programme documents	Subjective

Efficiency

Key question: Is the project activity designed to complete the objective in the set time frame, and in a cost-effective manner? How well are the resources proposed to be leveraged and utilized (e.g. partnerships, collaboration, unlocking private sector capital, use of innovative financing instruments etc.)?

Supporting question	Source of information	Nature of analysis
How has the Programme progressed compared to the annual work plans of the inception phase (in terms of expected results, funding utilized, number of projects supported, partner contribution and private capital mobilized)?	Primary interviews with Programme staff (including project teams) Programme documents	Objective
Are the activities progressing in a time bound manner? Are causes of delay exogenous? Has the Programme taken steps to address the causes of delays and how effective has this been?	Primary interviews with Programme staff (including project teams) Programme documents	Objective
Have there been specific unexpected expenses to complete the project activities?	Primary interviews with Programme staff (including project teams) Programme documents	Objective
Is the project management structure including composition and expertise of the team adequate and responsive to the needs of the partners? How do partners view the data collection, reporting and compliance requirements? Is there scope to enhance efficiency in the activities around project governance, management, data collection and staffing?	Primary interviews with Programme staff (including project teams) Programme documents	Subjective
To what extent are the two Programmes, i.e. PICAP and PDEP, aligned and complement each other especially with respect to digital innovations and digital ecosystem workstreams? To what extent do the two Programmes leverage each other's interventions and Programme partners?	N/a	N/a
To what extent are Gender Equality (GE) and Human Rights (HR) a priority in the overall intervention budget? How well has the Programme allocated the various resources (financial, time, people) to integrate these aspects in project design and implementation?	Primary interviews with Programme staff (including project teams) Programme documents	Subjective

Sustainable

Key question: Are the outputs, outcomes of the project likely to be reinvested for the purpose of the Programme?

Supporting question	Source of information	Nature of analysis
What, if any, are the systemic changes visible at the national and sectoral level as well as at the level of partner institutions?	Primary interviews with Programme staff (including project teams) Programme documents	Subjective
Will the Programme lead to creation of institutions, strategies, policies, guidelines, products and services that will continue to positively support the target segment in being resilient to climate change? To what extent are these likely to be sustainable over time?	N/a	N/a
Will the Programme lead to development, aggregation and use of gender disaggregated data within the focus countries? To what extent this practice will continue over time?	Secondary research Primary interviews with Programme staff (including project teams) Programme documents	Objective
To what extent does the Programme design include an appropriate exit strategy to ensure that positive changes in CDRFI continue after the Programme has ended?	Primary interviews with Programme staff (including project teams) Programme documents	Subjective
Does the project help enhance the level of knowledge, understanding and use of climate risk resilience products by the target segments in general?	Primary interviews with Programme staff (including project teams) Programme documents	Subjective

Targeted

Key question: Is the project geared to meet the specific needs of the target segments?

Supporting question	Source of information	Nature of analysis
Does the project overall look at mitigating critical challenges faced by women? If yes, to what extent? (Different from 'Relevance Criteria since targeting considers challenges, while relevance looks at the design of activities to address the challenges)	Primary interviews with Programme staff (including project teams) Programme documents	Objective
Does the project look at mitigating challenges faced by the youth? If yes, to what extent? (Different from 'Relevance Criteria since targeting considers challenges, while relevance looks at the design of activities to address the challenges)	Primary interviews with Programme staff (including project teams) Programme documents	Objective
Does the project look at mitigating challenges faced by MSME specifically? If yes, to what extent? (Different from 'Relevance Criteria since targeting considers challenges, while relevance looks at the design of activities to address the challenges)	Primary interviews with Programme staff (including project teams) Programme documents	Objective

Replicable

Key question: Can the project be replicated across contexts to achieve scale through nuanced lessons learnt?

Supporting question	Source of information	Nature of analysis
Can the lessons from the Programme and the models deployed be replicated in contexts with similar challenges and similar geographies?	Secondary research Primary interviews with Programme staff (including project teams) Programme documents	Subjective
Can the lessons from the Programme and the models deployed replicated in contexts with similar challenges but different geographies?	Secondary research Primary interviews with Programme staff (including project teams) Programme documents	Subjective
Does the Programme have the capacity to take on the role to promote replicability in other geographies?	Primary interviews with Programme staff (including project teams) Programme documents	Subjective

Externalities

Key question: Does the project result in any negative and/or positive outputs or outcomes for the stakeholders?

Supporting question	Source of information	Nature of analysis
Are there clear leads to employment, policy changes, product launches owing to the Programme?	Secondary research Primary interviews with Programme staff (including project teams) Programme documents	Subjective
Does the Programme help enhance the level of financial inclusion, and use of digital financial services of the target segments?	Secondary research Primary interviews with Programme staff (including project teams) Programme documents	Subjective
Does the Programme help enhance the understanding and uptake of climate risk adaptation products by beneficiaries outside the target segment?	Secondary research Primary interviews with Programme staff (including project teams) Programme documents	Subjective
Are there any unintended consequences that may impact each target segment owing to the Programme?	Secondary research Primary interviews with Programme staff (including project teams) Programme documents	Subjective
Are there any unintended consequences for the government and regulators owing to the Programme?	Secondary research Primary interviews with Programme staff (including project teams) Programme documents	Subjective
Are there any unintended consequences for the private sector stakeholders owing to the Programme?	Secondary research Primary interviews with Programme staff (including project teams) Programme documents	Subjective

3.6 Data Collection

The evaluation methodology involved a mixed-methods approach to data collection. Both quantitative and qualitative tools have been used to test the Programme's Theory of Change. These include:

- Desk Review and Secondary literature to understand the current landscape of climate disaster risk finance and related issues in the Pacific and across similar countries in other regions.
- Review of Programme documents including documentation related to individual projects supported by PICAP
- Quantitative analysis of individual project progress, Annual Work Plan (AWP), and Results Measurement Framework (target vs achievements)
- In-depth interviews with UNCDF core Programme Team and other thematic teams
- Key Informant Interviews with Programme Partners
- FGDs and individual interviews with clients/non-clients

3.7 Sampling

As part of the study, 46 Key Informant Interviews (KIIs) were conducted with 32 institutional stakeholders, either in person or through online/virtual meetings. The in-country mission was conducted during September 26-October 07, 2022. Field visits were undertaken to four locations across Fiji to interact with the aggregator partners and their clients/non-clients.⁴ The table below shows the category-wise list of institutional stakeholders consulted during the MTR. About 40% of the stakeholder representatives were women.

Category	Name of the Institution	Women	Men	Total
UN agencies	UNDP Fiji, UN Women, UNDRR, World Food Programme	4	3	7
UNCDF	Core Programme Team, Communications, Gender, MEAL Team, Global Evaluation Unit	3	6	9
Government, Policy makers, Regulators	Ministry of Economy	0	1	1
	Ministry for Women, Children & Poverty Alleviation	3	0	3
	Reserve Bank of Fiji	5	5	10
	Reserve Bank of Vanuatu	2		2
Technical Partners	AP Climate Partnership, ITGalax, WRMS, MCII	2	4	6
Implementing partners (Insurance Companies, Aggregators)	<i>Insurance Companies</i> - FijiCare, Sun Insurance, Tower Insurance	1	5	6
	<i>Aggregators</i> – FCML, FRL, SCGC, Nature's Way, CCSLA, Tailevu Dairy Federation, CCF, PDF, TDB	9	11	20
	<i>Mobile Money Providers</i> – Digicel, Vodafone	0	4	4
Donors	DFAT, MFAT	2	3	5
Regional Partnership Institutions	USP, PCRIC, PIF	0	3	3

Focus Group Discussions (FGDs) and individual interviews were conducted with 16 end-users/non-users of which 6 were women. These persons included clients who had attended awareness campaigns organized by aggregator partners and had signed up for the parametric insurance product, clients who

⁴ Field visit locations included Nadi and Lautoka in Viti Levu, and Labasa and SavuSavu in Vanua Levu

had attended awareness campaigns but did not sign up, as well as clients who had neither attended any awareness campaign nor had signed up for the product.

3.8 Data Analysis

The data and information collected through stakeholder consultations have been systematically documented. The interviews were recorded using Otter and/or Zoom with the consent of the interviewees. All recordings have been fully transcribed along with summary highlights of each discussion. As regards the data and information sourced from the Programme documents, the same has been meticulously analyzed to study for trends and other major findings. Wherever possible, an attempt has been made to validate and triangulate the information collected directly from Programme documents with the information from indirect sources such as through secondary data, stakeholder consultations, and end-user interviews. This has helped strengthen the analysis and to provide responses/observations under each evaluation question/sub-question. Interviews with end-users helped to capture their perspective which was otherwise not so readily available through Programme documents.

The Theory of Change (TOC) for the PICAP has quite high-level objectives at the Impact level. It aims to improve the financial preparedness and resilience of Pacific governments and communities, specifically vulnerable segments of society and economic sectors towards climate change and natural hazards. Similarly, at the Outcome level (sector level, client level, and stakeholder level), the TOC has high-level objectives. Since this evaluation was just the Mid-term Review and covers only two years of Programme implementation, it is difficult to assess with certainty about the contribution of PICAP to achieving these high-level goals and objectives. However, an attempt has been made to assess the contribution of the project to the achievement of outcomes in a wider context.

3.9 Limitations to the study

It is critical to note that ‘parametric’ insurance as a product is extremely new to the geography, and hence, there is limited empirical evidence to refer to, to objectively assess the product developed. All nuances of the product and processes in the Programme have been assessed by comparing, contrasting, and evaluating the perception and experiences of the different categories of stakeholders. Secondary literature has been conducted to supplement the analysis, with the caveat that the Programme, context, and product are all new and unique for the geography. The true test of the product and the Programme would be when a climate-specific disaster happens that triggers the entire system into action. Hence, all insights and recommendations in the study are anticipatory in nature.

Further, most of PICAP’s activities and interventions during the inception phase have been limited to Fiji alone. Due to the restrictions imposed in response to the Covid-19 pandemic, PICAP could not make much headway in Vanuatu (the second focus country during the inception phase). Hence, the findings and recommendations in the MTR report are drawn largely from the observations gathered from a review of projects in Fiji.

4. Programme Implementation – Current Status & Observations

4.1 Programme Achievements and Status

Launched in January 2021, PICAP has been able to conduct all specified activities across stakeholders by September 2022. In contrast to the original plan where the implementation had to start in both Fiji and Vanuatu simultaneously, PICAP's implementation started in Fiji in January 2021, and only recently the product was launched in Vanuatu (Oct 2022). However, PICAP had started virtual engagements with the stakeholders last year through activities such as RFA process for grants and capacity building workshops on index insurance best practices guidelines. In Vanuatu, the response to the product is awaited, hence, the results reported from the Programme, and this evaluation are predominantly specific to Fiji.

PICAP initiated its operations with the formation of the Investment Committee, Technical Advisory Committee, hiring of the PICAP personnel, and with a budget allocation of USD 3,214,662 (across workstreams, communications and knowledge management, and team management). It also floated a request for application (RFA) to on-board partner institutions. The RFA attracted more than 40 applications, of which 19 technical partners were awarded grant funding in Q2 of 2021 to commence work on the parametric insurance.

A synopsis of the progress of the Programme against its targets is as below:

- a. The Programme has made visible progress under all indicators of the Results Framework though the progress in Q2 and Q3 of 2021 slowed down due to the restrictions induced by COVID-19. Despite the lockdown, key activities under specific workstreams continued in virtual mode and made significant progress in line with the annual work plan.
- b. In concurrence with the target, the Programme has mobilized USD 2,447,518 worth of partner contribution against UNCDF's grant contribution of USD 2,045,979. The cost-sharing modality of the Programme has ensured ownership from partners where they are invested in the Programme given their involvement of time, money, and human resources. A project steering committee has been established that allows partners to continuously monitor their progress and remain on course.
- c. PICAP uses seven tools to monitor the progress made by its partners. These include - the Quarterly progress reporting template, Excel workbook, Training report template, Activity Report Template, Most Significant Change Story Collection Form (MSC) template, Pre-post template, and Pre-post datasheet summary. To enable a thorough understanding of the reporting templates by the partners, the PICAP team provides them capacity-building training which outlines reporting expectations in terms of timeliness, completeness, and accuracy. As a result of the trainings, 16 partners reported in Q3 of 2022, 9 partners submitted complete reports, 2 partners submitted partial reports while 5 partner reports were still pending submission by the 15th of October.

On Gender Equality and Human Rights

PICAP's results measurement framework requires capturing sex-disaggregated data at both the Programme and project levels. The Programme has an overall target of at least 50% gender coverage of its total outreach. During the implementation phase, the Programme focused on capturing the number of women covered through the intervention, however, no targeted efforts were made to design the product as per the needs of women. The Programme has made efforts to include women in capacity development activities at the partner level and encouraged women beneficiaries to attend FL training at the customer level.

The Programme has also:

- a. made strategic alliances with UN organizations like UNDRR, WFP, UN Women, regional partners like Pacific Insurance Forum, PCRIC, and academia like the University of South Pacific to join

- hands to provide technical assistance, research, and analysis, de-risking financial instruments to expand the Programme operations in other small island developing states and develop solutions to cover low-income people, particularly people engaged in sectors acutely affected by natural hazards like fishing, agriculture, tourism, and MSMEs
- b. has been successful in forging technical partnerships with global and regional players in the climate and disaster risk financing space. These include partnerships with the InsuResilience Global Partnership (IGP), a2ii, representation in the Risk Finance Working Group (RWFG) under the Pacific Resilience Partnership; and participation at COP 26 in collaboration with MCII, UNU-EHS, and at the currently on-going COP 27
 - c. established an Insurance Hub in 2022 to support the development of inclusive insurance markets in the Pacific.
 - d. been selected for the International Conference on Inclusive Insurance (ICII).
 - e. participated at the Asia-Pacific Ministerial Conference on Disaster Risk Reduction (APMCDRR) 2022.
 - f. engaged with partners based in Europe to give visibility to the Programme by showcasing the achievements and success as well as to explore additional collaboration and funding opportunities for joint climate risk insurance projects, beyond the current Programme in the Pacific.
 - g. Going forward, the Programme is exploring ex-ante financing solutions like anticipatory action (AA) to prevent and reduce humanitarian impacts before they unfold through a systematic system which links forecasting and early warnings to timely actions based on pre-agreed financing mechanisms in collaboration with UNDRR, FAO and WFP.



Figure 1: Women beneficiaries attending FGD during the field visit

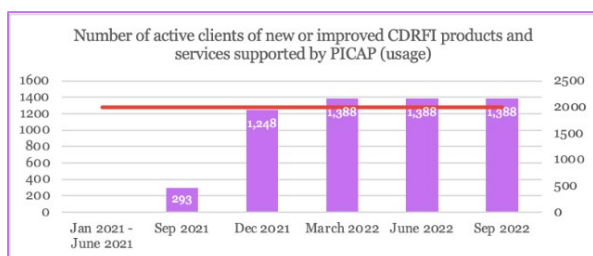
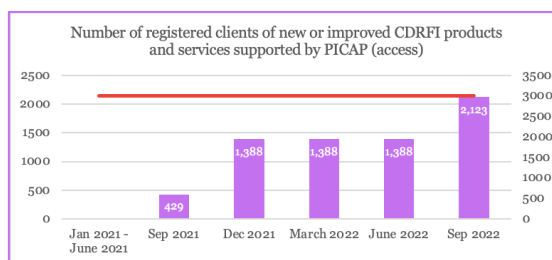
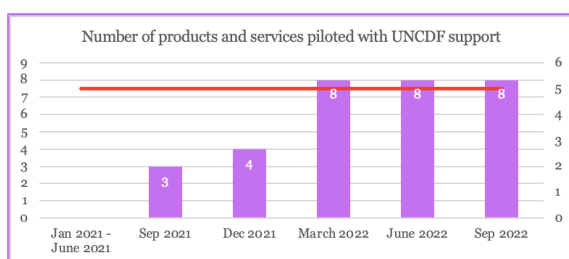
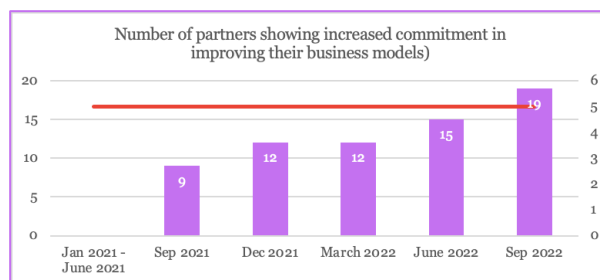
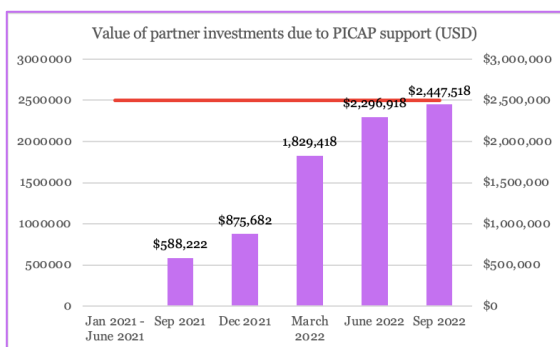
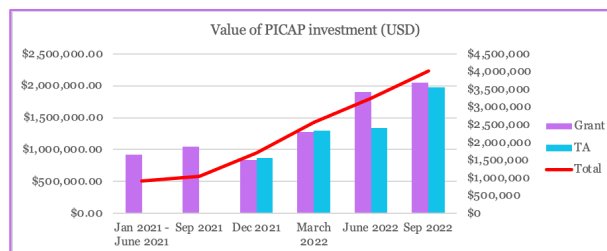
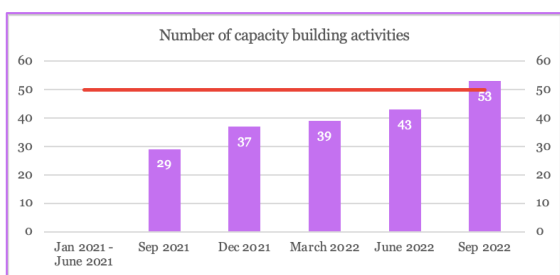
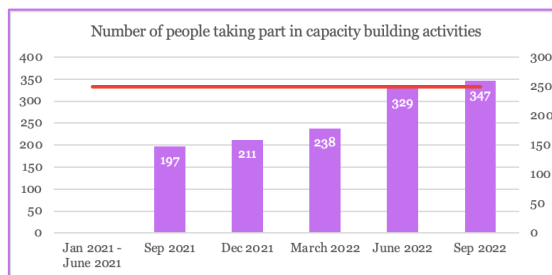
4.2 Key achievements of the Programme

Achievements	2021	2022
Policy Level: Workstream 1 “Enabling Policy and Regulation	<ul style="list-style-type: none"> The Climate and Disaster Risk Insurance Regulatory best practice guidelines for Pacific region central banks and insurance supervisors developed in collaboration with a2ii. The Government of Fiji exempted Value Added Tax (VAT) for the parametric insurance premiums to avoid additional costs to customers. 	<ul style="list-style-type: none"> Following the development of the index insurance best practice guidelines in 2021, the publication was launched in a webinar organized on 16th August 2022 and a workshop on the same subject was conducted at the International Conference

Achievements	2021	2022
	<ul style="list-style-type: none"> Workshops were conducted with Pacific regulators to introduce and familiarize them to the Climate and Disaster Risk Insurance Regulatory Practice guidelines and other global best practices on regulatory approaches to CDRFI. GESI strategy launched Provided a draft DRF strategy recommendation to the Fijian Government 	<p>on Inclusive Insurance held in Jamaica in October 2022</p> <ul style="list-style-type: none"> Given the successful implementation of the social welfare beneficiaries' pilot within the first year, the Fiji Government decided to further support by subsidizing the premium for additional 2,000 social welfare beneficiaries across the 4 divisions.
Sectoral Level: Workstream 2 "Open Digital Payments Ecosystem"	<ul style="list-style-type: none"> Development and launch of the iOnboard platform, a cloud-based plug and play system that will facilitate seamless onboarding of customers & members for the parametric insurance product pilot. Trainings conducted by ITGalax for the Programme's aggregator partners on how to effectively use the iOnboard platform to onboard members and how to link the platform to their existing systems via an Application Programming Interface (API). Enabled quick payments and pay-outs of the parametric insurance products through M-PAiSA and MyCash mobile wallets by digitally linking with local insurers core insurance platforms 	Mobile app version of the iOnboard Platform in final stages of testing and debugging.
Customer Level: Workstream 3 "Inclusive Innovation"	<ul style="list-style-type: none"> Development and launch of Fiji's and the Pacific's first market based parametric microinsurance Products. Partnered with the World Food Programme (WFP) and the Department of Social Welfare (DSW) to develop a macro to micro product to cover social welfare recipients. Developed a blueprint for a MSMEs focused parametric insurance product. 	<ul style="list-style-type: none"> Launched upgraded parametric products for the Fijian market and population on the anniversary of the first launch of parametric solutions in the Pacific. One of the products launched was wind and rainfall products with the innovation of having payouts on 2 parameters – high wind speed and/or excess rainfall based on a predefined index. The products offered have 2 options: a FJ\$1000 sum cover and a \$2000 sum cover, both at the standard premium of 10%.

Achievements	2021	2022
		<ul style="list-style-type: none"> • Upgraded social welfare product which was retained at the premium of 8% for total sum insured of FJ\$400 but now includes an excess rainfall component which was not available previously. Under the upgraded welfare product, if any Cat 1 or above event occurs within 100 km range from the insured location, rainfall payout was payable irrespective of the wind payout. • In October 2022, Tower Insurance with support from UNCDF has launched its own suite of parametric microinsurance in denominations of F\$1000, 2000 and 3000 sum insured and offering it directly to their existing clients as well as to communities in remote villages in maritime areas.

4.3 Results Dashboard



4.4 Quarterly Progress against Inception Phase Targets

Ind No.	Indicator	Target (2021-2022)	Jan-June 2021 Cumulative achievement	Sep 2021 Cumulative achievement	Dec 2021 Cumulative achievement	March 2022 Cumulative achievement	June 2022 Cumulative achievement	Sep 2022 Cumulative achievement	Evaluator's Remarks/Key Insights
1	Number of stakeholders supported by PICAP	20		9	12	13	15	19	The Programme floated a Request for applications (RFA) as per the laid-out processes using the UNCDF's e-investment platform in Jan 2021. UNCDF received 46 applications of which 19 were selected. The initial activities of UNCDF focused on laying the groundwork and onboarding the partners, which affected the timelines of product launch and subsequent activities of signing up farmers before the onset of the cyclone season in October. Going forward, the pre-selection process can be simplified to commence partner onboarding in Q1 of 2023 so products are launched by May/June and partners get enough time to conduct FL training and sign-up customers before the cyclone season.
2	Number of people taking part in capacity building activities	250		197	211	238	329	347	The Programme has shown consistent growth across every quarter against the yearly target. However, there was a slag in Q3 & Q4 due to the lockdown imposed during the pandemic. As a result, most of the capacity-building activities were conducted virtually. Once normalcy resumed, the Programme picked pace. As of Q3 of 2022, the number of people trained has crossed the target of 250.
3	Number of capacity building activities	50		29	37	39	43	53	As stated above, in response to COVID-induced movement restrictions, the number of capacity-building activities dipped in Q2 & Q3 of 2021 which later picked pace after the restrictions were lifted. The Programme has already achieved its target in Q3 of 2022.

Ind No.	Indicator	Target (2021-2022)	Jan-June 2021 Cumulative achievement	Sep 2021 Cumulative achievement	Dec 2021 Cumulative achievement	March 2022 Cumulative achievement	June 2022 Cumulative achievement	Sep 2022 Cumulative achievement	Evaluator's Remarks/Key Insights
4	Value of PICAP investment (USD)	2,500,000	920,190	1,047,222	1,708,676	2,577,323	3,244,171	4,020,066	The Programme has enabled partners to invest an equal amount of funds, time, and resources to create awareness about the economic risks associated with climate change and the role insurance can play in preparing their members to cope with losses occurred due to natural hazards. Due to the Programme interventions, the partners have better understanding of parametric insurance. At the operational level, partners have an appreciation for project documentation and reporting guidelines.
5	Value of partner investments due to PICAP support (USD)	2,500,000		588,222	875,682	1,829,418	2,296,918	2,447,518	The Programme has enabled partners to invest an equal amount of funds, time, and resources to create awareness about the economic risks associated with climate change and the role insurance can play in preparing their members to cope with losses occurred due to natural hazards. Due to the Programme interventions, the partners have better understanding of parametric insurance. At the operational level, partners have an appreciation for project documentation and reporting guidelines.
6	Number of participants indicating that they have applied the knowledge gained in the PICAP delivered capacity building activity 6-12 months following date of activity.	13		0	5	5	13	13	

Ind No.	Indicator	Target (2021-2022)	Jan-June 2021 Cumulative achievement	Sep 2021 Cumulative achievement	Dec 2021 Cumulative achievement	March 2022 Cumulative achievement	June 2022 Cumulative achievement	Sep 2022 Cumulative achievement	Evaluator's Remarks/Key Insights
7	Number of partners showing increased commitment in improving their business models	5		9	12	12	15	19	
8	Number of products and services piloted with UNCDF support	5		3	4	8	8	8	The Programme has launched 2 main CDRF products (high wind speed cover + cyclonic storm cover). In addition, the Programme has also developed the parametric microinsurance for social welfare recipients in Fiji and is presently designing a product exclusively for MSMEs. High wind speed cover product has also been developed for Vanuatu and Tonga. All these products are replicable and scalable in other PSIDS and developing markets
9	Number of national or regional strategies policy measures introduced or implemented on CDRFI	2		2	2	3	3	3	The Programme has led to crucial policy level changes such as VAT exemption. It has facilitated testing of the product in RBF's regulatory sandbox. The index insurance best practice guidelines for insurance regulators and practitioners developed jointly with a2ii has been launched. The DRF Strategy is has been submitted to and acknowledged by the Fiji Ministry of Economy who propose to use the recommendations in developing the national strategy
10	Number of new or improved CDRFI business models scaled by PICAP-supported partner	2		0	0	0	0	2	Product/Service filed with the regulator. Formal launch planned for Q4 2022 for Vanuatu and Tonga. High wind speed covers for Tonga and Vanuatu tailored to the local market.

Ind No.	Indicator	Target (2021-2022)	Jan-June 2021 Cumulative achievement	Sep 2021 Cumulative achievement	Dec 2021 Cumulative achievement	March 2022 Cumulative achievement	June 2022 Cumulative achievement	Sep 2022 Cumulative achievement	Evaluator's Remarks/Key Insights
11	Number of partners that have changed their organizational practices with PICAP support	10		9	10	10	15	19	All PICAP partners were hitherto not offering parametric insurance products and as such their business models have undergone substantial changes to adapt to the new products and delivery
12	Number of registered clients of new or improved CDRFI products and services supported by PICAP (access)	3,000		429	1,388	1,388	1,388	2,123	The total number of individual clients registered to the parametric microinsurance products has exceeded the target of 2000
13	Number of active clients of new or improved CDRFI products and services supported by PICAP (usage)	2,000		293	1,248	1,388	1,388	1,388	While the number of clients registered has exceeded 2000, the active clients are those that have fully paid their premiums. For the current 2022-2023 cyclone season, premium payments will cease by November 2022 by when it is expected that the total active clients will be 90% or more of those registered.
14	Number of people reached through partner financial competency development activities	5,000		0	7,444	11,747	13,499	18,464	PICAP conducts train the trainers workshops (refer items 2 and 3 above) to partners who in turn conduct financial literacy and product awareness training and campaigns in communities

Ind No.	Indicator	Target (2021-2022)	Jan-June 2021 Cumulative achievement	Sep 2021 Cumulative achievement	Dec 2021 Cumulative achievement	March 2022 Cumulative achievement	June 2022 Cumulative achievement	Sep 2022 Cumulative achievement	Evaluator's Remarks/Key Insights
15	Number of financial sector policies, regulations and standard introduced or improved that support expansion of inclusive insurance products and services	2		2	2	2	2	3	<ul style="list-style-type: none"> • VAT exemption • RBF regulatory sandbox approval • Index insurance best practice guidelines
16	Number of different inclusive insurance products and services in the market	2		3	3	3	3	3	
17	The extent that market actors crowd-in and respond to inclusive insurance and digital business model innovation with new or improved practices, products, services, and policies	TBD		TBD	TBD	TBD	TBD	TBD	
18	Percentage of individuals and MSMEs	TBD		TBD	TBD	TBD	TBD	TBD	

Ind No.	Indicator	Target (2021-2022)	Jan-June 2021 Cumulative achievement	Sep 2021 Cumulative achievement	Dec 2021 Cumulative achievement	March 2022 Cumulative achievement	June 2022 Cumulative achievement	Sep 2022 Cumulative achievement	Evaluator's Remarks/Key Insights
	that have used one or a range of digitally enabled inclusive insurance products and services								
19	Percentage of customers that perceive that new products and practices will help them in recovering quicker after extreme events	TBD		TBD	TBD	TBD	TBD	TBD	

5. Evaluation Findings

5.1 Relevance

Has the Programme, in general, and interventions, in particular, been designed to respond to the needs of identified target segments, governments, regulators, and institutions?

The critical need perceived across stakeholders in the region is their limited ability, and scope to sustain frequently occurring natural disasters. Aligned with the national goals of Pacific Island Countries, PICAP offers a unique yet blanket solution (parametric insurance) for beneficiaries at the last mile, along with knowledge and capacity building support for insurance providers, the government, and implementation partners. While tackling with climate change is not a key element in UNCDF's strategy, PICAP also offers the capability and intention to converge efforts and resources with other regional and bi-lateral players (such as other UN entities). The products, processes and larger approach adopted across the project would further benefit if the nuanced challenges and needs of women across various sub-segments are studied and need-based modifications are made in the product design.

Sub-Question: Does the Programme design reflect the current context of the focus countries and the Pacific region, in general with respect to climate-related challenges?

Historically, the area of operation (Pacific Island Countries) of PICAP has had an extremely high level of exposure to natural hazards. According to the World Risk Index 2020, five Pacific Island countries (in addition to Papua New Guinea) rank among the top 20 most at-risk countries, including Vanuatu and Tonga, which are ranked first and second respectively.

Between 1950 and 2013, approximately 9.2 million people in the Pacific region have been impacted by extreme climatic events. Over 10,000 people have been reported to have died owing to these events, and an approximate damage of over USD 3.2 billion has been recorded. About 50% of those events have been tropical cyclones, and 21% of such events have occurred in Fiji⁵. On average, for the Pacific, there are 41 natural disasters in a year, where the infrastructure of an estimated value of USD 112 billion is considered to be at some level of risk. Average annual economic losses in Fiji have been approximated to USD 79 million, roughly 2.6% of the GDP. The consequences of these disasters on individuals, especially women and MSMEs can be extremely detrimental to the larger economy, and its resilience to handle future disasters. There is hence a significant need for financial products that could help build the target segment's resilience towards climate-related risks.

To this extent, the design of PICAP aims to solve one of the greatest challenges faced by Pacific nations - that of building financial resilience among households, communities, and the country at large. Since PICs are limited in their capacity to build their financial preparedness and manage risks arising out of natural disasters, they are very often compelled to reallocate their fiscal budgets, raise costly debt or mobilize humanitarian aid and donations to overcome the crisis. Against this backdrop, the design of PICAP strives to build the capacity of national-level stakeholders to develop, test, and scale innovative ex-ante CDRF products, targeting vulnerable and low-income populations.

Sub-Question: To what extent does the Programme design align with and support the achievement of the national goals of respective countries and the regional priorities of Pacific Island Countries?

⁵ The World Bank, 2013, Acting on Climate Change & Disaster Risk for the Pacific

At the time of the design of PICAP, many Pacific Island Countries had in place their national and sub-national Disaster Risk Management (DRM) plans. Yet no country had, until then, an integrated Climate Disaster Risk Financing (CDRF) strategy to better manage economic losses after a disaster.

Fiji, in particular, has several national plans and legislations that have climate change, climate finance, and disaster risk finance as their focus areas. Some of the notable plan documents in this regard are;

- a. Climate Change Act, 2021
- b. National Climate Finance Strategy, 2022
- c. National Adaptation Plan (2019-2024)
- d. National Climate Change Policy (2018-2030)
- e. 5-year and 20-year National Development Plan (2017-2036)

Fiji's National Climate Finance Strategy (NCFS), launched in 2022, is the climate finance blueprint for the Fijian government and its development partners. It lays out Fiji's main investment priorities for cultivating a climate-resilient, low-carbon economy. The NCFS focuses on projects across 12 economic sectors (identified first by the Climate Finance Snapshot 2016-2019) to be implemented by 2030⁶. The strategy is based on an analysis of how much money the country will need to meet its climate goals, which projects are already receiving financial support, and which climate priorities are underfunded.

Some of the sectors identified in NCFS, such as Agriculture, Gender and Social Inclusion, and Housing have close linkage with the priority areas of PICAP. For instance, NCFS aims to 'Embrace climate-smart agriculture' and 'Implement disaster risk financing for agriculture' as its key goals for the Agriculture sector. Likewise, NCFS has placed priority on 'Providing Climate-resilient Housing to All' under which it has recognized the PICAP as one of its key partners to help achieve this goal. The Gender and Social Inclusion pillar of NCFS aims to 'Integrate Gender into Climate Change', thus providing immense scope for PICAP to engage with the relevant government agencies to design and implement gender-intentional programmes, policies, and products.

NCFS has advocated in favor of institutionalizing the Drua Incubator which has been set up by the Government of Fiji as a sub-unit dedicated to piloting and developing innovative financing products. In this direction, the MoE's CCICD is working closely with PICAP and has provided funding to the Programme.

It is clear through the various national plans of Fiji that the government has a strong disaster risk management framework. Yet, financing for several activities is a challenge. Typically more than 40%⁷ of the funding in Fiji comes from international donors. Given this context, PICAP is aligned with Fiji's priorities in responding to natural disasters, and the financing gap that the country faces. Additionally, the Programme also supports the Fijian Government's commitment to meeting the goals of SDG 1 - No poverty, and SDG 13 - Climate Change by creating an ecosystem for climate disaster risk financing in the country.

The Ministry of Economy's Climate Change and International Cooperation Division (CCICD) is the nodal government department that coordinates all climate change-related projects, fund mobilization, and partnerships with other donor agencies, regional bodies, and development partners. PICAP has identified CCICD as its key stakeholder in the Pro Doc. It has ensured close engagement with the Department on all policy matters related to CDRF. This gives it the advantage to advocate for the integration of climate disaster risk finance goals into national plans and to influence policymaking.

⁶ These sectors include: Agriculture, Blue Economy, Climate Policy & Governance, Climate-induced Relocation, Disaster Risk Management, Electricity, Forestry, Gender & Social Inclusion, Housing, Human Health, Transport, Water & Sanitation

⁷ WRI, 2021, What the World Can Learn from Fiji's National Climate Finance Strategy

The exemption of VAT on the parametric insurance premium is the outcome of the government's recognition of Programme objectives.

The Programme has made strategic partnerships with regional forums such as the Pacific Islands Forum (PIF) and Pacific Catastrophe Risk Insurance Company (PCRIC). The Programme has found complementarity with PCRIC, in that while PICAP's parametric insurance is targeted at the micro (end-user) and meso (institutions) level, the PCRIC offers a similar product at the sovereign level. Both PCRIC and PICAP have leveraged this complementarity of their programmes while engaging with the governments of Pacific Island Countries (PICs). For instance, a joint team of PICAP and PCRIC undertook a mission recently to Tonga and interacted with stakeholders in the government, public and private sectors. The mission was seen as beneficial in that it helped to sensitize the stakeholders about 1) the need for a parametric insurance product for governments, communities, and households who face the brunt of natural disasters; 2) differentiating the product offerings between PICAP and PCRIC and the value proposition offered by each, 3) building awareness and capacity of stakeholders; 4) obtain the buy-in of the various stakeholders in Tonga that will, in turn, assist in the implementation of the national DRF strategy, and 5) provide lessons for PICAP and PCRIC to carry on such joint initiatives across their focus countries. Incidentally, the focus countries of PICAP (Fiji, Vanuatu, and Tonga) are among the six council members of PCRIC.

The collaboration with Pacific Islands Forum Secretariat has helped PICAP gain access to the governments of member countries through the concerned ministries. PICAP is a member of the Disaster Risk Financing Technical Working Group (DRFTWG) under the Pacific Resilience Partnership (PRP) formed by the Pacific Islands Forum Secretariat.

It is also critical to consider the larger context in which the parametric insurance product has been introduced in Fiji. Based on feedback from key stakeholders including the government, it is inferred that the socio-cultural dynamics in Fiji do not quite favor the insurance sector. The insurance sector hence has had to fight a deep-rooted negatively skewed mindset when it comes to asking people to keep aside funds to manage unforeseen events in the future. According to the Demand Side Survey 2020, the overall insurance penetration rate for the country is extremely low at 15% (having marginally risen from 12% in 2014).

Given this background, the PICAP team has attempted to take feedback and recommendations from the government, partners, and beneficiaries to revise the nuances of the product and develop variants that suit the needs of a larger - blanket target segment. For example, initially, the product was launched to cover cyclones where the trigger was wind speed but following the feedback from partners and the beneficiaries (in this case - farmers), the Programme has, in 2022, introduced a new variant of the product that also covers rainfall as a trigger event.

Sub-Question: Have the Programme activities been designed to address the gaps faced by the target segments?

The current design of the insurance product is relevant for the larger low-income segment; instead of the nuanced sub-segments identified in the project document. Current activities conducted so far have focused on a vanilla (or, standard) product and an (blanket) aggregator approach to help meet the "critical mass" so that insurance providers stay viable.

The only exception to the standard product has been the intervention supported in partnership with the World Food Programme (WFP) through the Department of Social Welfare (DSW) of the Ministry for Women, Children, and Poverty Alleviation. The collaboration between PICAP, WFP and DSW has led to the provision of the parametric insurance product to the beneficiaries of the social welfare programme of the government with a differential (lower) premium amount and reduced insurance coverage. A point to be noted here is that the premium in this intervention is borne by the government.

There is an appreciation and understanding, though, among the stakeholders about the needs of various target segments, and their limitations. A clear intent to help support the low-income segments was also reported across stakeholders.

“.. we wanted to start this work with the thought of.. how we can help people right and how we can sustain this”

However, despite the positive intentions, the players (insurance, aggregators, mobile money providers) have largely acted on the larger principles of profitability and sustainability. More specifically, insurance providers have been very clear about the need for the product to be ‘sustainable’, regardless of the actual or possible funding that they might receive from the Programme.

PICAP has proven to be a critical lever/trigger that has helped the insurance players come together and work on a new kind of insurance product. In the first phase, the insurance providers have strategically chosen to target all sub-segments within the broader category of the low-income population. However, one of the three insurance companies, believes that break-even and profitability may not easily come through by focusing on the low-income segments alone. By choosing to focus on the profitability and sustainability of the product right from the time of its launch, the company has decided to partner with corporates to offer the parametric insurance product to their employees.

Given that the product in its current form does not explicitly consider the nuanced needs of specific segments like women, youth, and MSMEs, it might be unintentionally excluding these segments from its scope. Women as a segment suffer a higher level of discrimination owing to gender norms resulting in a lower level of resilience, and adaptability to climate-related disasters. ***While the product offered is "equal/has nuances of equality", it is not equitable, or adequate to serve the needs of women segments.***

It is critical to note that there is a significant chance that the launch of a subsequent variant focused only on the needs of the woman might not be adopted by the market-led institutions in the geography owing to a lack of desired business outcomes.

As regards the affordability of the product which is a critical factor in driving uptake, there is a mixed reaction from among the client segments. Since the payouts have not been tested yet, most people (both clients and non-clients) find the product pricing unaffordable for them. This perception of ‘unaffordability’ gets accentuated since people find it difficult to envision the benefits /value derived from the parametric insurance product-vis-à-vis the occurrence of the trigger event. The ‘unaffordability’ of the product is also a function of the income and livelihood profile of the person. For farmers of certain crops such as rice and coconut, the high premium price of the product is a major factor driving their onboarding decision.

It is also critical to note that the current phase of the Programme has only looked at Fiji predominantly and not at other countries owing to external circumstances. Hence, while each of these countries faces similar risks from climate change, the impact of the climate change crisis might be different given the different income segments across these countries.

Sub-Question: Does the Programme include relevant activities to help bridge the gaps in the capabilities of partners so that they are able to address the needs of the segments?

The Programme is structured to allow for a very strong level of convergence across different implementing partners, hence helping ensure that partners learn from each other through the possibility of cross-learning initiatives and also through the building of capacities and skill sets.

Products, data, and systems developed by one partner can be and are being used and leveraged by other partners to help achieve sustainability. Overall, this has helped create a new viable product along with a platform; and has helped bridge the lack of funds (in terms of re-insurers, and grant funding) that individual categories of stakeholders face in launching such a product.

The most significant initiative of PICAP in this direction has been the provision of support to insurance companies by bringing in a specialized weather risk modeling company to develop the parametric insurance product. The insurance industry in the Pacific had not had any prior experience of offering such a type of index-based product and did not have expert, in-house capacities. The engagement of WRMS to develop the product has helped build internal capacities within the insurance companies. To some extent, it has also helped build the understanding of other stakeholders, particularly aggregator partners, about the features and benefits of parametric products vis-à-vis the conventional indemnity product for climate-related disasters. However, insurance companies need to work substantially to strengthen their expertise, build adequate risk assessment models in-house, and train their human resources to manage index-based/parametric products.

The other major contribution of PICAP has been the support to ITGalax to develop a customer onboarding solution for use by all implementing partners. All partners using the technology platform acknowledged the value they find in using the solution and the critical data gap that the platform can help fill. While there is a general appreciation, partners are yet to realize the full benefits of the technology platform for their own operational needs, going beyond the parametric insurance product. The cost of the technology platform and whether the partners would be ready to pay for it beyond the life of PICAP is a question that does not have complete clarity at this stage.

There is further evidence of facilitating cross-learning in the PICAP. Since the time of conceptualization of the Programme, UNCDF has partnered with the United Nations University's Institute for Environment and Human Security (UNU-EHS)/MCII (Munich Climate Insurance Initiative) to bring to the Pacific the learnings and experience from the Caribbean and support Pacific partners. MCII has supported UNCDF in the design of the Programme and has been involved in product development by working with WRMS.

Going further and in line with its research focus, PICAP has been instrumental in bringing together MCII and the University of South Pacific (USP) Fiji to design and conduct research in multiple countries in the Pacific to study the risk perceptions of fishing and farming communities and small businesses. The research aims to understand people's exposure to climate hazards, the impact of climate events on their livelihoods, coping and adaptation measures resorted to by communities, the need for financial and non-financial services after climate disasters; awareness about disaster risk financing options; people's perception and preferences for insurance solutions and related products. The first such survey for Fiji has been completed, and the findings are likely to be published soon. UNU-EHS/MCII was involved in designing the research as well as in data cleaning and analysis. The survey administration on the field was led by USP. It is expected that results from the research will lead to the refinement of existing risk insurance products as well as the development of new products in the region. It is also expected to provide an evidence base to make sure disaster risk financing solutions respond to the needs of the most vulnerable populations. The stakeholders involved in this initiative – UNU-EHS/MCII and USP – acknowledged the mutual learning that these institutions have had as a result of this research, and there is an evident interest on the part of both institutions to continue the collaboration.

Sub-Question: How well is the Programme aligned with UNCDF's global strategy?

It is important to note that UNCDF's global strategy of 'Leaving No One Behind' does not have climate change as one of the focus sectors, although it does include 'finance' and 'agriculture' as two key focus sectors. In terms of focus segments, the global strategy includes women and MSMEs.

To that extent it can be inferred that the PICAP design is aligned with the focus sectors of ‘finance’, and ‘agriculture’ and women and MSMEs as focus segments.

However, as UNCDF’s Inclusive Digital Economy (IDE) practice area relies exclusively on digital finance technologies to achieve inclusive growth, all four workstreams of UNCDF’s global strategy are aligned more toward developing digital innovations and digital ecosystems. While PICAP’s Pro Doc has tried to fit its Theory of Change to the four workstreams, the design of PICAP’s TOC would have been more lucid and specific if it had the flexibility to define its workstreams as relevant to the Programme context.

Sub-Question: Does the Programme design support linkages with other UN programs as well as with development partners having similar focus?

PICAP was conceptualized as a joint programme of UN agencies, specifically, UNCDF, UNDP and UNU-EHS. While UNCDF is the lead agency, the UNDP and UNU-EHS have been involved as implementing partners. During the last two years, PICAP has started collaborating with other UN agencies (such as UNDRR, UN Women, and WFP), and offers unique nuances in its capacity to converge and work with them. These organizations do not work on financial products, and have their own set of expertise, owing to which this collaboration creates a high level of positive externalities and capacity building even within the UN system. UN Women has recently (April 2022) partnered with the PICAP for two years with the intention of onboarding 400 women beneficiaries from market vendors to farmers, particularly sole breadwinners, and single mothers. While this is a significant step in terms of reaching out to women beneficiaries, it is critical to note that the existing product design is gender agnostic, meaning no specific attention has been given to designing the product such that it meets women’s needs. Although UNCDF has a clear GESI strategy, a limited level of focus and awareness on gender-specific needs, and hence, responses were noticed amongst the partners.

Likewise, the ongoing discussion between PICAP and UNDRR relates to tweaking the existing parametric insurance product design to allow for anticipatory financial support to clients to build their preparedness for the impending disaster. The product is still in its conceptualization stage. Both PICAP and UNDRR plan to hold discussions with clients to assess the type and quantum of their financial and non-financial needs immediately after the disaster occurs. This would enable PICAP and UNDRR to design a suitable anticipatory action product for clients to help them procure food and other items of immediate need, well before the disaster strikes.

New Zealand’s MFAT and Australia’s DFAT are the two major donors of the PICAP. Both donors acknowledge the need for PICAP-like programmes in the Pacific region.

‘...they (UNCDF) understood the market model not only in Fiji but also in the region. So the opportunity for scalability was already there. So they were very familiar with what the market appetite was like, how to approach it, and also had the experience of working and engaging with insurance service providers

MFAT’s recently launched ‘International Climate Finance Strategy’ has identified one of its goals as ‘Leveraged investment to achieve greater climate impact’. DFAT acknowledges the strong alignment of the PICAP with their respective country and regional strategies. The donor feels that while they have supported/are currently supporting several programs focused on climate and disaster resilience, and climate and disaster preparedness, none of those programmes, so far, have looked at building financial preparedness of communities through this sort of social safeguarding or insurance mechanisms through a market-led approach.

“I love this Programme because of one factor which is its market-driven approach. It’s an absolute innovation in terms of how they do it. Donors are known for grant financing projects, just keeping it alive and the second the grant dries up, we’re like,

the wisdom of it disappeared. That's the core problem of sustainability. It is because it's been driven by a grant..... This grant (PICAP) is helping them with the framework that the mainstream market then can take its course on. And I think it's important if there's a Programme that is going to sustain itself. It's a Programme of this nature, driven by the market forces, letting the market forces dictate how the sector operates. So if you ask me, I am in absolute awe of this Programme."

The donor community, in general, specifically finds the PICAP relevant to the current context of the focus countries and the Pacific region with respect to climate-related challenges. For the donors, PICAP is one of their only programs that focuses on building resilience for the last mile beneficiary and is hence, filling the much-needed gap of providing finance-driven resilience to the families.

'.....this Programme obviously aligns directly to sort of broader work that has been carried out over many years. So it's quite a natural alignment, I guess, to the geographical area of focus and the current problem that we are sort of engaging in'

The evaluation showed that across stakeholders (including regulators, policymakers, regional platforms, cooperation agencies, donors, partners, and the private sector) there is unanimous agreement on the relevance of 'insurance' as a product that could help build the resilience of the Programme's target segment, given their context of frequent natural disasters.

"It's very groundbreaking work. It's the first parametric insurance that covers climatic events. So, in that sense, I think it's very trailblazing. "

These stakeholders recognize and acknowledge the role that PICAP has played in bringing all of them (the stakeholders) together, and in trying to create an insurance model, something which no other stakeholder - be it private, public, or otherwise, has been able to successfully achieve until now.

Sub-Question: To what extent has the Programme design taken into consideration gender equality (GE) according to international norms and agreements and country policies? Does the Programme have a clear gender strategy?

The ProDoc lays down in detail how the Programme interventions will support-gender-intentional product and process design. The document has established the rationale for supporting women given that women are significantly disadvantaged in the face of climate-induced disasters and other such crises. The Programme document proposed to engage with all relevant country stakeholders in consultations, and create a technical working group to develop a gender-inclusive CDRF strategy for the country. The Programme's Results measurement Framework as well as the Results Plan developed for individual project partners includes both tracking indicators and targets for increasing women's access to the parametric insurance product, awareness campaigns, and financial literacy training programmes.

The ProDoc also advocated for the provision of appropriate insurance solutions for women to improve their access to and usage of financial services and facilitate their participation in the real economy. Customer-centric design and innovation have been proposed as key instruments to ensure that the projects create value for each segment of the targeted population (smallholder farmers, women, and MSMEs). To that extent, the Programme design envisages the engagement of technical experts to help in better understanding the specific needs of various customer segments at various stages in their life cycle and adopt a human-centric design approach for developing tailored solutions for the target audience, considering their preferences in terms of products/services, user interfaces and pricing.

However, there is little evidence from the inception phase about specific initiatives undertaken to design products, approaches, and solutions catering specifically to the needs of women. So far, the initiatives have been limited to collecting, tracking, and reporting gender-disaggregated data at the

Programme level and the individual project level. Neither PICAP nor the partners have started to use this data to inform their targeting strategy or operational approach. Although all aggregator partners appreciate the need to include women clients in their awareness campaigns, there is no clear attempt on the part of most partners to run specific campaigns and onboarding initiatives specifically targeted at women.

The Programme did not have a Gender Equality and Social Inclusion (GESI) Strategy until recently which is possibly the reason for the lack of focus on designing gender-intentional products, processes, and activities. PICAP has recently onboarded an international resource as its Gender Lead. It is hoped that in the scale-up phase, PICAP will be able to implement the GESI strategy and take more focused steps to embed the gender lens in its interventions.

Recommendations:

- To ensure that the issue of resilience-building, through insurance and other climate disaster risk finance mechanisms, continues to receive significant policy attention across all Pacific Island Countries (PICs), PICAP should continue to leverage its existing relationships to become a member of regional as well as national policy-making, advocacy, and cooperation committees. This would not only enable the Programme to share its experience with government agencies of smaller PICs but also ensure that climate disaster risk finance is given adequate attention in all national and regional plans going forward.
- The initial feasibility study and gap analysis conducted by PICAP was not done keeping in view the needs and contexts of specific target segments, specifically women. Now that the GESI strategy is in place, PICAP should conduct studies to identify specific needs, barriers, and challenges that women individuals and women MSMEs face in the wake of climate-induced disasters. These studies should inform the design of specific programmes of grant partners in terms of outreach and awareness activities, financial and digital literacy campaigns, design of parametric insurance products, accessibility and onboarding processes, delivery channels, complaints resolution mechanisms, etc.
- To ensure that continuous relevant support is provided to all partners, as part of its quarterly monitoring process, PICAP should review the institutional capability of each partner and plan specific, tailored activities aimed at building each institution's capacity. This could be done in the form of more regular and hands-on training on the parametric insurance product, training of trainers for financial and digital literacy training, additional funding for specific capacity-building activities, training on gender issues/women's financial inclusion/women's economic empowerment, etc., The overall objective of these interventions is to 1) lead each partner to view parametric insurance and other financing instruments as a strategic initiative to support their own client/member base; 2) include these initiatives in their long-term, strategic plan; 3) identify ways to make the initiative sustainable within their overall programme.
- Given PICAP's early success and a high potential for future success, as well as its ambitions to go global, it is recommended that the UNCDF global strategy is suitably revised to include climate change as one of the focus sectors. This will mutually benefit PICAP as well as other country programs. PICAP is likely to benefit by gaining access to larger, multilateral funding for expansion in the Pacific and other regions, and the country programs are likely to benefit by identifying and designing similar relevant programmes in their respective jurisdictions, especially by learning from the experiences of PICAP.
- Since multiple programmes and initiatives are being undertaken by different agencies with some overlaps with PICAP, it would be beneficial for PICAP to take a lead in setting up and managing a joint forum of donors and like-minded funding agencies so that the resources-both financial and non-financial could be optimally utilized and synergies can be drawn between different programs.

5.2 Effectiveness

How aligned are the activities to the desired outputs and outcomes and how likely is it for the activities to achieve these goals/objectives?

Activities considered under PICAP are realistic and practical in achieving the desired outcomes. There is a high possibility of the Programme contributing towards new relevant policies that allow for more avenues of risk mitigation products for the vulnerable. The Programme also allows for a high level of collaboration, convergence, and hence learning across partners, also resulting in an increase in the capacity of these partners. The Programme has also helped partners network with other players to further capitalize from the product and knowledge developed.

Sub-Question: Are the activities realistic/practical in achieving the desired outcomes? Could the outcomes be achieved in a more effective way?

Based on interactions with insurance providers and technical partners, and a review of the Programme documents, it can be inferred that the current activities and their timelines have been realistic. The design of PICAP had appropriately anticipated the likely challenges it might face during the implementation and the likely slow pace of the progress of activities. The proposal to have the inception phase run for a period of two years was therefore grounded in the realistic situation in the country and the region. The persistence of the pandemic and the resultant slowdown of travel and other activities were factored in timely by PICAP.

In the given period, the Programme as a whole has been able to make considerable progress on almost all key parameters and indicators. It has developed three **main** variants of the parametric insurance product in response to the needs of the clients and the sector, at large; and has incubated the product in a regulatory sandbox of the Reserve Bank of Fiji. It has successfully onboarded about ten aggregator partners and, in the process, created an institutional delivery channel for the insurance providers (which otherwise had been using the traditional channel of brokers and insurance agents).

PICAP's process of selecting aggregator partners involves close engagement with them to finalize the design of each project. This helps build the buy-in of partner institutions very early into the Programme. Aggregator partners acknowledge the handholding support they have received from PICAP in making sure that their go-to-market efforts are streamlined and efficient.

For the micro-level stakeholders, i.e., last mile customers, PICAP has invested in developing a financial literacy manual covering the general topics of financial literacy as well as about the parametric insurance product.

The above initiatives have thus allowed for the development of an eco-system around the data flows to improve the product, monitor its performance, and develop synergies across stakeholders. It is critical to note that these developments are substantial given the novelty of the product for the region, the lack of supporting data, and the limited/weak capacity of local stakeholders to develop the product, launch, and support it, on their own. The PICAP team has also made efforts to learn from other previous experiences such as the earlier Pacific Financial Inclusion Programme (PFIP) and has ensured that the key concerns of all stakeholders (partners) are duly considered at the design stage.

“It's a really good partnership. If anything, I'm more comfortable with this relationship than the previous PFIP program that they had with commercial partners, because we're not out here asking them for money. We're actually asking them for knowledge. And we are doing our own research, our own model...”

The Programme team allows for clear feedback mechanisms to help the partners share insights on activities, outcomes, or processes that are not relevant, which in turn, helps in enhancing the overall effectiveness of the Programme. It is critical to note that all players have considered a blanket market segment of low-income customers, and not sub-segments within them.

Given the contours worked under - for a larger target segment - the said activities have been fulfilled quite effectively. However, if the Programme was to bring back its focus on enhancing gender-based outcomes, it would need to re-align its activities and processes to make them more gender centric, and at least target more women. The current activities are not likely to achieve gender-specific outcomes.

Sub-Question: To what extent is the Programme contributing towards bringing about enabling change in the legal, policy, and regulatory environment for climate disaster risk finance?

Through the Programme, significant awareness and recognition of the need to introduce and implement climate disaster risk financing in the Pacific (like parametric insurance) have been created among governments, policymakers, regulators, and other sector-level stakeholders.

The Government of Fiji has shown the intent to support this critical aspect of resilience building by extending VAT exemption for the parametric microinsurance premium through its 2021/2022 National Budget (July 2021) announcement. This is seen as a major policy support and an indicator of the government's recognition of PICAP that for the first time such a provision has been allowed even before the product was launched. There is greater intent on the part of the government to bring about legal, policy, and regulatory changes, should this be necessitated in the future.

'And it (PICAP) is focused on a market-based solution and is private sector led.....so we're not only stimulating sustainability in that way, but also giving a chance for the private sector and the insurance company to show this is something that you can actually venture into'



Likewise, the Reserve Bank of Fiji through its regulatory sandbox has shown considerable proactiveness in testing the parametric insurance product and shows the willingness to make need-based changes in policy and regulatory framework to support the growth of CDRF, going forward.

PICAP's relationships with other key ministries such as the Ministry of Commerce, Trade, Tourism and Transport, the Ministry of Agriculture, as well as the Ministry for Women, Children, and Poverty Alleviation could be further strengthened to scale up the Programme. Additionally, strong and meaningful relationships need to be developed with the Ministry of Rural Development, Maritime and Disaster Management, and the Ministry of Fisheries.

As PICAP ventures into sectors such as MSME, and devises initiatives focused on target segments like youth, women, and people with disabilities, there might be a need to bring about changes in the legal and regulatory environments pertaining to these sectors/segments. PICAP will need to continue its focus in this direction by advocating suitable policy changes through the concerned ministries.

PICAP's foray into Vanuatu and Tonga is yet to start in a big way. There are plans to venture into other Pacific countries like Samoa, Solomon Islands, and PNG, going forward. However, discussions with stakeholders point towards the possibility of PICAP facing greater policy-level challenges in other Pacific countries. PICAP will possibly have to put in greater efforts to engage with governments and public sector stakeholders not only to sensitize them on issues such as financial resilience building and CDRF instruments but also to provide them handholding and capacity building support more intensively than what it has done in Fiji.

Sub-Question: Are there differential results across various workstreams? What are the major factors that have so far determined the success or otherwise of the various work streams?

PICAP has recorded differential results across its four workstreams with higher achievement under the pillars of Open Digital Ecosystem and Inclusive Innovations (now merged into a single workstream).

PICAP's major attention in the inception phase has been focused on developing and launching the flagship parametric insurance product. This has not just involved the technical development of the product but also facilitated partnerships between the relevant entities in the private sector. It has also necessitated the creation of a delivery and distribution channel that is connected to the grassroots and can help in quick enrolments of customers. Given other challenges such as the geographical remoteness of some of the islands, poor physical infrastructure, and lack of economies of scale, PICAP has focused on leveraging the power of digital technology to help the implementing partners achieve viability. Hence, there is far greater progress, in tangible terms, in the combined workstreams of Open Digital Ecosystem and Inclusive Innovations.

On the Policy workstream, there have been encouraging results, especially in terms of sensitizing the policymakers and drawing their attention to the critical need for resilience building through CDRF. The testing of the parametric product in the sandbox and the VAT exemption are some evidence of policymakers coming forward to support some of the goals of the Programme. Yet as described in the previous sub-section, policy changes usually take a longer time to come about. PICAP may be required to put in more effort under the Policy workstream as it expands its footprint into other countries. It is hoped that in the scale-up phase PICAP will have more tangible and evidence-based progress to show under this workstream.

The results in the Empowered Customers workstream, however, have been slow to achieve as compared to other interventions. This could be attributed to the larger global landscape of COVID-19, where the last mile implementation had slowed down across countries and not only in the Pacific.

Sub-Question: To what extent is the Programme contributing towards strengthening the capacity of regulators and policymakers to make informed policy decisions on CDRFI?

PICAP has had a close engagement with the Ministry of Economy that has resulted in some policy announcements such as VAT exemptions. Through its membership in the Disaster Risk Financing Technical Working Group (DRFTWG), PICAP has provided expertise to government agencies at the regional level.

Beyond this, there is limited evidence as of now to demonstrate the Programme's efforts toward building the capacity of the governments in Fiji and beyond. In the scale-up phase and as PICAP moves into other Pacific countries, it will be called upon to provide more structured and intensive capacity-building support to regulators and policymakers in these countries. This would be a critical requirement to ensure that PICAP activities achieve success in other countries as well.

Sub-Question: To what extent is the Programme contributing towards strengthening the capacity of private sector players (providers, aggregators, etc.) to develop inclusive, viable, and scalable CDRFI products, business models, and partnerships?



The Programme has helped galvanize the private sector to think beyond the conventional insurance product suite and consider introducing a climate insurance product for the mass market segment. So far, however, PICAP has taken the initiative to design the product and engage services of specialized agencies to support insurance companies to introduce the product, made available a network of distribution partners (aggregators) to help insurance companies in their outreach activities, and supported a technology solution to help partners undertake bulk onboarding of customers. All this has ensured that the product is being delivered in a timely manner to the various customer segments, with a minimal financial burden on the intermediaries.

The private sector values the support of PICAP in bringing global technical experts into the country to help local institutions build their capacities in terms of product development, risk management, advanced digital technologies, actuarial services, product pricing, etc. besides developmental initiatives such as financial literacy training. All implementation partners acknowledge PICAP's in-house subject matter expertise and their willingness to share it with the partners, as needed.

Sub-Question: To what extent is the Programme contributing towards strengthening the capacity of development partners to deliver digital and financial literacy initiatives for communities?

PICAP developed a financial literacy (FL) module for trainers of partner aggregator institutions. The manual covers basic financial literacy topics such as savings and budgeting. In addition, the module also includes basic information about parametric insurance. The evaluation findings show that development partners had a mixed perception of the quality of the training delivered by PICAP for the financial literacy module. Partners felt that while the training module covers all relevant topics, the implementing team (training team) struggles to cover all topics in a particular session. In specific, the manual is perceived to be lengthy and inadequate - such that it does not provide ready-to-use handouts or user-friendly training materials for trainers to use in their sessions. Quite a few partners reported picking specific items from the manual and customizing them to the requirement of their clients. A few partners conveyed seeing a very limited use of the manual.

While the partner institutions are reporting on the number of people trained, the study found little evidence of the FL module being delivered effectively to the clients on the ground. So far, the FL activities have been largely limited to the dissemination of information about the parametric insurance product. Partners also reported that target segments (farmers, women vendors, etc.) do not show interest in undergoing such training mainly because there are similar kinds of training Programmes that are regularly run by different government and non-government agencies on the field. Not only do the target segments find these Programmes repetitive but also they do not see any value in them.

Sub-Question: How appropriate are the Programme's results measurement and monitoring systems to track direct and indirect Programme results?



The PICAP follows a Results Measurement Framework (RMF) derived from its Theory of Change. The RMF monitors 19 indicators (most of them being quantitative in nature) across the different levels of the TOC. The Programme RMF also forms the basis for drawing up the Results Plan of individual grant projects. There is a clear pathway through which the indicators in the project-level Results Plan link up with the indicators in the Programme RMF. In addition, the project-level Results Plan collects additional information that helps track the progress at the individual project level. Overall, the Results Plan is quite comprehensive and tailored to each project.

As of now the indirect Programme results or the information about sector-level initiatives undertaken by PICAP is captured through quarterly/semi-annual/annual reports. From discussion with the Programme team, it is understood that the information/data about indirect Programme results are available to individual team members who then contribute to writing the relevant parts of the report.

There does not appear to be a centralized repository where qualitative information (not captured through the RMF) is captured and documented. PICAP has generated a wealth of knowledge and experience in the last two years of its operation. The qualitative data and information, if synthesized and analyzed could provide valuable insights to the PICAP team as well as the external stakeholders and inform them on specific interventions, better targeting, improved strategies or risk mitigation measures etc. To begin with, PICAP could conduct a workshop to assess the kind of qualitative information available at its end and develop an action plan for more deep-dive analysis of qualitative data, and producing the same in the form of knowledge material and dissemination.

Recommendations:

- As mentioned above, greater engagement on the part of PICAP to become a member of the government’s committees would enable it to influence conducive policy-making by the

governments. PICAP should continue to engage more proactively and closely with RBF to maintain a good handle on regulatory issues confronting the central bank and provide them with technical support on appropriate regulatory interventions from time to time.

- Going forward, PICAP needs to adopt a customer journey-driven approach to identifying the needs, pain points, barriers, and experiences of different customer segments. This approach will help PICAP identify specific actionable areas that should be pursued under the four workstreams. Examples include simplified policy norms to encourage vulnerable segments to gain access to CDRF products and boost its uptake; design of tailored CDRF products beyond insurance to suit key customer segments such as women, youth, and MSMEs; development of innovative business models that promote inclusiveness; building capacity of users and customers to help them make informed choices in financial and social security matters, etc.
- Given that CDRF in general and parametric insurance, in particular, is a fairly new concept for governments and policymakers in the region, PICAP should leverage its network across the globe to provide exposure to regulators and policymakers through participation in conferences, peer learning events, policy-making discourses, etc.
- Going forward, though, the insurance companies would need to own up this product and see this as a viable business vertical. This would require them to build in-house capacities to design and manage complex products such as parametric insurance. They would also need to build expertise in strategic planning, risk modeling, and management, pricing, outreach activities, marketing and communication, new delivery channels, etc. to make this and other similar climate insurance products a viable and scalable business proposition. In the remaining term of the Programme, PICAP's focus should be on providing necessary technical assistance, de-risking finance, support of specialized service providers, etc. to the private sector players, especially insurance companies. Making performance-based agreements tied to such institutional capacity-building milestones would make sure insurance providers see this as a new line of viable business vertical, beyond the life of PICAP.
- PICAP should undertake a comprehensive field-level review of the financial literacy needs of clients, and develop an FL strategy that focuses on differentiated and innovative ways of developing the content and delivering the training. The strategy should include the course outline suited for different client segments, delivery medium (audio-visual, social media, story-based animation content, etc.), develop the financial literacy material (tailored for different categories of partners such as insurance companies, aggregators, government, etc.), provide TOT to the staff of partner institutions, develop an M&E plan to track not just the number of training and number of people trained (gender-disaggregated), but also its direct and indirect outcomes.

5.3 Efficiency

Is the project activity designed to complete the objective in the set time frame, and in a cost-effective manner? How well are the resources proposed to be leveraged and utilized?

Activities considered under PICAP are time-effective, especially when the progress achieved to date is considered. Delays in specific activities, and launches in countries have occurred owing to the pandemic, and hence could not be avoided. However, there has been a lack of gender-centricity across programme nuances, which is likely to be addressed given that the GESI coordinator is now with the team. Specific development partners have expressed a need for increased funding, especially when it comes to enhancing the outreach of the product amongst hard-to-reach vulnerable segments.

Partners typically view the reporting formats and procedures as adequate and have expressed a high appreciation for the PICAP team. However, there is scope for PICAP to help make their internal monitoring of the partner performance more comprehensive, and systemic, rather than cumbersome.

Sub Question: How has the Programme progressed compared to the annual work plans of the inception phase (in terms of expected results, funding utilized, number of projects supported, partner contribution, and private capital mobilized)?

Overall the Programme has performed reasonably well in terms of the completion of activities as envisaged in the Annual Work Plans (AWP). In 2021, the Programme reported the completion of 91% of activities as envisaged in the AWP 2021. For the current calendar year, the Programme has reported the completion of 70% of activities up to September 30, 2022. Activities that have shown slower progress include product development for MSMEs, development of CDRF instruments, the conduct of workshops and training for stakeholders, etc. However, as one of the initial steps towards MSME product development, PICAP has already conducted a demand study, the findings of which will inform the product design.

As against this, the progress under RMF was reported to be far better. The annual average achievement of RMF targets for 2021 was 108% while for 2022, the average achievement of RMF up to Q3 2022 has been reported to be 100%. The trend analysis of indicators shows that the progress on most indicators has been consistent across the quarters since the start of the Programme.

The Programme has however been quite economical in terms of its budget spends. In 2021, the Programme achieved its AWP performance of 91% by utilizing about 61% of its financial resources allocated for the year. This trend has continued in the current year with the AWP performance of 70% (up to Q3 2022) having been achieved by spending 93% of its budget.

The lower spends on the budget in 2021 has been reported to be due to the drawdown of the carryover resources of PFIP when donor financing agreements under PICAP were awaiting finalization, and lower spending on travel and workshops due to pandemic-related restrictions.

More insights about the utilization of the project budget, achievement of progress under the AWP, and the performance of RMF indicators are discussed in Chapter 4.

Sub Question: Are the activities progressing in a time-bound manner? Are causes of delay exogenous? Has the Programme taken steps to address the causes of delays and how effective has this been? Have there been specific unexpected expenses to complete the project activities?

Given the larger global context and the occurrence of COVID-19, it is safe to say that the PICAP and its nuanced activities have progressed extremely well in Fiji. Owing to COVID-19, the subsequent lockdowns, and the inability to travel across borders, PICAP could not make much headway in Vanuatu and Tonga (the other two pilot countries). Additionally, PICAP did not have a full-time in-country coordinator in Vanuatu which further delayed the programme initialization activities. However, at an overall level, the Programme has successfully ensured that the activities progress in a time-bound manner, despite COVID. The pandemic was unprecedented, and hence the lack of movement of activities in Vanuatu and Tonga could not have been mitigated.

Sub Question: Is the project management structure including the composition and expertise of the team adequate and responsive to the needs of the partners? How do partners view the data collection, reporting, and compliance requirements? Is there scope to enhance efficiency in the activities around project governance, management, data collection, and staffing?

Partners had varying perceptions regarding the reporting requirements by UNCDF as a part of the PICAP. This included aspects such as the submission of data as part of the M&E plan. The PICAP team has been providing guidance and hands-on assistance to the partners to help them fill in the data templates. The team also maintains close contact with partners to give them feedback about the quality and sufficiency of data, especially qualitative insights. Most partners acknowledged the responsiveness and support received from the PICAP team.

“Compliance and reporting were adequate and user-friendly.. ”

The RFA process for the selection of grant partners is fairly long drawn given the procurement and selection guidelines of UNCDF. As far as aggregators are concerned, most of them were onboarded (both in 2021 and 2022) just a couple of months before the onset of the cyclone season. This gave them very little time to prepare internally to take up a programme of this type as well as to reach out to clients and conduct awareness and FL sessions before signing them up for the insurance products. Since they have been assigned targets for enrolling customers, many of them have had to struggle to reach the target numbers in a short duration.

The study identified cumbersome and disaggregated reporting formats for partners, which while comprehensive individually, are likely to be challenging for the PICAP team to track, and update. Additionally, it might be prudent to consider aggregation of the larger work plans to help the PICAP team to gather a larger bird’s eye view of the progress made in every quarter. Some partners also expressed the need to expand funding for them to help them reach more vulnerable and hard-to-reach segments, as well as to reduce the cost burden on them.

“Whilst the funding served its initial purpose, we believe that more funding is required to take it to phase two. ... It would be good if partner contribution is lowered. Our contribution of 40% was from the time and resources of our management including senior management who had attended field visits and Talanoa sessions and other groundwork including the advertisement, marketing tools, and staffing.”

PICAP has been operating with a lean team size of 2 full-time core programme staff (of which one was recruited recently), and 1 dedicated MEAL officer supported by a shared resource in form of an Associate (an international volunteer). It has recently hired 5 national level volunteers to assist the core team in programme implementation. In addition, PICAP shares its Communications, Finance & Administration team with its sister programme PDEP. It has recently also hired a Gender Lead (international consultant) to drive the gender activities envisaged under the Programme. The team is led by an experienced Programme Manager who is also the Global Lead Specialist for Insurance and Climate Adaptation for UNCDF.

Given the ambitious design of the PICAP, the staffing needs to be further strengthened more so as the Programme is all set to expand into Vanuatu and Tonga in the near future. The second-line managers are experienced; however, they would need to be supported by a team of junior experts as the Programme scales up and there is a greater need for closer engagement with aggregator partners as well as new partners being onboarded in the Programme.

Sub Question: To what extent are the two programmes, i.e. PICAP and PDEP, aligned and complement each other, especially with respect to digital innovations and digital ecosystem workstreams? To what extent do the two programmes leverage each other's interventions and programme partners?

So far, PICAP and PDEP have jointly supported two projects. These include the interventions supported under the regulatory sandbox of the Reserve Bank of Fiji, in addition to the support provided to the Tonga Development Bank.

Going forward, as the PICAP explores more digital innovations through the use of advanced digital technologies, there is greater scope for the two programmes to collaborate more meaningfully and draw synergies from each other's resources.

Sub Question: To what extent are Gender Equality (GE) and Human Rights (HR) a priority in the overall intervention budget? How well has the Programme allocated the various resources (financial, time, people) to integrate these aspects in project design and implementation?

So far, the Programme activities are not gender-intentional. Accordingly, there is no perceptible allocation of resources (financial, time, and human) to ensure gender intentionality in the operations.

Recommendations:

- With the Vanuatu country programme having been launched recently, PICAP should consider assigning dedicated responsibilities to one of its core team members in Fiji to provide focused attention to Vanuatu and Tonga interventions. This is being suggested as the country coordinator in Vanuatu would need more hands-on guidance (given his limited experience in the development sector) and Tonga still does not have a full-time staff. Moreover, the institutional capacities and readiness of the stakeholders in these two countries are still limited when compared to their counterparts in Fiji. The interventions in Vanuatu and Tonga would in all likelihood proceed at a slower pace for the reasons mentioned above. Hence, a dedicated staff allocation from Fiji would make sure that delays are minimized.
- To bring further efficiency into data reporting and submission, PICAP could consider setting up a data portal through which partners can submit their data for the PICAP team to review and provide feedback. Having a consolidated data portal would also enable PICAP to generate meaningful insights for its use as well as for dissemination among stakeholders. With solutions such as iOnboard already being used by partners, PICAP could consider engaging with ITGalax to develop and integrate a data portal.
- It is recommended that PICAP starts the RFA process further in advance to make sure that partners get at least a clear quarter to do their outreach and onboarding activities, before the onset of the cyclone season.
- Going forward, the GESI strategy will need to be implemented by the Gender Lead in close alignment with programme partners. Refer to earlier suggestions on incorporating gender-centricity in all activities.
- Considering PICAP's track record of achievements vis-à-vis targets, and its potential to outperform in the remaining activities, there appears to be a strong rationale for donors to consider further support for the next 3 to 5 years.

5.4 Sustainable

Are the outputs, and outcomes of the project likely to be reinvested for the purpose of the Programme?

Through PICAP, relevant products for climate risk resilience is being developed. Since this is a novel product introduced in the region for the first time, it is leading to the creation of new policies as well as guidelines to ensure adequate customer protection. However, the product is yet to be tested in its full capacity. The Programme is offered through specific community organizations at the last mile, that also attempt to educate the segments on financial literacy. However, the quality of information provided is not found to be relevant, effective and sustainable by both partners and the beneficiaries. Beneficiaries are unclear about specific nuances around quantum of payout given the policy. Existing systems mandate for the collection of gender-disaggregated data, however, its utilization and scope is currently restricted given the limited segments to which the product is being offered.

All players, especially insurance providers, are trying to find ways to sustain the product and its associated activities independent of the funding from PICAP, so as to allow for the development of an exit strategy for PICAP. However, given the lack of a natural disaster post the launch of the product, the exact viability of the concept amongst the beneficiaries is yet to be determined.

Sub Question: What, if any, are the systemic changes visible at the national and sectoral level as well as at the level of partner institutions?

The Programme has also helped inform regulators on parametric products and has helped modify policies to allow for a wider outreach of the product. This has included allowing for the insurance product to be sold over mobile applications, allowing for variants of the product to be offered, and most recently the possibility of the product being progressed from the regulatory sandbox. The larger Programme has also allowed for the establishment of a comprehensive database of individuals that will be enrolled in the product, allowing for a lower TAT in the disbursement of claims, and a seamless integration across companies to utilize existing customer data more efficiently and effectively, especially with respect to future product development.

Based on the current level of interest among the stakeholders, there is a fair possibility of the introduction of suitable policy provisions and regulatory guidelines by the government and regulators in the future to support resilience building among target segments through insurance and other Community Disaster Resilience Fund (CDRF) products. The Reserve Bank of Fiji in particular showed a great deal of keenness to support the growth of the sector. They would however need institutional capacity building and access to specialized service providers to help respond to the evolving scenario through effective policies on climate insurance and CDRF.

Sub Question: Will the Programme lead to the creation of institutions, strategies, policies, guidelines, products, and services that will continue to positively support the target segment in being resilient to climate change? To what extent are these likely to be sustainable over time?

The sustainability of the Programme depends on the acceptability of the product without subsidy and funding by market-specific players, affordability of the product at the level of the last mile beneficiary (given the uncertainty of the event occurring), and the regulatory compliance of the product.

Currently, at the Programme level, the larger effort and objective has been towards ensuring that the insurance product developed is market-led - meaning the product is owned and deployed by insurance companies, and is in compliance with the regulatory environment of local governments. These efforts

and subsequent outcomes in themselves are likely to help make the larger programme, and the outputs from the Programme sustainable.

Insurance sector players as well as technology providers have concentrated their efforts towards ensuring that the insurance product developed is relevant for the customer in terms of the - features/coverage for the beneficiary. This approach has been validated by the donors as well.

As a part of this approach, tremendous quantum and frequency of feedback have been incorporated in the design of the product and the monitoring processes to help ensure that the product covers relevant events such as rainfall. However, as per the stakeholders, the perceived affordability of the product by the last mile beneficiary is still considered to be low.

“one of the surveys they need to do is find the attractiveness of the product itself to the beneficiary when we are trying to sell for what they paid. This is what the benefits are. Is it really something that they're interested in? I think there's a fundamental question”

The only possible trigger that could motivate beneficiaries towards purchasing the product would be seeing real-life examples of how the product has helped an individual that has a profile similar to theirs given an event occurs. The lack of an event since the launch of the product hence has not allowed for an opportunity for the product to be tested, and to be utilized.

“they need to have the first case of payout, and then it will make a huge difference..”

Another key risk to the sustainability of the product is the ability of the product to attract a sufficient quantum of reinsurers, especially in the event of a disaster where the product will need to cover beneficiaries in large numbers. While funders are currently satisfied with the progress made by the Programme, and the products launched, it is critical to note that funders cannot have a long-term financing agenda for such programs.

Sub Question: Will the Programme lead to the development, aggregation, and use of gender-disaggregated data within the focus countries? To what extent this practice will continue over time?

The Programme mandates the collection of gender-disaggregated data. However, the data currently collected is only for certain fragments of target segments, and not the overall population. Hence the data collected is likely to be constrained in terms of the scope and extent to which it could be used to help enhance the level of gender equity and equality.

Nevertheless, the gender-disaggregated data that is being collected at the partner level and the Programme level has not been put to use such that it would inform the Programme activities or provide crucial evidence that could generate sector-wide discussions and trigger policy or strategy changes at the government, donor, or the industry level.

Sub Question: To what extent does the Programme design include an appropriate exit strategy to ensure that positive changes in CDRFI continue after the Programme has ended?

The government of Fiji is cognizant that climate resilience is not a 3 to 5-year project. To make climate resilience a more mainstream topic, a change in the mindset is needed for not only consumers but for providers as well. According to the government, this is likely to take over 10 years to materialize. Pertinent questions raised by the government have included - the need to create a banking and/or financial institution to make the structure sustainable and grow the industry. The government is also looking forward to seeing the response of the market to the newly introduced products via the sandbox which would in turn inform their stance on the extent to which this Programme is sustainable.

Stakeholders are unanimous in their view about the need to continue the Programme even beyond its designated term.

“There’ll be an ongoing role for the Programme, but in, in the more sort of standard products, I guess. You know, we’d like to see sustainability. The private sector providers are able to continue to offer these without some of that long-term support. So they become self-sustaining.”

However, the issue of working on a clear exit strategy for the Programme has so far not drawn the attention of most of the key stakeholders. In discussion with the evaluator, they did acknowledge the need for PICAP to hold sector-wide consultations, especially with the key donors, government, and regional bodies to explore the various possibilities of continuing and institutionalizing the Programme after UNCDF funding has ended. This would require discussions on institutional set-up, governance and management structure, capital funding, key stakeholders, the mandate of the Programme, etc.

“I think as part of the exit strategy they should actually invest in working with insurance companies to develop the best product, economically viable product possible. So maybe that means increasing the premiums or maybe that means adding on to the product. Or you know, getting a sort of full-time commitment from the government to subsidize the product. Those kinds of things so that you know, basically that it can stand on its own feet when PICAP concludes.”

Sub Question: Does the project help enhance the level of knowledge, understanding, and use of climate risk resilience products by the target segments in general?

Target segments do feel the need for climate risk resilience products, at a very broad level. This is influenced largely by the horrific experience most of them have had, in the form of damage to property and livelihoods, during TC Harold, TC Winston, TC Yasa, and TC Ana in recent years. Previous evaluation reports have also highlighted that beneficiaries perceived insurance products extremely negatively and thought that they would receive payout values based on the quantum of their loss instead of a flat amount, pointing towards a lack of effective FL mechanisms. Their understanding of the finer terms and conditions of the product is still limited or negligible.

The need to intensify marketing approaches at the last mile, to help communicate the relevance of the product, and the need to purchase it was echoed by several implementation partners. Some partners also hinted at the likely need to expand their budgets for marketing as well, to help ensure more effective financial literacy programs that aimed at conveying the need and importance of insurance products despite the possibility of a “no-payout” situation.

Funders are, though, convinced of the need to fund or cross-subsidize the premiums for a certain fragment of society. This would include some of the relatively more “innovation” focused sectors, and or insurance for anticipated events where such products are typically not commercially viable.

Recommendations:

- The sustainability of PICAP beyond the funding commitment by UNCDF is the most critical issue that should require the attention of all stakeholders going forward. PICAP has responded to one of the most crucial needs of PICs in their efforts towards resilience building, disaster response, and sustainable development. Given the complexities involved in establishing an ecosystem that promotes sustainable CDRF in Pacific countries, continued and longer support is needed to help all stakeholders including governments, regulators, the private sector, delivery channel partners, and the customers, at large. To that extent, PICAP and its supporting partners including donors,

funding agencies, governments, and regulators should explore the possibility of institutionalizing the PICAP beyond its defined life term.

- At the level of insurance companies and aggregator partners, the collection of gender-disaggregated data is limited to collection and reporting only. With the gender function likely to be more pronounced in the scale-up phase, PICP may consider building capacities of these players to analyze and use the gender-disaggregated data for their business operations, expansion, targeting, product design, process streamlining, etc.
- There is an urgent need to reconfigure the pricing of the product offered so that it is perceived to be more affordable for the segment, otherwise the larger objective of the Programme will collapse in the long run
- There is a need to devise innovative ways to convey nuances of the product to the segment, in digestible format.

5.5 Targeted

Is the project geared to meet the specific needs of the target segments?

The current product offered is more generalized to meet the needs of all beneficiaries in the low-income segment. The product and processes offered are not necessarily gender centric. No specific nuance for youth as a segment has been looked at as well. This is owing to the larger approach and set of assumptions followed by the Programme that includes – 1. High priority to educate and develop a basic product first, and then develop variants, especially given COVID 19, and 2. The assumption that the generalized segments targeted include the youth and women, and that nuanced variants of the product focusing only on their needs need not be developed. A specific product for MSMEs is under consideration and is being developed.

Sub Question: Does the project overall look at mitigating critical challenges faced by women, youth, and MSMEs? If yes, to what extent?



It has been observed that no efforts have been made to design the product for the targeted segment, namely, women, youth, and MSMEs. Currently, the product is designed without keeping any target segment in mind and is offered primarily to low-income people in the Pacific region through aggregators. The distribution model is to target members of the aggregator agencies like Sugarcane Council, Fiji Coconut Millers, CCSLA, and Tailevu Dairy which largely consists of farmers. If women are included in the Programme it appears to be a co-incidence and not by design. Recently, UN Women has collaborated with CCSLA to target women, however, no efforts have been made to understand the needs of women customers nor has the financial literacy training content been customized to specifically address the financial literacy barriers faced by women. Although the PICAP has collaborated with the Department of Social Welfare of the Ministry of Women and Child Development to cover members of the social protection programme, vulnerable segments like women have been included in the PICAP by default rather than by design. Likewise, PICAP has partnered with the Pacific Disability Forum (PDF) to provide access to parametric insurance products to persons with disabilities. Here too, the standard product is being offered to the segment and no assessment has so far been done to understand the needs and challenges of this segment for the access, uptake, and

usage of the product. Discussions with PDF pointed towards the challenge of the unaffordability of the product for people with disabilities should they be required to pay the premium amount.

Recommendations

- To make the Programme relevant for the target segments, it is important for PICAP to first conduct deep-dive studies and assessments to understand the specific barriers faced by these distinct segments. Such assessment will provide useful insights that can be used by insurance providers, mobile money providers, and aggregator partners respectively to identify ways in which the challenges faced by target segments could be effectively addressed.

5.6 Replicable

Can the project be replicated across contexts to achieve scale through nuanced lessons learned?

Climate-specific natural disasters are common across countries in the region, however, the nuanced needs of the population, especially the vulnerable, are likely to be different. Hence, while the larger concept of the programme can be replicated, the product will have to be altered significantly to adequately address the needs of the various segments in different geographies. The Programme staff and the partner organizations have the capability to act as technical support systems for any other region where the Programme wishes to be replicated.

Sub Question: Can the lessons from the Programme and the models deployed be replicated in contexts with similar challenges and similar or different geographies? Does the Programme have the capacity to take on the role to promote replicability in other geographies?



There is a high scope of replicability across geographies, and within the Pacific for the Programme overall, and the product concept, in particular. However, specific nuances of the product or the needs of the target segment are likely to vary given local, geographic, and climatic contexts. Additionally, the legal and regulatory environment in which current players can operate in various geographies plays a critical role in the extent to which the Programme and product could be replicated. Most players are concentrated in one or two countries (generally those with larger populations) and do not consider other smaller island nations a market that is significant enough for them to achieve break even. (Tonga's population is a little over 100,000 while the population in Vanuatu is just about 315,000) .

Donors see high value in replicating the Programme in other Pacific Island countries. While they acknowledge that each country brings its own set of challenges, given the way in which PICAP has approached the expansion of the Programme to Tonga and Vanuatu, they are confident that the Programme will be able to align based on contextual factors. Regional partners are also concerned about the possibility of crowding out existing players in regions where the Programme could be replicated, and hence recognize the need to ensure that local players are involved as much as possible. Given the context in the Pacific when it comes to insurance, these regional partners do believe that PICAP will have to undertake significant groundwork to be able to introduce basic insurance products, to begin with.

“we need to be mindful that they don't crowd out their existing mechanisms in some of the countries... Tuvalu, there are no insurance companies here it might be having to start from going back to little basics and really either introduce one of them say, for

example, one of the Fiji insurance companies into the financial institutions or doing some legislation changes to allow in insurance companies like FijiCare to operate in, in countries where there are no existing insurance companies. So that will be an issue if you go into a country where there are no existing insurance companies, but also have to understand the actual legal framework.”.. Regional partners.

Since most of the technology and data used for the modeling of the product is available globally, most of the partners currently on-boarded in PICAP have the ability and capacity to act as knowledge partners for new geographies. Additionally, the experiences and insights from the PICAP have the potential to inform innovation to a higher extent in new geographies, compared to a scenario where new players are introduced.

Recommendations

- There is a critical need for the core PICAP team to continue to be involved in any replication effort to avoid the loss of any information or learning from the experiences so far.
- Detailed learning documents/modules that could be digested easily across stakeholders such as the government, technical partners, and others should be developed so that there is no loss of information
- Country-specific diagnostic exercises and strategic planning should be undertaken before entering any new geography - especially to ensure that none of the originally selected target segments are neglected
- Global/regional cross-learning summits should be held to ensure more capitalization of the learning experiences, but with the least negative consequences

5.7 Externalities

Does the project result in any negative and/or positive outputs or outcomes for the stakeholders?

PICAP helps develop clear leads on policy changes owing to the introduction of a new category of insurance products. Through this, there is also an attempt to educate beneficiaries and other stakeholders on the nuances of the product concept, and on progressive technology that could help enhance the implementation, monitoring, and evaluation of the product. Financial literacy initiatives are unfortunately not as effective as desired, and do not result in the beneficiaries understanding the difference between parametric insurance and other typical insurance. The product is offered to segments outside the target group identified in the Programme and hence allows for positive externalities in the scope. Given that the product is extremely new, there is a likelihood of risk for insurance companies, especially if a significantly severe disaster occurs. Additionally, there is a risk of a lack of adequate quantum of re-insurers in case the product is not considered lucrative by them.

Sub Question: Are there clear leads to employment, policy changes, product launches owing to the Programme?

PICAP has helped launch a unique product that offers increased resilience to climate-related disasters with comparatively reduced TAT, a first for the geography.

"Nobody agreed, you know, everybody wanted a piece of the pie, but nobody had enough time..."

The successful deployment of the product will hence ensure the sustenance of employment opportunities despite climate-specific disasters occurring in the future. In the medium to long term, the product has the potential to help build resilience for low-income segments, and also support employment generation by allowing MSMEs to build back quickly in these locations. The engagement with the central bank and insurance providers is also creating inroads to changes in the policy landscape when it comes to allowing individuals to access this product, using mobile platforms. One insurance player is advocating for a change in regulations that would allow for the product to be offered (customer verification, onboarding, and signing up) through mobile platforms.

Additionally, with the visibility generated by the Programme, there is now an increased interest among donors and other stakeholders. A variety of insurance products are now being conceptualized and developed across other donor agencies and technical partners.

"Red Cross is talking about forecast-based financing which is also related to disaster risk financing...UNDP is talking about anticipatory financing.. these potential financings are very welcome in the region because... PICAP alone cannot address the disaster issue in the region. ...the country has to diversify its sources of financing so that we can maximize the returns to address the issues and costs of the impact of the disaster ..."

Sub Question: Does the Programme help enhance the level of financial inclusion and use of digital financial services of the target segments?

Specific to the parametric product, currently insurance players do not distinguish between the three nuanced target segments (women, youth, and MSMEs), and the low-income segment. It is reported that a variant is being developed for MSMEs which will be launched in the market soon.

Implementation partners are currently trying to enhance the outreach of the product amongst the most accessible, aggregated potential customers, and assume that if the customer segments such as

farmers include women, they are essentially serving women as well. However, it is critical to note that the ignorance of gender-specific issues in the current phase of the project could be detrimental in the medium run since women could further be continued to be marginalized.

Sub Question: Does the Programme help enhance the understanding and uptake of climate risk adaptation products by beneficiaries outside the target segment? Are there any unintended consequences that may impact each target segment owing to the Programme?

In the process of educating customers about insurance in general and parametric insurance in particular given the climate-specific risks in the region, as well as about basic nuances of financial inclusion - several partners, especially community-level aggregators - stated that they currently struggle with convincing the client base to purchase a product that could be expensive for them given that there is no certainty that a climate disaster will occur and that they would be able to claim the insurance. This is considered the key challenge that restricts the adoption of the product by the target segments despite a high level of outreach through community-level aggregators.

“the channels, delivery channels ... was effective in that sense, but why are people still not signing up”

“It's really hard to explain to the farmers about the product like you know, like .. people are really reluctant to pay \$100 premium...and they want something in return.”

It is critical to note that the current segment targeted (different from the ones prioritized by the Programme plan) is identified based on their ease of access, especially by community aggregators. One insurance company is also trying to offer the product to individuals outside the purview of the aggregators. Hence, there is a strong possibility of positive externalities (in terms of reaching segments beyond the original target of the project) to be developed since segments outside the target group (of women, MSMEs, and youth) will also have access to enroll in the products.

Sub Question: Are there any unintended consequences for the government and regulators, owing to the Programme? Are there any unintended consequences for the private sector stakeholders owing to the Programme?

As of the date of the evaluation, no unintended negative externalities for the government or the insurance providers have been recorded. However, since the product is untested, a significant climate crisis where existing processes break down is likely to result in significant financial losses for the government as well since they will have to spend a higher proportion of their funds to help the impacted segments build back their livelihoods. Additionally, an unprecedented climate event might also deter reinsurers from participating in the product in subsequent cycles.

Recommendations:

- There is an urgent need to identify a sustainable, focused strategy to customize the product and offer it to women, and the youth.
- The government might want to consider an alternative plan in case the product fails, and it has to step in to support individuals to build back.

6. Recommendations

Overall, there are nine key recommendations that could be critical for PICAP to address, to help make the Programme more relevant to their larger objective and vision. These are:

1. There is an urgent need to re-evaluate the product and its surrounding processes in terms of its gender centrality for the last mile beneficiary.
2. There needs to be a higher level of “effective” financial literacy for the last mile beneficiary so that there is an increase in the perceived value of the product for these beneficiaries. This should include ensuring no miscommunication on the larger owner or validator of the product.
3. At the same time, the product needs to be reconfigured to be more affordable given the odds of a natural disaster happening, especially given climate change.
4. There is an urgent need to analyze the climate risks faced by the youth and design a nuanced product for them.
5. Going forward, PICAP needs to adopt a customer journey-driven approach to identifying the needs, pain points, barriers and experiences of different customer segments. This approach will help PICAP identify specific actionable areas that should be pursued under the four workstreams.
6. Greater engagement on the part of PICAP to become a member of government’s committees would enable it to influence conducive policy-making by the governments. PICAP should continue to engage more proactively and closely with RBF to maintain a good handle on regulatory issues confronting the central bank and provide them with technical support on appropriate regulatory interventions from time to time.
7. Given the ambitious goal of PICAP of bringing about an ecosystem-level change in the Pacific with respect to climate adaptation and financial resilience building, there is a strong rationale for donors, governments and other development partners to come forward and support the Programme for the next 3-5 years, to help it scale -up and replicate the successful initiative across the region.
8. The sustainability of PICAP beyond the funding commitment by UNCDF is the most critical issue that requires the attention of all stakeholders going forward. Given the complexities involved in establishing an ecosystem that promotes sustainable CDRF in Pacific countries, continued and longer support is needed to help all stakeholders including governments, regulators, the private sector, delivery channel partners, and the customers, at large. To that extent, PICAP and its supporting partners including donors, funding agencies, governments and regulators should explore the possibility of institutionalizing the PICAP beyond its defined life term.
9. It is critical to ensure that the learnings from this Programme are not lost, and hence, are documented in effective, easy-to-digest formats for the consumption of a variety of stakeholders. Learning sessions, and strategic planning exercises should be undertaken with the core PICAP team before replicating the Programme in other geographies given the nuanced context of both the target segments in each country and the product design in specific.

7. Annexure

Country Context

Situated in the South Pacific Ocean, Fiji is referred to as “300 islands in the sun” because of the cluster of 320 islands that make this tropical country. Viti Levu is the largest island in the country and is mountainous while most agricultural land and towns are near the sea or along the river valleys. Vegetation on the windward side of the islands is tropical while grasslands are on the leeward side. Fiji’s climate is warm and humid. Suva, on the eastern “wet” side of Viti Levu, receives an average rainfall of 20 inches annually. The western and northern sides of the island are drier and sunnier. Endowed with forest, mineral, and fish resources, Fiji is the most developed and connected economy of the Pacific Islands. Tourism and remittance are the largest foreign exchange earning sectors. Sugarcane is the primary crop of the nation and is grown on the western side of the country. The sugar sector remains a significant sector and one of the major exports for the country.

Given its geographical location, Fiji has a fragile ecosystem and is prone to natural hazards like tropical hurricanes, cyclones, excessive rainfall and flooding. Fiji government’s Climate Change & National Designated Portal states that 27% of Fiji’s population lives within one km of the coastlines and the country has recorded a 6 mm (0.2 inches)⁸ increase in its sea level per year, larger than the global average. Hence, tackling climate change and building resilience to worsening climate impact is one of the strategic objectives of the government. Climate change ranks high on Fiji’s 5-Year and 20-Year National Development Plan. The plan outlines the way forward for Fiji in realizing both the Sustainable Development Goals and the targets of Nationally Determined Contribution to reduce carbon emissions under the Paris Agreement. Both of these plans acknowledge and account for the impacts of changing climate.

One of the most developed economies among the Pacific Island Countries, Fiji is at the forefront of designing policies and programmes to tackle the worsening impacts of climate change. Since launching a Green Growth Framework in 2014, the government of Fiji has passed many policies to accelerate integrated and inclusive sustainable development inspiring action at all levels in the country. In 2018, preparing the country to tackle the anticipated adverse effect of climate change, the Fijian Government passed National Climate Change Policy 2018-2030; created its first-ever National Adaptation Plan (‘NAP’) with support from the NAP Global Network. Aligning with the global framework, the NAP provides an overarching process for all the stakeholders in the country to comprehensively and collectively address climate change. The NAP provides a clear vision for adaptation and identifies priorities to be addressed in partnership with academic institutions, development partners, and private sector entities over the next five years, and beyond. To tackle the threats of mass displacement, forced migration and environmental damages resulting from climate change, Fiji also launched Displacement Guidelines and Planned Placement Guidelines along with the Low Emission Development Strategy 2018-2050 (LEDs), and NDC Implementation Roadmap 2017-2030.

However, the COVID-19 pandemic in 2020 was a major blow to the economy as nationwide lockdown halted all economic activities, particularly, tourism, which contributes the most to economic growth. As a result, the economic growth of the country derailed during the pandemic and the GDP of the nation shrunk by 20%. Post-pandemic, the country has gradually bounced back to normalcy and has renewed its efforts towards building economic growth and environmental resilience with a goal of social improvement and reducing poverty.

⁸ <https://fijiclimatechangeportal.gov.fj/>

Undeterred by the pandemic and aligning with the vision of the national development documents - A Better Fiji for All, the Fijian government launched Fiji's National Ocean Policy 2020-2030. In 2021, the country has achieved a milestone by gazetting the Climate Change Act 2021.

List of stakeholders consulted

Name of the organization	Name of the persons consulted
AP Climate Partnership	Jeong Park
Cane Farmers' Cooperative Savings and Loan Association	Jone Kedraika, Losana Kumar and Usaia Lutunaivalu
Consumer Council of Fiji	Seema Shandil and Vinash Singh
Department of Social Welfare, Ministry for Women, Children and Poverty Alleviation	Rosia Bi, Dilitiana M. Baleinabuli and Raijieli E. Erasito
DFAT	Melinda Burenneita, Erin Magee Prnil Singh, and Maáke Komailevuka
Digicel	Anup Kumar and Fazleen Ali
Fiji Coconut Millers Limited	Komal Dutt, Ashok and Jona
Fiji Rice Limited	Jotishma, Ashrit Pratap and Amelia
FijiCare/VanCare	Ronald Narayan, Victor Robert, Shayal Singh And Prashant Chandra
ITGalax	Vipin Narendran
MCII	Sinja Buri and Sönke Kreft
MFAT	Hayden Everett
Ministry of Economy	Prelish Lal
Nature's Way Cooperative	Anare Lewenavanua
Pacific Disability Forum	Katabwena Tawaka
Pacific Islands Forum	Karlos Lee
Pacific Catastrophe Risk Insurance Company	Aholotu
Reserve Bank of Fiji (Financial Institutions)	Shanil L. Totaram, Savaira W. Manoa And Seci Taleniwesi
Reserve Bank of Fiji (Financial Systems Development)	Lepani Uluinaviti, Wati Seeto, Sakiusa Nabou Eserani Munivai, Lanietta Sokula Lomalagi, Swastika Singh and Latu Sera Kaukilakeba
Reserve Bank of Vanuatu	Alison N. Baniuri and Marinette Abbil
Sugarcane Growers Council	Sunil Dutt Choudhury, Sunil Dutt Choudhury Sheetal Chetty, Shivasna Sivan and Roshil
Sun Insurance	Avikash Ram
Tailevu Dairy Farmers Cooperative Association Limited	Vulori Baleisolomonev and Tailei Rokotuibau
Tonga Development Bank	Seini Movete
Tower Insurance	Veilawa Rereiwasaliwa
UN Disaster Risk Reduction (UNDRR)	Nazgul Borkosheva
UN Women	Winnie Laava
UNCDF Core Programme Team	Krishnan Narsimhan, Praneel Pritesh And Akata Taito
UNCDF MEAL Team	Ranadi Levula and Johan Nyqvist
UNCDF Communications Team	Sheldon Chanel
UNCDF Gender Team	Elizabeth Cook
UNCDF Global Evaluation Unit	Andrew Fyfe and Christophe Legrand
UNDP Senior Management	Yemesrach Workie
UNDP Fiji Evaluation Unit	Merewalesi Laveti
UNDP Inclusive Growth Team Leader	Patrick Tuimalealiifano
University of South Pacific	Dr. Giulio Paunga

Name of the organization	Name of the persons consulted
Vodafone	Shailendra Prasad and Mitesh Chand
Weather Risk Management Services	Anuj Khumbhat and Neha Batra
World Food Programme	Philippe Martins and Anare Motokula

List of Clients/Beneficiaries/Non-clients interviewed

Name of the organization	Name of the persons interviewed
Tailevu Dairy Farmers Cooperative Association Limited	Vaseva Rokali and Ana Matairavula
Fiji Rice Limited	Yad Ram, Rishi Ram and Hari Ram
Fiji Coconut Millers Limited Beneficiaries	Tai Kowata, Michael amd Joseph Louis Simpson
Sugarcane Growers Council Beneficiaries	Rajendra Prasad, Prem Chand, Kamta Prasad, Salaseini and Jekesoni Korri
Cane Farmers' Cooperative Savings and Loan Association Beneficiaries	Rusilaini Sauqaqa, Nunia Baleiono and Laniana Tagakina