

CONCEPT IDEA NOTE FOR CLIMATE RELATED ACTIVITIES THAT MAY BE FUNDABLE BY THE GREEN CLIMATE FUND AND OTHER FINANCIAL SOURCES

This Concept Idea Note is based upon the GCF Concept Note. It is designed to prepare any Concepts or Project Ideas with GCF financing in mind, however, can also be applicable to other financial institutions. Once the Concept Idea Note is completed please send to the CCCI office (as the GCF National Focal Point), where an assessment will be undertaken as to whether the Concept could be eligible for funding under the GCF or other financial source, or both. CCCI will then communicate the result of the assessment back to the proponent, and outline what will next happen to the Concept Idea Note, such as require more information to make a clearer assessment, the submitted Concept is GCF eligible for funding and the next steps, or a determination that outlines the Concept is not eligible for GCF funding but may get funding from another source.

Title of Concept OR Project Idea: Private Sector Adaptation for Economic Resilience Project

Date of Submission: 24 OCTOBER 2018

Submitted by and Contact: Stephen Lyon on behalf of the Cook Islands Chamber of Commerce

<p>Indicate the areas for the Concept, which is based upon the CKI Country Program thematic areas</p>	<p><u>Mitigation</u>: Reduced emissions from:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Energy access and power generation <input type="checkbox"/> Low emission transport <input type="checkbox"/> Buildings, cities and industries and appliances <input type="checkbox"/> Forestry and land use <p><u>Adaptation</u>: Increased resilience of:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Most vulnerable people and communities <input type="checkbox"/> Health and well-being, and food and water security <input checked="" type="checkbox"/> Infrastructure and built environment <input type="checkbox"/> Ecosystem and ecosystem services
<p>Indicative total project cost</p>	<p>Amount: NZD 40,000,00.00 - 75,000,000.00</p>

Project/Programme rationale, objectives and approach of programme/project (max 100 words)

The Cook Islands are particularly vulnerable to economic hardship resulting from high energy storm events including wind, storm surge, wave and flooding. Our economy is reliant on a narrow sector base being tourism, that uses significant infrastructure assets, both constructed and natural. Many of these key assets are privately owned and are not covered by public infrastructure adaptation projects already under consideration.

As a result of the forecast increases in sea level, storm intensity and frequency we can expect an associated increase in the economic risk such events present.

Such high energy events threaten current infrastructure more than in the past. As a result to vulnerability of our economy is significantly increased – whereby damage to private infrastructure that services the tourism industry will result in a reduction of business, taxes and the subsequent economic downturn.

Therefore, in order to maintain economic security in the event of storm events, national economic resilience can be created through the adaptation and resilience building of the private sector. By improving the time required for businesses to get back to business, and for our tourism industry to recover post event, we reduce the likely economic impact of climate change on our society.

Context and baseline (max. 2 pages)

Describe the climate vulnerabilities and impacts, GHG emissions profile, and mitigation and adaptation needs that the prospective intervention is envisaged to address.

Please indicate how the project fits in with the country's national priorities and its full ownership of the concept. Is the project/programme directly contributing to the country's INDC/NDC or national climate strategies or other plans such as NAMAs, NAPs or equivalent? If so, please describe which priorities identified in these documents the proposed project is aiming to address and/or improve.

Describe the main root causes and barriers (social, gender, fiscal, regulatory, technological, financial, ecological, institutional, etc.) that need to be addressed.

Where relevant, and particularly for private sector project/programme, please describe the key characteristics and dynamics of the sector or market in which the project/programme will operate.

Priority linkages

This project aligns to the Cook Islands Country Programme for Climate Change in the following areas;

Programmatic Area 2: Coastal Protection and Restoration

Programmatic Area 4: Disaster Risk Management

Programmatic Area 6: Climate Proofing Infrastructure

Programmatic Area 7: Flood Management

And to a minor extent;

Programmatic Area 8: Agriculture and Ecosystem Based Adaptation

Each of these programmatic areas have elements of private sector involvement and each can be related to actions that increase the resilience of private sector assets and infrastructure to the vulnerability of climate change induced impacts.

This project aligns to the Cook Islands National Sustainable Development Plan's following goals and indicators.

Goal 13. Strengthen resilience to combat the impacts of climate change and natural disasters;
Indicators 13.2 – Enhance protection from cyclones and 13.3 Build resilient infrastructure

Goal 15. Ensure a sustainable population engaged in development of Cook Islanders for Cook Islanders;
Indicators 15.1 – Support a sustainable population

Overview and Context

The Cook Islands, like many island nations, is extremely vulnerable to cyclones and storm surge, with their ever increasing frequency and severity due to climate change and sea level rise. Tourism is the mainstay of the Cook Islands economy, and tourist properties are typically situated on, or close to, the foreshore. Moreover, the geography of most of the Cook Islands dictate that most commercial development be situated close to the sea.

The Cook Islands has suffered a series of damaging cyclones. When these have struck commercial centres (Rarotonga and Aitutaki's tourist industry, Manihiki's pearl industry) the outcome has been serious damage to commercial infrastructure and its supporting environment, serious (or even total) shutdown of business turnover, and consequent loss of employment and tax contributions from those industries.

Insurance against storm-surge related damage is becoming more difficult and expensive to obtain, and without it many business will fail permanently after a serious cyclone event.

The Chamber of Commerce intends to develop the capacity to support local businesses to:

1. Mitigate the risks of damage to their business premises by the installation of appropriate storm-surge protection measures
2. Reduce their risk of other related damage by upgrading their protection against damaging winds.
3. Reduce their financial risks by obtaining sufficient insurance cover, (frequently requiring engineer's reports and remediation based on the subsequent findings)
4. Recover quickly from inevitable weather events by having immediate access to the necessary support.
5. Maintain business operation, or reinstate it quickly post-disaster, to allow continued contribution to the economy.

While there are a multitude of funding channels to support government infrastructure, none in practice are accessible directly by the private sector. This is frequently due to the scale (relatively small), required time frame (immediate) and security (sovereign guarantees not being applicable).

Development and Delivery Concept

This project will be delivered in two phases. Phase 1 being the vulnerability assessment and quantification of the cost in both terms of risk and the cost of adaptation works. Phase 2 will be the implementation of the project works, including all elements discussed herein and refined in Phase 1.

Phase 1.

Timeframe 1 - 2 years.

Indicative cost 750,000.00 – 1,500,000.00

This phase will require the engagement of engineers, construction experts, policy analysts, economist and an insurance expert at the very least. The key outputs of phase 1 is the detailed analysis and costing of the economic risk of our privately held infrastructure, and the cost of strengthening that infrastructure. Analysis can be done concurrently on building and construction policy to reduce future risk and on insurance and back to business mechanisms that can be employed to reduce the recovery time post storm event.

Phase 1 will quantify in detail the scope in terms of cost of phase 2.

Phase 2.

Timeframe 5+ years.

Indicative cost 40,000,000.00 – 75,000,000.00

This phase is the implementation phase, consisting of the resilience development in all it's facets. Likely to include infrastructure strengthening through grants and concessional loans, strengthening the building code and associated processes, developing and implementing appropriate insurance mechanisms and developing the back to business framework to get business back contributing to the economy as quickly as possible post disaster.

Engagement among the NDA, AE, and/or other relevant stakeholders in the country (max ½ page)

Please describe how engagement among the NDA, AE and/or other relevant stakeholders in the country has taken place and what further engagement will be undertaken as the concept is developed into a funding proposal.

The need for a private sector adaptation project has been discussed at length with the NDA and has been raised as a regional issue at the GCF high level dialogue in Pohnpei.

The proposal has also been raised with key development partners and at various levels of Government.

Given the scale of this issue, and the significant risk to the economy that climate change presents, There will be significant further development of this concept required prior to the full funding proposal being developed.

It is for this reason that the project is proposed with 2 phases. Much of the preparatory work for phase 2 will be completed over the course of phase 1. Therefore, the key focus for this, the next step, is to develop and fund the work of phase 1, possibly as a project preparation grant.

Sustainability and replicability of the project (exit strategy) (max. 1 page)

Please explain how the project/programme sustainability will be ensured in the long run and how this will be monitored, after the project/programme is implemented with support from the GCF and other sources.

For non-grant instruments, explain how the capital invested will be repaid and over what duration of time.

The eventual outcome of this project will likely be multi-faceted, with elements of concessional lending, grants, development of insurance instruments and policy development all being vehicles for delivery of the planned outcome.

With regards to hard infrastructure, future proofing can be done through strengthening of the building code and associated services and policies to ensure assets built in the future meet the needs of the future under a different climate driven weather regime.

Existing infrastructure will be targeted for upgrading through financial mechanisms, being grants or concessional loans. Sustainability results from the fact that once the assessed upgrades and protections are in place continued work will not be necessary. Any new construction will be covered under the point above.

Any capital investment made through non-grant instruments will be repaid under standard commercial repayment terms through whichever institution manages the facility. The targeted entities of this project are businesses, usually with a long trading history. Any risk of default of payment can be mitigated by ensuring the awarding of any such loans is done only under circumstances consistent with the standard assessments of established lending institutions.

Where a need for ongoing resilience building exists the concessional loan facility can be established as a revolving fund, affectively working into the future to bring about a more resilient Cook Islands private sector.

Assessed By and Date:

Recommendation: