

REQUEST FOR TENDERS

File: AP 3/1/1/ Enhancing action on comprehensive climate change risk management in the Pacific region

Date: 29 January, 2020

To: Interested suppliers

From: Espen Ronneberg, Climate Change Adviser

Subject: Request for Tender: Enhancing action on comprehensive climate change risk management in the Pacific region

1. Background

- 1.1. The Secretariat of the Pacific Regional Environment Programme (SPREP) is an intergovernmental organisation charged with promoting cooperation among Pacific islands countries and territories to protect and improve their environment and ensure sustainable development.
- 1.2. For more information, see: www.sprep.org.

2. Specifications: statement of requirement

- 2.1. SPREP would like to call for tenders from qualified and experienced insurance, reinsurance and comprehensive risk management experts who can offer their services to provide research into comprehensive climate change risk management approaches in the Pacific region.
- 2.2. The successful applicant will need to provide a feasibility study that covers current capability to manage Climate Change risks and identify gaps, a recommended framework for understanding climate change mechanisms and their link to loss and damage, main risks/perils to be prioritized, data and modelling considerations, knowledge and capacity building requirements, and participation in relevant workshops at the invitation of SPREP (to be funded separately from this contract), by 31 May 2020.
- 2.3. The full technical specifications and other instructions can be found in the attached background report, setting out the next steps for the project, and in the terms of reference.

3. Conditions: information for applicants

- 3.1. To be considered for this tender, interested suppliers must meet the following conditions:
 - a. knowledge of insurance and reinsurance sectors and knowledge of the Pacific region, as well as knowledge of climate change impacts in the Pacific.
 - b. Suppliers must indicate how they would identify risks that will need to be covered in the analysis, how they would build on existing databases of various current risk management and finance mechanisms available for enhanced knowledge management, and show that

they would build on existing data and information, scenario modelling and associated research.

- c. The consultant will need to be available to present the draft paper to a regional workshop in April (dates TBC), which will be funded separately from this contract.

4. Submission guidelines

- 4.1. Tender documentation should demonstrate that the interested supplier satisfies the conditions stated above and is capable of meeting the specifications and timeframes. Documentation must also include supporting examples to address the evaluation criteria.
- 4.2. Tender documentation should outline the interested supplier's complete proposal and include:
 - a. CV to demonstrate that they have the requisite skills and experience to carry out this contract successfully.
 - b. Three references including most recent work relevant to this position.
 - c. Completed tender application form provided. *(Please note you are required to complete in full all areas requested in the Form, particularly the Statements to demonstrate you meet the selection criteria – DO NOT refer us to your CV or your Technical Proposal. Failure to do this will mean your application will **not** be considered).*
- 4.3. Tender submission must be in USD.
- 4.4. The Proposal must remain valid for 90 days from date of submission.
- 4.5. Tenderers must insist on an acknowledgement of receipt of tenders.

5. Tender Clarification

- 5.1. Any clarification questions from applicants must be submitted by email to Maraea Pogi on maraeap@sprep.org and copy Espen Ronneberg on espenr@sprep.org before 10 February 2020. A summary of all questions received with an associated response will be posted on the SPREP website [www.sprep.org/tender by 12 February 2020](http://www.sprep.org/tender%20by%2012%20February%202020).

6. Evaluation criteria

- 6.1. SPREP will select a preferred supplier on the basis of SPREP's evaluation of the extent to which the documentation demonstrates that the tenderer offers the best value for money, and that the tenderer satisfies the following criteria.
 - i. Expertise in insurance, reinsurance and comprehensive risk management (10%)
 - ii. Demonstrated experience in innovation in insurance and risk management products (30%)
 - iii. Familiarity with climate change impacts and projections for the Pacific region (10%)
 - iv. Workplan for responding to the terms of reference (20%)
 - v. Detailed Financial proposal – Fees only (30%)
- 6.2. Assessment of proposals will be based on the evaluation of the Technical Proposal (70%) and Financial Proposal (30%).

7. Deadline

- 7.1. **The due date for submission of the tender is: 28 February 2020, midnight (Apia, Samoa local time).**
- 7.2. Late submissions will be returned unopened to the sender.
- 7.3 Please send all tenders clearly marked 'TENDER: **Enhancing action on comprehensive climate change risk management in the Pacific region**' to one of the following methods:

Mail: SPREP

Attention: Procurement Officer

PO Box 240

Apia, SAMOA

Email: tenders@sprep.org (MOST PREFERRED OPTION)

Fax: 685 20231

SPREP reserves the right to reject any or all tenders and the lowest or any tender will not necessarily be accepted.

For any complaints regarding the Secretariat's tenders please refer to the Complaints section on the SPREP website <http://www.sprep.org/accountability/complaints>

ANNEX 1

Report on expert meeting on comprehensive risk management strategies for the Pacific

Date: 31 October – 01 November 2019

Samoa

An expert meeting was convened at SPREP from 31 October to 1 November, 2019, to address implementation issues contained in the GIZ project, and to suggest a clear work plan moving forward. Meeting also included discussion on UNEP's support in establishing Pacific Island Climate Change Insurance Facility (PICCIF) and alignment of activities with SPREP project supported by GIZ. The discussion also considered a report developed by the team of insurance experts that have been assisting the development of PICCIF and Tuvalu under UNEP support. That report built on inputs from the first expert workshop in Samoa, the consultation at the Pacific Islands Forum Secretariat and meetings up to and at the Pacific Islands Forum.

The key findings of that paper were:

- There are a number of initiatives in the Pacific which are potentially complimentary to the mission of the Pacific Island Climate Change Insurance Facility (PICCIF). It is important though that a clear distinction be drawn between PICCIF and existing initiatives which will be supported by the same potential donor pool.
- PICCIF can act as a funding magnet, coordinating funding requests to various international bodies. However, the success of attracting funding will depend on whether PICCIF is able to clearly demonstrate how it is working with or alongside other initiatives and how its own offering might be different to that of other initiatives.
- There are a number of different products which could be used by PICCIF to help it to achieve its aims. The use of these products will depend on being able to clearly identify the needs of the Pacific Smaller Island States (SIS) and to identify what exactly needs to be covered. PICCIF's role will not only be to help develop products for members to buy, but also offer to advise on the appropriate combination of products to meet their short, medium and longer-term needs.
- A role of PICCIF will be to assist countries through the maze of available options and create common regional insurance vehicles to allow the SIS to mutualise their risks and benefit from diversification across the Pacific. This, in turn, reduces reinsurance requirements and so profit and uncertainty load lost to the region.
- PICCIF will need to be supported by a local regional centre of technical expertise on insurance risk financing and broader risk management. This centre will source external financial support to protect populations, environments and economies from the impacts of climate change and will develop indigenous, in-region technical capacity.
- A number of key challenges and risks need to be addressed to ensure the successful development of PICCIF, including data; modelling; identifying climate-change risks; identifying partners; building a support infrastructure; research & development resources; political appetites and agendas; availability of financial support; affordability of proposed solutions; legal & regulatory jurisdiction of the facility and cultural fit of solutions.
- Prior to commencing the development of PICCIF, targets should be set for the immediate next steps to confirm financial support and resources for the development phases. Membership, roles and reporting lines of the PICCIF Taskforce should be confirmed and an agreed roadmap of development milestones should be established.

The development of the PICCIF should be a phased approach, consisting of:

- Phase 1 – feasibility study
- Phase 2 – data collection & analysis
- Phase 3 – structure development and capacity building
- Phase 4 – small-scale pilot supported by capital
- Phase 5 – facility establishment and upscaling

The meeting also received information around the funding proposal that SPREP secured from GIZ, and the scope for synergies between the two processes. The GIZ project intends to follow a multi-fold approach, includes the following work packages.

- Identification of risks that will need to be covered (defining the coverage) both in terms of specific events and the level of coverage for individuals, communities, nations and/or the region. By identifying the climate change threats to Pacific Island countries, the nature of the insurance-type response most applicable to those threats can be designed. A technical exchange with the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) on the results of previous risk assessments and the possible integration of appropriate response measures is planned.
- Build on existing databases of various current risk management and finance mechanisms available to establish an appropriate means of knowledge management on these issues.
- Dataset, scenarios and modelling. Review the existing PacRICs dataset. Work with the Pacific Metrological Council panels on identifying relevant data, scenario and modelling work on the effects of climate change.

After the GIZ assignment is completed, a regional technical workshop will be convened to assess the results for a greater common understanding and exchange of knowledge on loss and damage. The meeting agreed on the synergies and worked to develop a detailed convergence of views on how to proceed.

This was based around presentations on different options and products by the insurance experts, and questions and answers sessions with participants. There was also discussion around the latest special reports from IPCC and their implications for the Pacific. It was agreed that the phased approach proposed for PICCIF would dovetail with the tasks identified in the GIZ assignment. Another aspect of the discussions revolved around the need to avoid duplication or to be viewed as competing with other initiatives such as PCRAFI and PICAP. One way to achieve this would be to have a preliminary primary focus on the Smaller Island States (SIS). Given that PCRAFI is largely focused on urban islands, and PICAP looks to support employment and livelihoods, the meeting agreed that a SIS focus would entail looking more closely at the situation in outer islands and smaller communities. This could of course be replicated to larger Pacific SIDS, in particular their rural and outer island settings.

A series of case studies are already underway in partnership with the Pacific Meteorological Council (PMC). A further three case studies were presented by Willis Tower Watson. These were focused on some work undertaken by the Pacific Ocean Finance (PIFOP). They looked at three specific community based approaches that could result in new insurance products being developed in Fiji, Palau and Vanuatu. The PMC case studies are focused on on 1) Marine Heatwaves, 2) Tropical Cyclones (off season, track etc), 3) Inundation & attribution, 4) Drought, 5) Extreme Rainfall (include cocoa case study from Samoa & Solomon Islands), and 6) Relocation. These topics have been supported by the PMC as part of its Pacific scientific research agenda, as noted in the Pacific Climate Change Science and Services Research Roadmap. Depending on availability of resources and relative costs of the research, as many of these peer reviewed documents as possible will be produced. These will inform this project's regional workshop with more details on these selected sectors.

It was also agreed that there needs to be a programme approach with possible two arms i.e. a) PICCIF programme which will focus on awareness, capacity building and clearing house function, and b) PICCIF Insurance Products which will develop specific insurance products and provide support in deploying those products, to proceed in a staged manner to developing a programme, which has been the preferred modality around the world. Donors will want to see a strong science based proposal. PCRAFI is a case in point, in that the first part was all about risk assessment. The question of how fast the private sector and reinsurance sector will get on board, all indicate that a conservative approach is useful. A programme would also need to include awareness raising, in cooperation with other financial inclusion and education programmes.

It was further agreed that separate consultancies between UNEP and SPREP with the expert team would be established as soon as possible to commence the further work.

Finally, there will be a need for further consultations with countries that were not represented at the expert meeting. This will be carried out during the Pacific pre-COP, and at COP25 in Madrid, carried

out by SPREP and UNEP. SPREP will also write to national focal points to seek representatives to the task force to be appointed.

Annex 2

Terms of reference

The consultant will develop a framework paper to support the process of establishing comprehensive climate change risk management measures for the Pacific. The framework paper will cover both establishment and implementation phase of an agreed structure for the region.

i) The Framework paper will address following areas:

Climate Change Focus: The work should have a clear climate change focus. This should address both short term and slow onset climate risks. It should recognize that the specific nature of the risks that climate change poses in each of the Pacific island countries varies as does the specific nature of the vulnerability of each PICs to the impacts of climate change.

Focus on Pacific Smaller Island States: The initial framework paper should focus on the Pacific Smaller Island States grouping as the Leaders of this group agreed to the concept at the Pacific SIS Leaders meeting in September 2017. Other Pacific Island countries will be encouraged to engage and join with the initiative.

Rationale: The initiative will clearly identify the climate change risks/threats to Pacific Island countries and identify the nature and range of the insurance-type response most applicable to those risks/threats as well as will identify steps implement the initiative.

Approach: The framework paper should be developed taking into account the lessons learnt and best practices from risk insurance and risk transfer mechanisms already implemented in the Pacific and other relevant SIDS regions such as the Caribbean.

Elements to consider: The framework paper should consider the following elements:

- a) a parametric insurance facility to address both short term and slow onset climate change risks;
- b) a clearinghouse of insurance products available or to be developed in the region; and
- c) an industry monitoring facility to provide better information to business, individuals and governments on climate related disaster risks.

In addition, framework paper should indicate further work/phase could involve the development of indemnity insurance to cover the full impacts of climate change; and, longer term insurance arrangements to address permanent loss and damage.

Promote Best Practice: The design must promote:

- a) Good practice and risk reduction (such as preventative measures), noting the limits to adaptation;
- b) Encourage strategies to build resilience and avoid the complacency and associated “moral hazards”. This core value will underpin an approach that will be attractive to donors and funding agencies;
- c) Incentivize and reward effective adaptation strategies; and
- d) Identify opportunities and methods for developing “build back better” approaches that are achievable in the Pacific as a means to build long term resilience (e.g. cyclone and storm surge proofing buildings and other infrastructure);
- e) Ensuring that solutions are built upon existing solutions and enhance regional integration and collaboration between existing programmes for the benefit of SIS’s.

ii) The Framework Paper should also provide an updated Roadmap for the initiative that will inform the work of the Taskforce.

iii) The Consultant is to present the paper to the Taskforce Meeting, address the feedback to enhance the Framework Paper (this will be funded separately by SPREP from this contract).

DELIVERABLES

The appointed Technical Experts shall be responsible for producing a comprehensive paper which addresses the following climate financing development areas:

- Feasibility Study to identify the current capability that exists to manage Climate Change perils and identify gaps where these perils are not being well addressed by existing activities.
- The recommended framework for understanding climate change mechanisms and their link to loss and damage including broad financing options and links to other complementary mechanisms in the Pacific.
- Main risks/perils to be prioritised and potential product types to be evaluated, including links to other complementary mechanisms in the Pacific.
- Data and modelling considerations, covering data requirements, options for modelling and a review of existing models.
- Knowledge and capacity building requirements, including the role of a clearing house in increasing understanding of options for addressing climate related loss and damage and links to other complementary mechanisms in the Pacific.

SPECIFIC TECHNICAL OUTPUTS

- 1) Identification of risks that will need to be covered in the analysis (including Pacific expert meeting):
 - Identify and categorise risks that need to be covered (i.e. sudden vs. slow onset).
 - Provide an overview of the current landscape in climate risk including key players and programmes (i.e. insurers, reinsurers, captive managers, brokers, other facilities, risk advisors and technical consultants).
 - Identify options (products and structures) for addressing the identified risks.
 - Outline the advantages and disadvantages of the different options.
 - Select which risks are to be prioritised in the initial phase and the supporting options.
 - Identify resources required to support the next development phases.
- 2) Build on existing databases of various current risk management and finance mechanisms available for enhanced knowledge management:
 - Identification of data required to support the initial phase.
 - Initial overview of data collection and auditing requirements.
 - Initial overview of potential data gaps and how they are to be addressed (i.e. assumptions).
- 3) Existing data and information, scenario modelling and associated research:
 - Review of learnings from existing models.
 - Opportunities to partner / engage / leverage existing facilities and programmes.

INPUTS

The appointed Technical Experts shall seek inputs from the following key sources:

- The PICCIF Taskforce
- NGOs
- Participating countries (including a Pacific Regional Workshop)

- Private sector
- Other mechanisms in the Pacific

DELIVERY DATE

The delivery date for the draft of this paper shall be 10th April 2020 for consideration at the regional workshop (dates TBC) and for the final paper shall be 15th June, 2020.