Pacific Experiences with Options Relevant to Climate Change and Disaster Risk Finance

VOLUME THREE

DECEMBER 2018

PACIFIC ISLANDS
FORUM SECRETARIAT

Table of Contents

Foreword

The Blue Pacific remains one of the most vulnerable regions to the negative impacts of climate change and natural disasters. Given the pressures that climate change and disasters place on human conditions, important natural systems and sustainable development, ensuring adequate financing to effectively address the negative impacts of climate change and disasters is imperative. In the Pacific region, Leaders have consistently called for increased access to, and better management of, climate change and disaster risk finance. For Forum Island Countries (FICs), external finance is a critical supplement to domestic climate finance.

Central to achieving resilient sustainable development and the Pacific Islands Forum Leaders' priority of integrating climate change and disaster resilience through regional strategies such as the Framework for Resilient Development in the Pacific (FRDP), is the ability of countries to access and manage climate change and disaster risk financing. This ability to access and manage climate finance relates to a broader enabling environment of policies and institutions, fiscal environment and human capacity. While FICs may not be accessing the optimum level of financing needed to effectively address climate change and disasters and enhance resilience, countries are already accessing climate finance through a range of modalities. These experiences present the region with useful and practical lessons to learn from and build upon.

The previous two volumes of this booklet presented practical experiences from across the region in implementing various climate change finance modalities. These booklets serve as a platform for information sharing and exchange, as countries with the support of the Forum Secretariat, the Council of Regional Organisations in the Pacific (CROP), and development partners explore a range of modalities, approaches and options for FICs to harness climate change and disaster risk finance and implement their national priorities.

Building on this knowledge sharing background, this third volume of Pacific Experiences with Options relevant to Climate Change and Disaster Risk Finance adds to the compendium of information and knowledge about accessing and managing climate finance in the Pacific region. It also recognises regionalism in the context of the Blue Pacific identity and resilient sustainable development in the Pacific, and the opportunity for peer learning among countries within the region.

The Secretariat envisages that this booklet will be updated periodically to include contributions from countries and partners, to build an important body of practical experiences from which all member countries can learn. It is the hope of the Forum Secretariat that this booklet will be of use to Forum Island Countries.

Meg Taylor, DBE

Secretary General

Pacific Islands Forum Secretariat

List of Acronyms

AF	Adaptation Fund
ADB	Asian Development Bank
CCDRM	Climate Change and Disaster Risk Management
CHICCHAP	Choiseul Integrated Climate Change Programme
CIF	Climate Investment Fund
CPEIR	Climate Public Expenditure and Institutional Review
CRGA	Committee of Representatives of Governments and Administrations
CSO	Civil Society Organisation
DFAT	Department of Foreign Affairs and Trade (Australia)
FRDP	Framework for Resilient Development in the Pacific
FIC	Forum Island Country
FMIS	Financial Management Information Systems
GBP	Green Bonds Principles
GCF	Green Climate Fund
GFDRR	Global Facility for Disaster Reduction and Recovery
GGGI	Global Green Growth Institute
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GSB	Gender Sensitive Budgeting
GSI	Gender and Social Inclusivity
IFC	International Finance Corporation
ISACC	Institutional Strengthening for Pacific Island Countries to Adapt to Climate Change
LLCTC	Lauru Land Conference of Tribal Community
M&E	Monitoring and Evaluation
MTEF	Medium Term Expenditure Framework
NAB	National Advisory Board (Vanuatu)
NDA	National Designated Authority (Green Climate Fund)
NGEF	National Green Energy Fund (Vanuatu)
PACAM	Pacific-American Climate Fund
PaCE-SD	Pacific Centre for Environment and Sustainable Development
PAIG	Partners Advisory and Implementation Group
PCRAFI	Pacific Catastrophe Risk Assessment and Financing Initiative
PCCFAF	Pacific Climate Change Finance Assessment Framework
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFTAC	Pacific Financial Technical Assistance Centre
PIFS	Pacific Islands Forum Secretariat
PPCR	Pilot Programme for Climate Resilience

List of Acronyms, continued

PRIF	Pacific Regional Infrastructure Facility
PRP	Pacific Resilience Partnership
PRRP	Pacific Risk Resilience Program
PSC	Provincial Steering Committee
RERF	Revenue Equalization Reserve Fund
RIE	Regional Implementing Entity
RRF	Rapid Response Fund
RTSM	Regional Technical Support Mechanism
SIDS	Small Island Developing States
SIS	Smaller Islands States of the Pacific Islands Forum
SPC	The Pacific Community
SPREP	Secretariat of the Pacific Regional Environment Programme
TA	Technical Assistance
TCCDSF	Tuvalu Climate Change and Disaster Survival Fund
TNC	The Nature Conservancy
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
USAID	United States Agency for International Development
USP	The University of the South Pacific
VANGO	Vanuatu Association of Non-Government Organisations

1. Introduction

The Pacific experiences detailed in this booklet are organised in terms of their relevance to the seven pillars of the Pacific Climate Change Finance Assessment Framework (PCCFAF).[1]The booklet outlines broad regional observations of each of the seven dimensions of the PCCFAF and then presents relevant country or regional examples and corresponding lessons learnt in terms of the benefits and challenges of undertaking such approaches to strengthening the enabling environment for accessing and better management of climate change and disaster risk finance.

The PCCFAF was developed and published in 2013 as a response to the need to improve the region's access to global climate change funds to address climate change in a way that is commensurate with the specific needs of FICs. It provides a framework for the assessment of a country's ability to access and effectively manage climate change and disaster risk finance. Building on existing global and regional methodologies and tools, the PCCFAF is tailored to the unique circumstance of the Pacific and provides guidance for assessment across seven interrelated dimensions:

i. Funding Sources - the funding sources analysis presents a comprehensive understanding of the climate change and disaster risk finance landscape and provides countries with an overview of the scope of support that is available from the range of global, bilateral and regional funding sources and ultimately helps them to determine their eligibility to access these funds.

ii. Policies and Plans – this pillar assesses the combination of policies and plans that are in place to guide the implementation of climate change and disaster risk management programmes. It considers the facilitative strength of the existing policy environment, and processes for the formulation, review and implementation of those policies and plans.

iii. Institutions – the institutional analysis evaluates the roles and responsibilities of institutions and organisations, coordination mechanisms and social norms that enable progression towards a country's climate change goals. It considers elements such as organisational structure and processes; political, cultural and legal frameworks; coordination and collaboration internally amongst the government machinery and with external stakeholders; and infrastructure.

iv. Public Financial Management (PFM) and Expenditure – the PFM and expenditure analysis considers the strength of a country's PFM system and the degree to which fiscal policy is sustainable, whether expenditure is producing the desired impacts intended in policy directions; and whether there is effective and efficient service delivery.

v. Human Capacity – the human capacity analysis assesses the capability of individuals to implement and manage a country's climate change and disaster resilience programmes and projects; attitudes, knowledge, behaviour and actions; and how a country cultivates awareness, understanding and skills of its human resources.

vi. Development Effectiveness – the development effectiveness analysis examines the linkages between climate change and broader development effectiveness efforts. In line with globally accepted principles of development effectiveness, it considers issues such as ownership, leadership, alignment, harmonisation, managing for results and mutual accountability.

vii. Gender and Social Inclusion –recognising that an assessment of a country's approach to climate change and disaster risk reduction must consider the socio–economic context and corresponding socio-economic factors that influence response to climate change. Most of the multilateral and bilateral climate funds have gender policies and environment and social safeguards that countries will need to address. Considerations of gender equality, youth involvement, inclusion of persons with disabilities, marginal groups, communities and children, all should shape responses to climate change.

At present (December 2018), ten FICs have undertaken the PCCFAF assessment and UNDP-led Climate Public Expenditure and Institutional Review (CPEIR). Nauru, Republic of Marshall Islands, Solomon Islands, Palau, Federated States of Micronesia and Kiribati have undertaken climate finance assessments under the PCCFAF. Fiji, Vanuatu, Tonga and Samoa have undertaken Climate Public Expenditure and Institutional Reviews, and Vanuatu has undertaken a review of its CPEIR assessment using the PCCFAF.

[1] https://www.pacificclimatechange.net/document/pacific-climate-change-finance-assessment-framework-pccfaf-final-report-may-2013

2. Funding Sources

2.1 Broad regional observations

Newer, bigger envelopes and increased desire for direct access modalities

Forum Island Countries (FICs) are now accessing increasing volumes of finance for climate change and disaster risk reduction. Between 2010 and 2014, the total volume of climate finance accessed by 14 FICs was approximately US$645million. Most of this funding (98 percent) was in the form of grants and primarily project based. Only 2 percent was allocated as budget support, with 1 percent each for general budget support and sector budget support, which was provided only to Samoa, Solomon Islands and Vanuatu. Approximately 72 percent came from bilateral sources and 59 percent was allocated to adaptation[2].

The Green Climate Fund (GCF), a high-profile fund though not the only source of climate change finance, has been the focus of much attention by FICs in the last few years. In terms of accessibility to the GCF, eleven FICs have had projects approved from November 2015 to date, amounting to US$358 million. This equates to 8 percent of the total GCF approved project portfolio globally. Around US$5.5million of readiness grants have been accessed by 10 FICs. The emergence of the GCF has triggered many FICs and regional organisations to invest time and resources in attaining direct access (national implementing entity/regional implementing entity accreditation) to the GCF. Currently, the Secretariat of the Pacific Regional Environment Programme (SPREP) and the Micronesian Conservation Trust (MCT) are the only accredited Regional Implementing Entities (RIE) to the GCF. The Pacific Community (SPC) is currently applying to become an RIE. SPREP and MCT are also accredited by the Adaptation Fund. The Fiji Development Bank and the Cook Islands Ministry of Finance are the only two national implementing entities (NIE) to the GCF in the Pacific. The Cook Islands Ministry of Finance also has NIE status to the Adaptation Fund.

In relation to disaster risk finance (particularly in the response phase), the most recent example is the US$7million payout to Tonga following Cyclone Gita in February 2018. US$6million of the amount was contingent financing under ADB's Disaster Resilience Programme - established in December 2017 to help strengthen Samoa, Tonga, and Tuvalu's resilience to disasters. An additional US$1million was a grant under the Asia Pacific Disaster Response Fund. In addition, Tonga received a US$3.5million payout from the Pacific Catastrophe Risk Insurance Company (PCRIC), based on its insurance cover against tropical cyclones. PCRIC is a company under the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) that is supporting five FICs[3]. Other countries such as Vanuatu, Fiji and Samoa have also received disaster response payout from either or both the World Bank and ADB mechanisms in the past. There is a growing need to increase the range and variety of disaster risk finance products available to FICs. In addition to PCRAFI, the ADB Disaster Resilience Programme and existing contingency funds by the World Bank and the International Monetary Fund (IMF), there are a range of other, new instruments for insurance and risk transfer including micro credit and catastrophe bonds.

Greater Country Ownership and Control

Countries are favouring modalities which promote high levels of country ownership and control. An example is the increasing development of national, sectoral, and sub-regional climate resilience Funds across the Pacific. This change has been encouraged by both partners and countries. Good examples are the Tuvalu Climate Change and Disaster Survival Fund, the Tonga Climate Change Fund and the Vanuatu National Green Energy Fund. Other countries such as Solomon Islands, Samoa and Vanuatu have benefited from direct budget support on climate change and water.

[2] Atteridge and Canales, 2017https://www.sei.org/mediamanager/documents/Publications/Climate/SEI-WP-2017-04-Pacific-climate-finance-flows.pdf

[3] Cook Islands, Tonga, Vanuatu, Republic of the Marshall Islands (RMI) and Samoa.

Table 1: Summary of Case Studies

Example/Initiative	Benefits	Challenges
Tuvalu Climate Change and Disaster Survival Fund	• Provides new and expanded opportunities to finance Climate Change and Disaster Risk Management (CCDRM) activities. The mechanism provides a sustainable, predictable and accessible source of finance for CCDRM activities. Greater predictability also allows for longer term planning of investments. • Nationally driven and nationally owned. Tuvalu makes all the decisions such as collecting finance, coordinating, blending and making informed choices for how resources are directed towards climate change activities and accounting for the funds. • Provides a mechanism for shifting the balance of power from traditional top down fund management of international funds to country/ local level management. Climate change objectives are nationally managed and supported enabling greater alignment and more targeted resourcing for national country priorities. • Having a 'single sovereign' structure reduces the operational fees and the burden of reporting and subsequently streamlines the process. It also facilitates greater harmonisation with country priorities and plans by minimising external influence on the Fund.	• Requires high upfront startup investment capital. • The sustained viability of the fund is dependent on adequate investments over a long timeframe as insufficient investments can lead to unsustainability. • Attracting direct investments from development partners whose conventional preference is to provide disaster or project specific funds. Channeling funds into a common funding pool with limited control and predictability on the use of funds is a new approach for donors. • Having clear objectives for the fund as well as an effective governance structure and strong financial management mechanisms to ensure sound financial management and accountability is essential. A weak or unclear governance structure and financial management and accountability mechanisms poses governance and macroeconomic risks. • Corresponding capacity building of the general populace in proposal writing and project design and management needs to take place to enable community or local level access to intended beneficiaries.
Fiji's Green Bonds	• Green bonds provide an additional source of green financing as green investment needs increase and traditional sources of debt financing become insufficient. • The sovereign green bond presents countries with an opportunity to demonstrate national leadership in the green financing agenda while giving exposure to a new investor base and solidifying a country's commitment to comply with the Paris Climate Change Agreement. • An option to encourage private sector investment in climate finance. • For issuers, green bonds help to communicate the sustainability strategy; improves relationships with debt providers and broadens the 'investor base'; and creates internal synergies between financing and sustainability. • For investors, green bonds help to develop better-informed green investment strategies; facilitates the smooth implementation of long-term climate strategies; and helps responsible investors to broaden their restricted investment portfolios. • For policy makers green bonds indirectly support the implementation of the low carbon transition by better matching green issuers and investors.	• Upfront and ongoing transactional costs can be substantial – such as costs related to labelling, certification, reporting, verification and monitoring requirements and associated administrative costs. • As the green bond market is underpinned by voluntary guidelines and standards (the Green Bond Principles are voluntary) a lack of unified standards can raise confusion and possibility for reputational risk if the green integrity of the bonds is questioned. • This option is not feasible to all FICs, except countries with high liquidity.
Vanuatu's National Green Energy Fund	• Enables targeted support for the use of renewable energy and energy efficient products. • Increases zero carbon electricity production and help build a low carbon, green energy economy. • Enables the introduction and demonstration of new clean energy technologies and facilitates clean energy startups to maximize exposure to receptive venture capital, corporate investors and strategic partners and takes up some of the startup risks until the private sector is comfortable with the new technologies and established a market base. • Accessible public capital can be used strategically to attract private capital (private sector investment).	• Requires substantial amounts of startup investment capital. • Long-term political stability and support is vital. Investors prefer to base decisions on longer-term policy and so a policy regime instability can dampen further investment in clean energy. • The provision of subsidies is a short-term measure and in the long run, also vulnerable to policy change.

2.2 Case Studies

2.2.1 Tuvalu Climate Change and Disaster Survival Fund

The Tuvalu Climate Change and Disaster Survival Fund (TCCDSF) is an ex-ante financing instrument that was set up in 2015 to finance recovery and rehabilitation from climate change and disaster impacts and climate change investments in adaptation projects. The Survival Fund was designed to channel climate change funds that can be rapidly disbursed in case of a disaster but also support resilience building activities and has two main objectives: the provision of immediate vital services to the people of Tuvalu to combat the impacts of climate change and disasters; and to enable the Government and people of Tuvalu to respond to future climate change impacts and natural disasters in a coordinated, effective and timely manner. The fund can be utilised for supporting response to natural disasters following the declaration of a 'state of emergency'; and providing financial assistance for post disaster recovery and resilience building. The Climate Change and Disaster Survival Fund Act 2015 legalises the establishment of the survival fund. The fund's governance arrangements are stipulated in the Act and the TSF Regulations 2017.

The governance structure of the Fund comprises of a Fund Board and Committee. The Board is responsible for exercising the functions and powers of the Fund as well as policy control, strategic direction and regulation and comprises of the Minister of Finance who chairs the Board, the General Secretary of the Tuvalu Red Cross and the Permanent Secretary for Home Affairs. The three Board Members are also the Fund Trustees. The Fund Committee is responsible for assessing applications received from individuals and communities, against key policy, environmental, social and economic criteria stipulated in the regulations and provides an assessment report to the Board for approval. It is also responsible for the submission of the financial report on the utilisation of the fund on an annual basis. The Fund Committee includes the Secretary to Government, who is the Chairperson, the departmental directors of climate change and disaster, public works, rural development, planning and budget, the Disaster Coordinator, the Attorney General and a representative of the Tuvalu National Council of Women.

The fund was initially capitalised through an A$5million contribution by the Government of Tuvalu. A further contribution of A$2million was made in 2016 and again in 2017. Further capitalisation is expected through channelling in of donations for disaster funds and climate change finance. In accordance with the TSF regulations, each year half of the funds in the TSF are made available for communities to apply. The funding allocation is 30 percent for recovery, 50 percent for rehabilitation and 20 percent for climate change adaptation, including AUD$100, 000 for small-scale projects. The other half of the funds are invested in order to replenish and grow the fund.

Within the Asia Pacific region, a national special fund similar to the TCCDSF, established to address funding gaps and support the implementation of climate change adaptation interventions is the People's Survival Fund (PSF) of the Philippines. The PSF is a special fund in the national treasury set up to finance adaptation programmes and programmes proposed by local government units and community organisations.

2.2.2 Fiji's Green Bonds

The financial burden of fortifying PICs against climate change is disproportionately put on the public sector. This limits spending on other competing national priorities such as education, health and social security.

In this regard, the Fiji government is cognisant that addressing climate change will require innovative, high impact finance solutions that mobilise public and private sector resources. After exploring numerous options to raise much needed climate finance, the Fijian Government concurred that Green Bonds are an effective mechanism to minimise climate induced fiscal shocks and crowd in sufficient climate finance, particularly from the private sector.

A green bond is a form of debt finance or debt security issued to raise capital specifically for climate change or environmental related projects. Green bonds provide investors with an attractive investment proposition and an opportunity to support climate friendly and environmentally sound projects.

In November 2017, Fiji became the first developing country and the first FIC to issue a sovereign bond valued at FJ$100million (US$50million) in November 2017. The issuance of Fiji's green bond was overseen by a high-level steering committee chaired by the Governor of the Reserve Bank of Fiji and made up of officials from the Ministry of Economy, the Office of the Solicitor General and experts from the International Finance Cooperation (IFC). IFC provided crucial technical assistance to the Fijian Government to issue the green bonds under a broader Capital Markets Development Project supported by the Australian Government. The Fijian Government developed its Green Bond Framework (GBF) soon after the decision was made to venture into the global green bond market. Fiji's GBF was created to ensure transparency, disclosure and accountability of Fiji's green bond issuance. The GBF is now the cornerstone of current and future green bond issuances that focuses on renewable energy, development, disaster risk resilience, sustainable transportation effective waste management, water resource management, natural resource conservation and sustainable land use (forestry and agriculture) and clean water etc.

The process of certifying green bonds covers a number of key steps which include: the identification of projects that meet the relevant criteria, and creation of a green bond framework that outline the details of what proceeds will be used for; engagement of a licensed verifier who will assure that climate bonds standards are met and subsequently provide a verifier's report; and submission of the verifier's report to the Climate Bonds Initiative to receive pre-issuance certification. Bonds are then issued with the certified Climate Bond Market. Twelve months after issuance, a post issuance verifier's report is submitted to the Climate Bonds Initiative, awaiting confirmation of post-issuance certification. An annual report for the duration of the bond is prepared and provided to the Climate Bonds Initiative and bond holders. A public statement of what projects were funded with proceeds from the bonds is also issued. Sustainalytics, an independent Environment, Governance, Social Research and Ratings company was hired by the Fijian Government for the Second Party opinion and to validate the Framework for its sustainable and green qualities as well as its alignment to the Green Bonds Principles (GBP).

To better manage the issuance process and cater for the diverse interests of potential investors, the Fiji Sovereign Green Bond was divided into four tranches and issued on a 5 year and 13 year tenor basis. Upon its first issuance in November 2017, the Fiji Sovereign Green Bond has received overwhelming interest from local and foreign investors with all of its four issuances being oversubscribed. Table 1 below provides details of Fiji's green bond issuances.

Table 2: Details of Fiji Green Bond Proceeds (Note currency below is FJ$)

Fiji Green Bond Issue No.	Tender Start Date	Tender End Date	Settlement Date	Total Amount Offered	Maturity Date		Total Bids Submitted		Total Successful Bids	
					5-year	13-year	5-year	13-year	5-year	13-year
2017-2018/1	25-Oct-17	31-Oct-17	1-Nov-17	40 million	1-Nov-22	1-Nov-22	60.10 million	27.61 million	20 million	20 million
2017-2018/1 R	26-Dec-17	27-Dec-17	28-Dec-17	20 million		1-Nov-30		31.50 million		20 million
2017-2018/1 R1	18-Jun-18	19-Jun-18	20-Jun-18	20 million		1-Nov-30		26.62 million		26.62 million
2017-2018/1 R2	16-Jul-18	17-Jul-18	18-Jul-18	13 million		1-Nov-30		16.60 million		13.38 million

Fiji has chosen to use its green bond proceeds to exclusively finance projects that were programmed in its 2017-2018 National Budget. Through extensive analysis and data mining, the Climate Change and International Cooperation Division together with the Treasury Division of the Ministry of Economy and members of the Green Bond Steering Committee compiled a list of eligible projects for green bond financing. Proceeds collected from the sovereign green bond was put into ring fenced Fiji has chosen to use its green bond proceeds to exclusively finance projects that were programmed in its 2017-2018 National Budget. Through extensive analysis and data mining, the Climate Change and International Cooperation Division together with the Treasury Division of the Ministry of Economy and members of the Green Bond Steering Committee compiled a list of eligible projects for green bond financing. Proceeds collected from the sovereign green bond was put into ring fenced account and has been utilised to finance projects identified in the aforementioned list.

Fiji's sovereign green bond is unique as it focuses largely on climate adaptation as opposed to mitigation-focused bonds issued by developed countries. In this regard, Fiji has received widespread acclaim for utilising such an innovative green financing mechanism and was awarded the Green Bond Pioneer Award at the Climate Bonds Initiative Conference in London in March 2018.

2.2.3 Vanuatu's National Green Energy Fund

The NGEF is an initiative of the Government of Vanuatu to have a financial mechanism that will provide sustainable funding for the provision of accessible, affordable, secure and sustainable energy, while at the same time promote a paradigm shift to low emission and climate resilient development. Launched in September 2018, the fund's main objective is to extend electricity access to rural areas using renewable energy sources and facilitate more efficient end use of energy. The National Green Energy Fund Act 2018 legally establishes the Fund. Oversight of the fund is provided by the NGEF Board, which comprises six members: The Director General of the Ministry of Climate Change (Chairperson) the Director of Energy (Vice-Chairperson); Director of Finance; Director of the Department of Strategic Planning and Aid Coordination; the Director of Local Authorities; and the Director of Women's Affairs.

Work to establish the NGEF started in 2016. The Vanuatu Government worked in partnership and close collaboration with the Global Green Growth Initiative (GGGI) on preparatory activities towards legally establishing the NGEF. The establishment of the NGEF was overseen by the NGEF taskforce, comprising of members from the Prime Minister's Office, the Ministry of Climate Change Adaptation, Ministry of Finance and Economic Management and the Ministry of Internal Affairs. GGGI serves an advisory role, providing support on the fund design and other technical aspects. An NGEF unit was set up in the Department of Energy to support the operationalisation of the NGEF. Other preparatory activities included technical workshops to discuss renewable energy, energy efficiency technologies and financing options; market demand study; information and awareness workshops to financial institutions, project owners/developers and energy source providers as well as training on the NGEF business plan, operational manual, strategic markets and priorities and governance.

It is intended that the NGEF will support both financial intermediaries (commercial banks and micro-lenders) and non-financial intermediaries (energy service providers, renewable energy equipment supplier) with a range of financial instruments to enable the provision of affordable energy supply to target beneficiaries – households, communities, micro/small/medium enterprises and public institutions. The range of financial instruments include guarantees to provide subsidies (grants), concessional loans for lending and credit lines. Financial products will vary but would include examples such as grants for technical assistance; guarantee to financial intermediary; equity to microfinance institutions or an energy service provider. The NGEF will not provide direct access for target beneficiaries but requires the use of an intermediary such as a financial institution, energy provider or a renewable energy equipment supplier.

GGGI is also undertaking feasibility studies under the Green Climate Fund readiness programme to develop pilot projects and capitalise the Fund. The NGEF was launched in September 2018.

3. Policies and Plans

3.1 Broad regional observations

Climate Change is a national and regional priority

Forum Island Countries are demonstrating leadership in addressing climate change both at the national, regional and international levels and are taking a proactive approach to dealing with the impacts of climate change and disasters. There is a high level of political support and climate change features prominently as a priority in countries' National Sustainable Development Plans. Specific national climate change policies and strategies exist and there is now a trend for the development and implementation of National Adaptation Plans. At the regional level, Pacific Island Leaders have endorsed the Framework for Resilient Development in the Pacific, which promotes an integrated approach to resilience building. Numerous declarations on climate change such as the Lifou Declaration 2015; the Suva Declaration on Climate Change 2015; the Port Moresby Forum Leaders Declaration on Climate Change 2015; the Taputapuatea Declaration on Climate Change 2015; and the recent Polynesian Leaders Amatuku Declaration on Climate Change and Oceans 2018 emphasise the gravity of the negative impacts of climate change on the sustainable development of Forum Island Countries.

Mainstreaming climate change and disaster risk

The cross-sectoral nature of climate change and disaster risk means it is an issue that is relevant to all agencies of government, including the civil society, the private sector and across all levels of governance and this includes community level. It must be tackled within the broader context of resilient development. Mainstreaming climate change allows for its consideration alongside other drivers and risks and subsequent integration into policy, decision-making and budget planning. Although climate change is a prominent issue, ensuring holistic integration and effective mainstreaming into sectoral policies and plans, and guaranteeing the operationalisation of plans by linking to resourcing through national budgets remain critical areas for strengthening.While current plans and policies for climate change and development in general are centred around government and development partner activity, there is a growing need in the Pacific for private-public partnerships including greater private sector, civil society and community engagement in the policy and planning process.

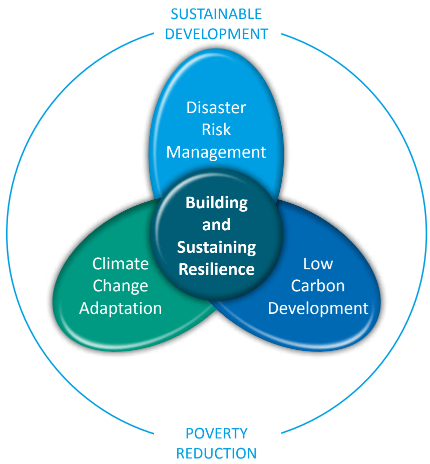
Table 3: Summary of Case Studies

Example/Initiative	Benefits	Challenges
Framework for Resilient Development in the Pacific (FRDP)	• An integrated approach to address climate change and disaster risks which promotes regional collaboration and pooling of resources and expertise. • Regional alignment to an integrated approach being led from the country level through national policy frameworks, such as the Joint National Adaptation Plans (JNAP) etc. • Inclusive and advocates a human rights-based approach, while recognizing the key roles played by all stakeholders (government, private sector and civil society). • Provides a guide for voluntary action that is non-prescriptive, non-binding and non-political.	• Getting adequate resourcing to implement the governance arrangements and priorities. • Balancing the interests of the climate change, low carbon, humanitarian and disaster management communities of practice under a single framework. • Ensuring that integration does happen by all stakeholders across sectors and at all levels. • Ensuring inclusivity of representation in the implementation and governance structure of the FRDP may create added bureaucratic process that hinder its effective implementation. • The FRDP and PRP are regionally driven with lack of ownership and/or relevance at the national level.
Papua New Guinea Climate Change Management Act	• Clarification of institutional roles and responsibilities to improve climate change coordination and implementation of the national climate change priorities. • A legislation provides long term commitment extending beyond the life of any political government. This is beneficial to limit changes in political will. • The Act identifies explicit mitigation and adaptation goals and mandates and compliance with minimum climate change adaptation and compatibility standards and performance levels. • A national climate change legislation gives greater clarity to a country's position on climate change and this confidence therefore can help create political space for negotiations, serving as a positive force for greater ambition and a faster pace towards reaching an international deal.	• While the Act sets up broad mandates for climate change coordination, it is limited in tackling the issue of cross sectoral policy jurisdiction. • The Act mandates compliance and compatibility standards, however is vague in what these compatibility standards are and their legal status. • It is important to ensure coherence with other legislations and policies. Legislative incongruence raises the risk of duplication and contradicting other legislations (e.g. Public Financial Management Act)

3.2 Case Studies

3.2.1 Framework for Resilient Development in the Pacific (FRDP)

Recognising the overlaps between climate change adaptation and disaster risk management, and the limited capacities available within the region to support PICTs to effectively respond, the FRDP presents a single framework for an integrated approach to address climate change and disaster risk. Climate change and disaster risks increase the vulnerability of the Pacific Islands people and significantly undermine the sustainable development of the Pacific region. The FRDP provides high-level strategic guidance to different stakeholder groups on how to enhance resilience to climate change and disasters, in ways that contribute to and are embedded in sustainable development. It supersedes two previously separate regional frameworks for tackling climate change and disaster management and aims to achieve three key goals: strengthened integrated adaptation and risk reduction to enhance resilience to climate change and disasters; low carbon development; strengthened disaster preparedness response and recovery.



Advocating for an integrated approach to building and sustaining resilience, the FRDP seeks to make more efficient use of resources, to rationalise multiple sources of funding targeted at addressing similar needs, and to mainstream risks into development planning and budgets.

Regional Multi-stakeholder governance structure through the Pacific Resilience Partnership

The Pacific Resilience Partnership (PRP) comprises the regional governance structure to support and coordinate the implementation of the FRDP. At the apex of the PRP are Pacific leaders who provide overall leadership and direction. Providing advice to and at the same time receiving guidance from the leaders is the PRP Taskforce.

Membership of the PRP taskforce is multi-stakeholder and made up of five positions from the Pacific sub-groups (Melanesia, Polynesia, Micronesia, Pacific Territories and Australia/New Zealand), five positions from the civil society and the private sector (three from the civil society including Pacific based INGOs and two from the private sector) and five positions from regional organisations and development partners (one each from the following subgroups: development partners, multilateral development banks, regional organisations, the UN system and academia). The PRP Support Unit and the Technical Working Groups provide support and advice to the PRP taskforce. The Pacific Resilience Meeting provides the forum for stakeholders to share experiences, provide strategic guidance to the PRP taskforce, the support unit and the various technical working groups.

Contextualisation of 'resilient development'

The FRDP is contextualised to the Pacific situation. PICT representation in the PRP facilitates further sub-regional, and national contextualisation. This creates the policy space for harmonisation with country priorities and plans. The FRDP acknowledges the unique situation of Small Island Developing States (SIDS) whilst accounting for the specific socio-political, geographical, and economic situations of the Pacific, rendering it highly applicable to the Pacific regional development agenda. Further, as a 'living document', it is envisaged that regular revisions will be able to incorporate the evolving needs of PICTs.

Supporting national strategies and plans

The FRDP is a non-prescriptive, non-political policy document. As such, it supports the implementation of national strategies and plans without replacing them. It is effectively a policy tool to implement a regional resilient development agenda. Different stakeholders can 'pick and choose' what actions to implement and/or prioritise. Simultaneously, the FRDP provides an overview of how various sector approaches are inter-related and demonstrates how effective cross-sectoral cooperation may be planned for and used.

3.2.2 Papua New Guinea Climate Change Act

Papua New Guinea introduced a legal climate change related regulatory framework through its Climate Change (Management) Act 2015. The Act serves multiple functions. It established the Climate Change and Development

Authority, declaring it the National Designated Authority (NDA) for the Kyoto Protocol, Green Climate Fund (GCF) and all other possible partners and financiers requiring an NDA. It also established the National Climate Change Board to oversee and guide the Climate Change and Development Authority, and it designed a Screening Committee for Board appointments. The Act also spells out necessary regulation and policy steps to achieve climate change mitigation and adaptation goals.

Long-term commitment

The Climate Change Act goes beyond any policies implemented whilst a government is in office. Setting legal precedent, and assuring future compliance with the Act, bolsters the strength of such a 'policy'. The commitments and directives made in the Act and by the Authority (Climate Change and Development Authority) which it established, are protected to some extent from changes in political will and therefore the capability to prioritise and act on climate change. This, in turn, assures the longevity of the initiatives beyond the term of any one particular political administration or that which set it up. This Act is an example of effective long-term planning, necessary to effectively address climate change.

Mainstreaming and prioritisation

The Act sets up some reasonably broad mandates in terms of climate change coordination, considering the cross cutting nature of climate change and its implications on other sectors and broader sustainable development. However, it does not adequately tackle the issue of cross-sectoral policy jurisdiction. Climate change is a cross cutting policy issue, with implications in policy sectors ranging from trade, to health, to development planning. Within its policy range, the Act clearly details the necessary policy steps to achieving explicit mitigation and adaption goals. It also mandates compliance with 'minimum climate adaptation and compatibility standards and performance levels'. However, the Act at times remains vague in relation to what these standards are, as well as what their legal status is. This is likely due to the cross-cutting nature of climate change policy, meaning that climate related regulation has impacts on preceding legislation.

Simplification

With an ever-growing community of practitioners in climate change policy, and the associated complexity of the policy environment, the Climate Change Act is a timely piece of legislation. It explicitly defines certain roles, functions, and mandates, in a legally binding context. For example, it declares the Climate Change and Development Authority (CCDA) to be the National Designated Authority (NDA) to all international bodies requiring one. In the processes of accreditation and NDA strengthening, this can streamline the work needed in terms of identifying a body that is ready, and that all development partners, donors, and recipients can agree on.

4. Institutions

4.1 Broad regional observations

Institutional Coordination

Effective institutions are central to the ability to adequately respond to climate change. Given the high priority of climate change resilience and disaster risk reduction and management, most FICs have taken steps to strengthen institutions and elevate the profile of mandates related to climate change through the establishment of specific climate change agencies as well as ensuring greater coordination and strengthening the legal and legislative frameworks for CCDRM. While FICs have made a lot of progress to strengthen institutions and enhance coordination, challenges remain in harmonising existing and new frameworks and coordination between ministries or departments of climate change and line ministries as well as civil society and private sector. This implies that duplication can occur within and between organisations and agencies noting that climate change falls under the responsibilities of multiple sectors. Strong institutions and effective coordination are fundamental to the efficiency of climate change policy in a national and regional context.

Definition of roles and responsibilities

Explicit clarification of roles and responsibilities is critical for effective institutional arrangements, coordination and mainstreaming. Given the crosscutting nature of climate change, unclear responsibilities and functions of various institutions can occur, leading to duplication or fragmentation. The establishment of specific agencies responsible for climate change, and/or moving those agencies to the Offices of the President, the Prime Minister or the Ministry of Finance, elevates the profile of climate change but does not necessarily lead to better coordination. A clear description of roles and responsibilities and clarification of the vertical and horizontal coordination, reporting and information sharing relationships between agencies in government and between government and civil society and private sector would lead to greater effectiveness and efficiency.

Coordination and ensuring a cohesive approach to addressing climate change and disaster risk management.

For some PICs, climate change activities are being coordinated or conducted by reasonably new ministries and departments. It is easy to fall in to a project-driven approach to demonstrate progress on short-term lower risk deliverables. Adopting a programmatic approach to the implementation of cohesive cross-sectoral strategies will contribute to generating cross-sectoral impacts and enhance the mainstreaming of resilience activities. This in turn increases the effectiveness of climate change and disaster risk management activities.

Table 4: Summary of Case Studies

Example/Initiative	Benefits	Challenges
Federated States of Micronesia: Micronesian Conservation Trust attaining RIE accreditation to the GCF and NIE accreditation to the Adaptation Fund.	• The application process can drive NIE or RIE applicants to reassess their operational frameworks and strengthen internal control mechanisms, including structural reorganization with more clearly defined roles and responsibilities and better institutional coordination. This enhances coordination and reduces duplication. • Strengthened internal controls and mechanisms and robust operational frameworks create an upgraded level of accountability and transparency, thereby increasing trust and confidence in country systems and enable countries to negotiate and bargain harder for other mediums of climate finance such as budget support from bilateral donor partners in the future. • Complying with environmental and social safeguards and gender policy requirements of global climate funds will strengthen project development capacities, which ensure that projects are inclusive and environmentally and socially responsible. • Increased national ownership and control. Greater national ownership is created as national entities prepare to bear responsibility for financial management, monitoring and overall programme/project management. There is also greater control of funding and how they are being directed to national priorities • Reduces transaction costs and could potentially lead to greater alignment and better targeting of national priorities.	• Rigorous accreditation process to meet the fiduciary principles and standards, environmental and social safeguards and gender policy of the GCF can be burdensome as well as time and resource consuming for the limited capacities of FICs. • Direct access is more favourable to countries with relatively well-established institutions and not necessarily the most vulnerable. Many FICs are highly vulnerable yet have low levels of institutional capacity. • Direct access does not necessarily guarantee increased levels of funding. • Absorbing the scale of financing available through the Green Climate Fund can be challenging for the limited and already stretched levels of human and institutional capacity that are available in FICs. • Maintaining the strength of the organization as a private corporation working with local partners and balancing it with the expectations of being an RIE to access and manage bigger amounts of money can be strenuous on the limited capacity of the organization.
Vanuatu's National Advisory Board (NAB) on Climate Change and Disaster Risk Reduction	• Having legislative mandate for its setup and functions meant the NAB had a concrete enabling and operating legislative/policy framework. • The NAB clarifies structures and processes for CCDRM and provides dedicated resourcing for strategic and policy advice, coordination of activities and fostering cooperation amongst agencies. • By playing a leading role in project appraisal and gatekeeper for project approvals, the NAB contributes to enhancing synergies across sectors and different actors, reducing duplication as a result. • The NAB Portal provides general climate change activity updates and projects information enabling easier access to information, enhancing information sharing and wider dissemination of CCDRM information. The NAB portal also has a dedicated section on climate financing.	• Climate change and resilience planning requires analysis and actions to be taken by various technical departments. The NAB Secretariat has no formal authority or jurisdiction over other technical departments which risks limitation to the authority of the NAB and the NAB Secretariat. NAB Secretariat's engagement and dialogue with other technical departments has to be deliberative and systematic. • The NAB Secretariat is externally funded by donors such as GIZ. This presents potential risks to the sustainability of the NAB Secretariat if a smooth transition into government establishment is not facilitated in a timely manner. • There are unclear links to Monitoring and Evaluation (M&E). Vanuatu currently does not have a CCDRM M&E framework and system in place although it is in the pipeline. M&E for CCDRM occurs at the project level and a gap still exists between project level M&E and sector wide CCDRM and upwards to monitor the National Sustainable Development Plan (NSDP). The NSDP has an M&E framework. • Integral to proper and effective CCDRM planning and implementation is a monitoring framework and system as it enables the assessment of effectiveness.

4.2 Case Studies

4.2.1 Micronesia Conservation Trust (MCT)

The MCT opened its doors in 2002 as the first conservation trust fund in the region with technical support from The Nature Conservancy. After overcoming various challenges and changes in operational strategy, it began active grant-making in 2004 with two small sinking funds (US$25,000 each) and continued modest fundraising, sustaining operations and grant-making with grants ranging from US$25,000 to US$75,000. In 2006, MCT was selected as the financial mechanism for the Micronesia Challenge (MC). Through this position MCT assisted the MC jurisdiction in raising, investing, disbursing and managing the MC Endowment Fund. In 2008, MCT completed its transition from a national organisation operating solely in the Federated States of Micronesia (FSM), to a regional organisation supporting and facilitating sustainable development in all five Micronesian jurisdictions (FSM, Republic of the Marshall Islands, Republic of Palau, US Territory of Guam and the Commonwealth of the Northern Mariana Islands). This expansion involved a restructuring of the governing board, from a national Board of Directors composed primarily of conservation professionals to a regional Board of Trustees composed of seven regional representatives and two international members, across a range of fields, from conservation and community development, to law, banking and business.

MCT supports conservation across Micronesia by: providing long-term, sustained funding through grant programmes; building the capacity of Micronesians and Micronesian organisations to design and manage conservation programmes; and providing a regional forum to bring people from government, private enterprise, the wider community and non-profit organisations together to collectively address the challenges of natural resource management in Micronesia. The MCT has a particular focus on small grants programmes, to ensure funding is channeled to the local level and to support the capacity of NGOs and CSOs to also manage finance and projects. Currently, MCT is administering over 50 projects across Micronesia funded by over 15 funding sources. MCT is a Regional Implementing Entity to the Green Climate Fund for projects up to US$10million, and a National Implementing Entity to the Adaptation Fund.

4.2.2 Vanuatu's National Advisory Board on Climate Change and Disaster Risk Reduction.

The Vanuatu National Advisory Board (NAB) on Climate Change and Disaster Risk Reduction was established in 2012. The NAB is Vanuatu's supreme policymaking body for climate change and disaster risk reduction. It is responsible for policy formulation and providing advice to government on climate change and disaster risk reduction. It is also responsible for providing advice, facilitate and endorse climate change and disaster risk reduction programmes and projects.

The NAB has legislative mandate, established by the Meteorology, Geological Hazards and Climate Change Act 2016. Membership is cross-sectoral and made up of representatives of government agencies and non-government organisations. The Director General for the Ministry of Climate Change Adaptation is the Chairperson and membership from government agencies consists of directors of the Departments of: Meteorology; Climate Change; Geological Hazards; Forestry; Energy; Provincial Affairs; Environment; Foreign Affairs; Strategic Policy Planning and Aid Coordination; National Disaster Management Office; Finance and Economic Management; Women's Affairs; and Public Works. The Vanuatu Association of Non-Government Organisations (VANGO) represents the NGO fraternity. The NAB meets once every month. There is a secretariat which provides support to the NAB and is responsible for the implementation of NAB decisions and provision of policy and strategic advice related to CCDRM; national coordination of CCDRM; and implementation of international commitments and obligations under the UNFCCC. Four working groups are linked to the NAB and overseen by the NAB Secretariat. These are the Climate Finance working group; the UNFCCC taskforce; The Project Screening Committee; and the Information, Educational and Communication Materials working group. The NAB Secretariat also provides oversight and coordination of these working groups.

In relation to accessing and managing climate change funding, the NAB Secretariat has endorsed a Climate Finance Roadmap, which outlines six priority areas:

- Increasing access to and modalities of climate finance
- Capacity building within government, civil society and private sector
- Prioritisation of finance flows based on real vulnerabilities and transparent assessment frameworks
- Increasing awareness about climate finance sources, modalities and access requirements
- Better coordinating and strengthening existing climate finance advisory and working groups
- Strengthening the public finance management and project management of climate finance.

The NAB represents good practice for dedicated institutional arrangements and coordination processes for climate change and disaster risk reduction at the national level.

5. Human Capacity

5.1 Broad regional observations

Local versus expatriate capacity

There is limited ability to build and sustain local capacity in a manner that is consistent and builds corporate knowledge. There is a current reliance on expatriate capacity for many higher-level skills in the climate change sector. This has been attributed to the slow building of local human capacity, and the less attractive pull factors to working locally and on climate change policy.

Low human resource allocation

Despite the high priority of climate change related policy in the Pacific, human resource allocation for the climate change sector is disproportionately low. Many FICs have small populations, and small civil service and government workforces, and the proportion of the workforce dedicated to coordinating or designing climate change related policy is small and sometimes fragmented. With climate change becoming a part of more and more sectoral portfolios, there is a need to recognise that with an increasing policy presence, there needs to be a corresponding resource allocation shift.

Capacity gaps

The current capacity gaps related to climate change and climate finance in most FICs lie in the monitoring and evaluation and auditing sectors. This in turn largely impacts upon finance accessibility and accreditation processes both of which have stringent requirements for M&E and auditing. However, many recent initiatives have focused on bridging these capacity gaps. The full impact of this is yet to be seen.

Table 5: Summary of Case Studies

Example/Initiative	Benefits	Challenges
USP's Pacific Centre for Environment and Sustainable Development (USP PaCE - SD)	• Targeted capacity building for FICs through applied research in climate change and environmental fields of study relevant to the context of the Pacific. • Through its Postgraduate programmes at Postgraduate Diploma, Masters and PhD levels, the Centre contributes to informed decision making and shaping regional policy design for FICs, such as through the development of tools for monitoring and projecting climate change in the Pacific Islands region. • Accessible higher education academic training contributes to building capacity and expansion of knowledge, skills base and capabilities of both government and environment/climate change professionals in FICs. The programmes are accessible and delivered in both full-time and flexible modes, which allows for capacity building of an expanded regional resource pool of climate change, environment and sustainable development specialists without reducing capacity at the country level. • Inclusion and involvement of postgraduate students as support staff to FICs during the UNFCCC COP negotiations gives international exposure to students broadening their knowledge of the nuances of Multilateral Environmental Agreements such as the UNFCCC and build their negotiation and diplomatic skills and facilitates wider networking. • Promotes mainstreaming of climate change, environmental and sustainable development considerations through community engagement and networks with government and CROP agencies. • The programme contributes to greater awareness of climate change across a range of sectors and industries through its community engagement programmes, the production of communication materials and community awareness outreach.	• Sustainable funding to provide postgraduate scholarship opportunities to Pacific Islanders and sustain the programme over the long term. • Getting the right mix of postgraduate students and geographical balance within all FICs. Usually most of the students are from only one or two countries in the region. • Ensuring that trained postgraduate students return to their countries after graduation to serve their government instead of looking abroad for employment. • Some FICs are reluctant to accredit PaCE-SD postgraduate students to be part of the national delegations for UNFCCC COP negotiations.
Regional Technical Support Mechanism (RTSM) and the Rapid Response Fund (RRF)	• The mechanism facilitated rapid access and deployment of experts into FICs, on a request basis. Using a roster of experts could supplement capacity needs at the country level by building on existing relationships between countries and their development partners, expertise within CROP agencies and other stakeholders and peer-to-peer exchanges between countries, where possible.	• The lack of an ongoing appetite for the RTSM and the RRF from development partners resulted in the initiative not being sustainable. However, the NDC Regional Hub will maintain a roster of experts building on the RTSM.

Regional Technical Support Mechanism (RTSM) and the Rapid Response Fund (RRF) *Continued.*	• The RTSM and RRF facilitated coordination of effort between partners and CROP agencies in the provision of much needed technical assistance and expertise where there were gaps in countries. It was also grounded on the principle of partnership. • The RTSM harmonised and centralised the management and administration of a regional pool of technical experts thereby reducing overhead costs and administrative burden on the limited capacities of FICs.	• Coordination among partners involved to evaluate consultants and agree on who to provide technical assistance can be a time-consuming exercise. • Due to the short lifespan of the RTSM, it is not clear how it has contributed to sustainable capacity building and effectiveness of climate change efforts. • There was slow uptake by governments and the RTSM did not cover all the 14 FICs.

5.2 Case Studies

5.2.1 USP's Pacific Centre for Environment and Sustainable Development

Established in 2001, the Pacific Centre for Environment and Sustainable Development (PaCE-SD) offers postgraduate programmes on climate change and resilience. Programmes include Postgraduate Diploma, Masters and PhD. The courses offered range from extra-departmental supplementations to full programmes, and are not specific to any education stream. Most do not require any particular scientific, or prerequisites and accept graduates of any Bachelor's degree programme provided there is a demonstrable interest in and professional value to enrol in the respective programme.

Courses include:

- Climate Science
- Climate Finance
- Disaster Risk Analysis and Management
- Environmental Based Adaptation
- Tropical Meteorology and Climate and Disaster Resilience.

The courses are available part-time and full-time, and the Postgraduate Diploma programmes can be completed in 1 year.

The PaCE-SD serves the needs of the Pacific region through three key components: Capacity Building; Applied Research that fosters the development of a research culture that specifically responds to the region's needs by involving communities and stakeholders; and Community Engagement.

5.2.2 Regional Technical Support Mechanism

The Regional Technical Support Mechanism (RTSM) was a network of pre-approved experts on multiple development and policy areas (gender, climate change financing, knowledge management, monitoring etc.) that upon request mobilised to advise FICs on resourcing, strategic approaches, and technical assistance on a needs basis. It was a Regional Technical Assistance support facility whereby the management was external to countries but aimed at supporting national climate change capacities and national development processes. The RTSM also provided support to develop project proposals. It was part of the Pilot Programme for Climate Resilience (PPCR). RTSM was an initiative by the CROP agencies, the Asian Development Bank, and Pacific Island Countries. It was accessible to all FICs, except Cook Islands and Niue.

The RTSM was hosted and administered by SPREP and received financial assistance from the Climate Investment Fund. Experts were added to the network through an application process and mobilised at the request of a country by the Rapid Response Fund (RRF), a complementary funding facility set up to fund related costs of experts mobilised under the RTSM. The Rapid Response Fund was initially capitalised with US$1.1million by the Climate Investment Fund (CIF) and administered by the ADB. The RRF was used to fund travel and per diem costs of partner experts to provide approved technical assistance in FICs, travel and per diem of national government experts to provide technical assistance where peer-to-peer support was requested, consultancy fees, travel and per diem costs where independent consultancy was requested and employed staff to manage administrative functions and requirements of the RTSM and the RRF. It was envisaged that the fund would then be supported by other donors and partners that wish to come on board and subsequently evolve into a regional climate change financing facility. The Nationally Determined Contribution (NDC) Regional Hub will build on the RTSM to maintain a roster of experts.

6. Public Financial Management & Expenditure

6.1 Broad regional observations

A Public Financial Management (PFM) system is critical to the achievement of development outcomes, including CCDRM objectives. The robustness of PFM systems has a determining effect on the social and economic benefits derived from public revenue collected and expended. Recognising the critical importance of strengthening PFM systems and in response to a strong political push for increased use of country systems, there has been substantial focus and corresponding support from donors for reforms aimed at improving PFM systems in FICs, particularly in the area of budget execution possibly as a response to improve national accountability and transparency. The Public Expenditure and Financial Accountability (PEFA) framework has been recognised and accepted as the standard benchmark for assessing PFM relative to good international practice. The use of the PEFA assessment methodology as a global 'best' is however challenging for FICs as it does not give due consideration to country contexts and the applicability of the use of these 'best practise' benchmarks in FIC country situations. FICs are characterised by small populations and weak capacity in terms of the quantity of personnel in the country, level of capabilities and skills and supporting ICT infrastructure, therefore what is considered 'best practise' in larger more capacitated countries may be less practicable in a capacity constrained FIC. The public sector also faces strong competition for human resources from the private sector undermining public sector capacity building efforts as staff with newly acquired skills move to new roles in or outside of the public service.

While all FICs face a similar challenge, the situation is more pronounced in small countries, such as Kiribati and Tuvalu, and exert a significant negative influence on PFM performance. There is continuous ongoing capacity building over time but capacity limitations arising from small populations and a small human resource pool is likely to be longer-term.

Specific to climate finance and directly hinging on PFM is the increasing attention and emphasis by FICs on gaining 'direct access' or National Implementing Entity (NIE) status to multilateral climate funds and the establishment of national climate funds. There are clear linkages between the PEFA indicators and fiduciary standards of global climate funds such as the Green Climate Fund and the Adaptation Fund.

Common PFM Issues in FICs

An analysis of the results of PEFA assessments undertaken so far in five FICs (Kiribati, Tuvalu, Vanuatu, Samoa and Solomon Islands) by the GIZ/DFAT Climate Finance Readiness of the Pacific project identified five key challenges relating to budgeting and capacity that are constraining sound macroeconomic management, financial accountability and service delivery. These issues included: budgets leading to unnecessary and unsustainable deficits; government priorities not linked to resourcing in the budgets; inappropriate execution of the budget; inefficiency and ineffectiveness in spending which impacts on service delivery and enabling environment creation for economic development; and substantial capacity limitation. Addressing these challenges is a means to improve the PFM system, rather than an end in itself.

Public Financial Management strengthening in FICs

The strengths of PFM systems and effects of reforms undertaken so far vary across FICs. General findings from a recent analysis by the IMF Pacific Financial Technical Assistance Centre (PFTAC)[5] on the implementation of Public Financial Management Reform Roadmap for FICs show that there are observable improvements in areas where stronger internal controls and technical improvements in the system have been imposed, such as in aggregate expenditure outturns for the budget. Sequencing reforms and implementing those critical to addressing identified problems to achieve greater transparency and effective and efficient service delivery would be more practical in FICs. Small numbers of human resources, often coupled with high staff turnover limit the potential for sustainable gains. Ongoing support for capacity building and capacity supplementation enhances sustainability and contributes to improving the whole PFM credibility. The deployment of updated relevant infrastructural capacities to support the facilitation roles of the budgeting and accounting processes within the PFM system is vital.

[5] http://documents.worldbank.org/curated/en/303711471955858894/pdf/Output-080416.pdf

Table 6: Summary of Case Studies

Example/Initiative	Benefits	Challenges
PFM Reforms in Kiribati	• Kiribati managed to implement reforms that significantly impacted development outcomes, including reforms to debt management, management of the RERF and some reforms in the SOE sector to support private sector growth This is to identify activities within the SOE that can be divested and outsourced as well as further strengthening the commercial mandate of the SOEs to promote financially sustainable delivery of public service. • Committed to a structurally balanced budget. This has entailed setting an expenditure path that is consistent with meeting fiscal balance including donor budgetary support, excluding foreign financed capital expenditure. • The commitment for balanced budget over the coming years helps insulate spending from potential volatility in fishing revenue in order to mitigate the high risk of debt distress. • Technical Assistance provided by development partners as part of the PFM reform programme supplemented capacity and helped to fill the human resource deficit in the short term. Sustaining the presence of international advisors does lead to important improvements in existing policy settings. In Kiribati, these included improvements in tax administration, the reorganization of the National Economic Planning Office to integrate budgeting and planning and improves systems for account reconciliation. • Enhanced sustainability and policy capacity. With the improvement in the fiscal balance, the government now has an ambitious development agenda, envisaged in the Kiribati 20-Year Vision (KV20), to promote inclusive and sustainable growth. • Reforms that are targeted, were commensurate with existing capacity and had political support were more likely to achieve their objectives. • Implementation of reforms contributed to improvements in the governance and management of the RERF and replenishment of the funds from the cash reserves in association with an increase in fisheries revenue.	• The reform plan was overly ambitious and included too many reforms that it was not useful in informing planning. • The scope and ambition of the reform programme exceeded existing capacity and some reform activities were too complex for the skills and capabilities that existed. Capacity considerations have a significant influence on the success of reforms. The scope and ambition of PFM reforms need to be matched fittingly to available capacity and dedicated to areas that matter most in achieving development outcomes. • Provision of technical assistance as capacity supplementation must respond to demand rather than being supply (donor) driven. It is often thought whether technical assistance would have sustainability over a short timeframe. Reversal sometimes occurs or reforms come to a standstill once TA support is over. Follow up implementation support enhances impact and contributes to greater sustainability. • Owing to their smallness, PICs experience significant weaknesses in public administration, because of a small pool of skilled manpower and by extension implications on absorptive capacity. • Some reforms are sometimes too complex for the capacities and systems that exist within countries. • The political economy exerts a lot of influence on how PFM reforms are undertaken and their subsequent outcomes and must be given due consideration. • Opportunities to influence support provided by other partners was narrow. Coordination amongst donor partners mainly consisted of information sharing rather than the coordination of activities around shared objectives.
PFM Reforms in Samoa	• A well-organised multi layered PFM reform governance structure with effective links from the implementation/operational level upwards to the cabinet/political level that is recognised by all stakeholders contributes to the successful organisation and management of the whole reform process. The introduction of Finance One System helps improve the financial management and efficient production of the needed financial and budget reporting. • Strict output based budgeting and the roll out of the Finance One system to all ministries contributed to improved service delivery. Improved service delivery attributed to strict output-based budget allocation and the rolling-out of the Finance One System to all ministries. • Political stability contributed to a greater enabling environment and sustenance of the reform process. • Clear sector plans linked to National Development Plan and to the budget allocation provided in the budget framework produces a higher level of accuracy of budget estimates and good discipline around reporting and payments. • The recognition and clear understanding of the importance of enhancing resilience to external shocks and climate change and disaster, and the subsequent integration and monitoring of climate resilience actions and indicators in sector plans and annual reviews contribute to more resilient development planning and monitoring. • The JPAM contributed to promoting coherence, coordination and consistency among partners.	• The procurement process entails pre-auditing of all transactions. While this safeguards transparency, it contributes to inefficiencies in payment processing. • Short-term policy changes are easier to implement and can be readily implemented, while longer term structural changes face a more complex political environment. • Reforms that will have a bearing on sovereign decisions and which affect the development of the economy need careful consideration and negotiation. Political support and the support of development partners is essential.

Strengthening of Internal Audit in Tuvalu	• Fully functioning internal audit that will support compliance with existing public-sector policies and international standards. • Contribute to effective and efficient audit planning and coordination across Government. • Assist in identifying resources and training needs for the audit function. • Promote best practice and independence through the Audit Committee who are mostly from the private sector. • Reduce outsourcing of internal audit.	• Capacity constraint to implement the audit function as there is only one staff in the Internal Audit Unit. • Lack of resources (long-term) to maintain the momentum of establishing and strengthening internal audit. • Recruitment and retention of qualified internal auditors. • Head of Internal Audit still requires continuous monitoring and guidance in conducting audits.

6.2 Case Studies

6.2.1 PFM Reforms in Kiribati[6]

Kiribati undertook PFM reforms between 2010 and 2014 to address two main challenges: Weak service delivery; and Unsustainable fiscal deficit. Weak service delivery was the result of the interplay of three main problems: resource constraints; geographical scatteredness and weak capacity within line ministries to effectively deliver. These problems were driven by a host of underlying factors related to resources not being available delivery/expenditure units, inefficiencies in resource use because of technical difficulties and misalignment of policy priorities and resource use. Kiribati was also facing unsustainable fiscal deficit due to the high volatility of revenue from its single major revenue source, which is fisheries revenue.

Kiribati undertook reforms to:

- Address resource disruption (FMIS improvements and ad hoc payments to improve payment efficiency);
- Improve technical efficiency in line ministries (through procurement review and audit strengthening);
- Improve alignment between policy priorities and public expenditure (establishment of a Medium Term Expenditure Framework (MTEF), budget consultations, restructure of the National Economic Planning Office including the adoption of a new FMIS system, a procurement review, and institutional reforms within the budget process).
- Address revenue predictability and performance (tax administration technical assistance, VAT implementation, production of joint fisheries licence revenue report)
- Address unplanned and expensive borrowing
- Address financial management of SOEs (SOE corporatisation, copra sector reform and liberation of telecommunications).
- Improve performance of the Revenue Equalisation Reserve Fund (RERF) asset managers (RERF management technical assistance and extended technical assistance).

While there were challenges in fully implementing the reform programme, the government has made good progress in some areas such as the implementation of important governance arrangements and management of RERF. Recognizing the problems related to macroeconomic management driven by weaknesses in the PFM system, the government is pushing forward the structural fiscal reforms by addressing weaknesses in areas of internal control, procurement and treasury management, including improving tax administration aspects. Work on enhancing climate change adaptation capacity is underway with the establishment of the Climate Finance Unit in the Ministry of Finance and Economic Development to oversee access and management of climate finance including progressing NIE accreditation to the GCF. Moreover, the reforming of the banking regulation and supervision framework fits-well with the effort for better alignment of investment strategies of the public funds with their institutional roles.

6.2.2 PFM Reforms in Samoa

Samoa is an FIC that has continued public sector reform efforts since the mid 1990's. As part of the ongoing reform process, the Ministry of Finance (MOF) embarked on a Public Finance Management Reform Plan (PFMRP) in 2008. Since then, government has taken a structured and sustained approach to PFM reforms, undergoing three phases between 2008 and 2017. Phase one of the PFM reforms which started in 2008 resulted in the passing of new legislations; moving budgeting, accounting and reporting from input focused to output based budgeting; computerising treasury and accounting; initiating a financial management information system; and SOE reforms.

[6] The Kiribati Case study referenced is sourced from the 2015 PFTAC Assessment of PFM reforms in PICs (accessed here: http://documents.worldbank.org/curated en/303711471955858894/pdf/Output-080416.pdf) and information from recent PFM work undertaken by the Climate Finance Readiness Project.

While sound progress was eventually assessed to be made in Phase I, a number of proposed actions were carried forward into Phase II where work was still ongoing to either consolidate or further improve performance in key areas. Phase II of the PFM reforms started in 2011 continuing with the consolidation and strengthening of the financial discipline, while at the same time actively pursuing improved resource allocation and efficiency, in part through strengthening performance based management linked to an MTEF; sector wide plans and investment programmes; and through further strengthening revenue administration. Phase II actions also included actions to address a number of further weaknesses identified in the 2010 PEFA assessment. Emphasis continued on "getting the basics right."

Phase III of the PFMRP was built on the outcomes of the PEFA 2014 as well as the lessons learnt from phase I and phase II as government continued on the path towards fiscal consolidation. Significant focus has been targeted to a holistic approach towards rolling out consistent standards to all line ministries to improve the efficiency and effectiveness of the public service in managing the collection and expenditure of funds as well as ensuring policy cohesion between planning and budgetary processes.

The PFM reform plan is reviewed and updated on a rolling basis at least every two years and progress reviews are undertaken annually involving development partners and stakeholders. The Cabinet Development Committee (CDC) has overall oversight and provides leadership and direction for the reform programme. The Finance Sector Advisory Committee (FSAC) provides advisory support to the CDC and has the membership of the Chief Executive Officers (CEOs) of the key central agencies. The PFM taskforce is responsible for the implementation of activities and comprises the Assistant CEOs at the operational level. Both the FSAC and the PFM taskforce are serviced by the PFM/ Finance Sector Coordination Division in the Ministry of Finance to support planning, coordination, implementation and monitoring and evaluation.

The Joint Policy Action Matrix (JPAM) was developed between the Government of Samoa (GoS) and its development partners - the World Bank, Asian Development Bank (ADB), European Union (EU), Australian Department of Foreign Affairs and Trade (DFAT), and the New Zealand Ministry of Foreign Affairs and Trade (MFAT) as a general budget support (triggered) mechanism to action Samoa's specific policy reforms in the areas of Public Financial Management (PFM) as well as its sectoral commitments which in respect should contribute immensely towards improving the quality of life for all Samoans. The origins of the JPAM and how it came about and was seen as a successful mechanism for tying in General Budget Support was purely due to the traditional bilaterals Australia and NZ investing their full trust and commitment towards the use of country systems and garnering their financial support through 'Incentivizing the PFM Reform Programme' which provided the momentum and appetite for our Multilaterals to join and develop the joint matrix.

Samoa has undertaken four PEFA assessments in 2006, 2010, 2014 and 2018 pending finalisation. The PEFA assessments find that significant improvements have been made across a number of PEFA assessment criteria. There were significant improvements in PEFA ratings between 2010 and 2013, and the 2014 assessment identified a number of ongoing projects in PFM which when completed would result in higher scores in a later assessment. The results of the 2018 assessment are currently being reviewed and compiled.

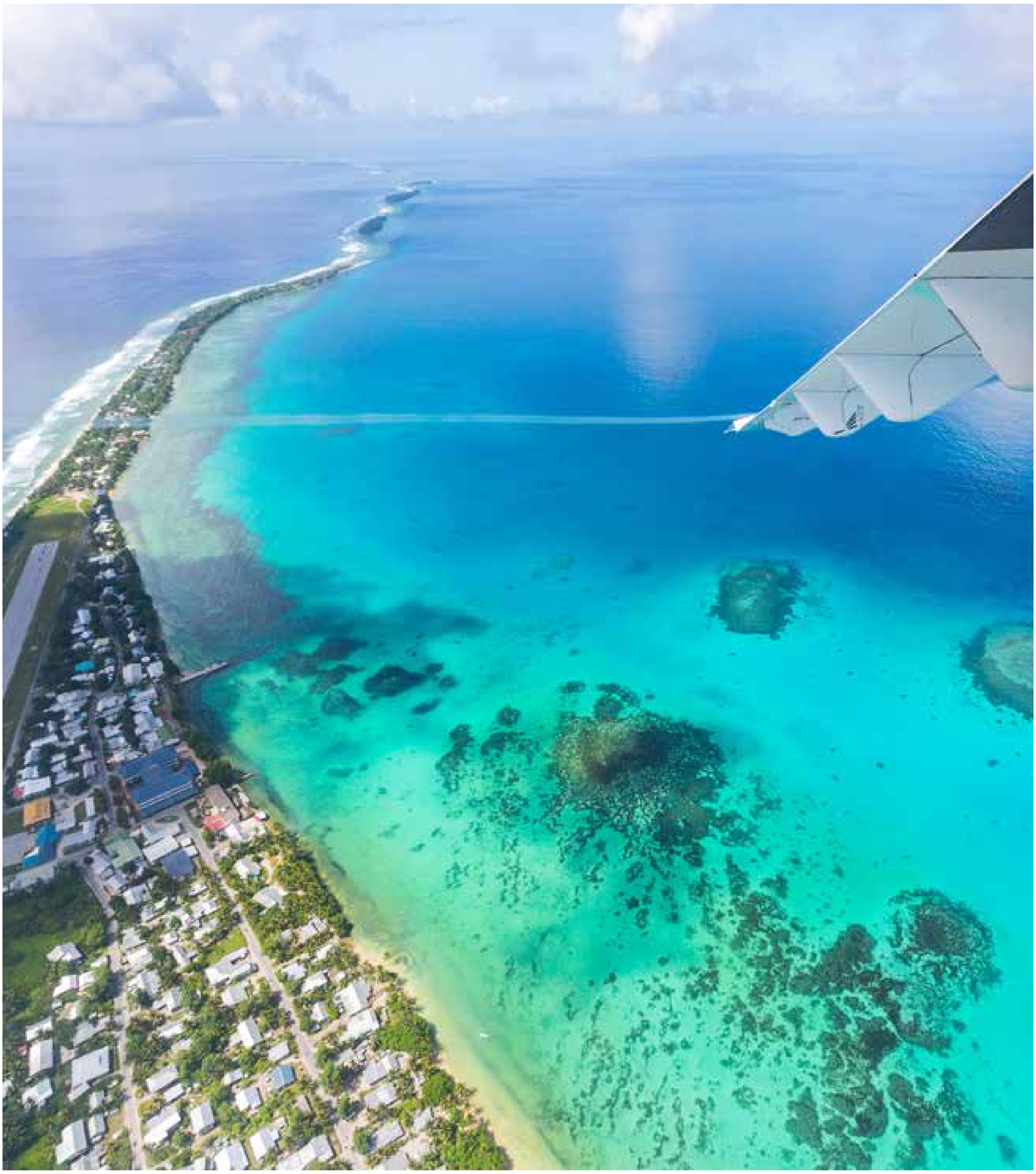
6.2.3 Strengthening of internal audit in Tuvalu

Tuvalu along with other Pacific Island Countries (PICs) has taken an active role in progressing national climate change priorities. For some countries in the region, challenges persist in terms of human capacity constraints in central climate change, finance and planning agencies to develop and manage multi-sectoral climate change projects/programmes and access global climate change finance. To access climate change finance, governments need to demonstrate that its public financial management system includes a properly established internal audit, which is independent, appropriately resourced, empowered to act with a whole of government mandate. The Government of Tuvalu has demonstrated its commitment by issuing financial instructions for the establishment of a public sector internal audit function and an audit committee, then budgeting for and employing the Head of Internal Audit. Donor support from GIZ and DFAT including other partner agencies was sought to strengthen the capacity of the Internal Audit Unit of the Ministry of Finance and Economic Development (MFED) to meet the criteria for accessing climate change finance.

Tuvalu through the Ministry of Finance is currently working towards accreditation to the Adaptation Fund and strengthening of the internal audit will assist the Government in achieving this status. This is vital as the internal audit function provides an independent assessment of whether public resources are effectively managed to achieve national and organisational objectives, promoting public sector credibility and accountability and a mechanism for checking appropriate behaviour of government officials. Having an effective and efficient internal audit will also assist management in improving the Government of Tuvalu's business performance.

In strengthening the internal audit function, Tuvalu undertook the following:

- Reviewed the Tuvalu Internal Audit Legislative Framework
- Created a framework compliant with the Institute of Internal Auditors International Professional Practices Framework (International Standards)
- Developed strategic development and work plans including a Government Risk Matrix
- Established an Audit Committee and prepared an Audit Issues Register
- Assessed training needs and provided capacity building to the Head of Internal Audit.



7. Development Effectiveness

7.1 Broad regional observations

While the negative impacts of climate change have the potential to amplify existing development challenges, it also attracts substantial financing. The response to address climate change could propagate an increase of projects and programmes risking greater fragmentation of aid delivery. The principles of development effectiveness and the need to ensure that aid is delivered in an effective way that maximises impact and achieves value for money remain relevant and central to the climate change response.

Ownership and leadership: Building effective institutions, capacities and systems that are durable

In the Pacific, some progress has been made at strengthening country institutions and policies for improved development effectiveness. FICs are exerting greater ownership and leadership as evidenced in the renewed focus on national development plans and sector and economic strategies. There is also greater Pacific ownership of regional development as evidenced in Pacific Islands Forum Leaders endorsement of the Framework for Pacific Regionalism (FPR) and more specific to climate change and resilient development, the Framework for Resilient Development in the Pacific (FRDP). Technical cooperation through the provision of technical assistance and aid in kind remains a key feature of development assistance in FICs, owing to the limited capacities that these small countries have. Linking climate finance more strongly with broader national development plans and strengthening focus on co-development benefits would empower governments to take on greater ownership and leadership.

Alignment and Harmonisation: Ensuring Coherence, Transparency and Predictability

Acknowledging the high transaction costs associated with individual project support, there has been a shift towards more programmatic approaches and use of local country systems. This can be seen in the increased use of national development plans and sectoral strategies to inform aid spending and the provision of general and sector budget support to Samoa, Solomon Islands and Vanuatu by the European Union and through integrated approaches such as the Choiseul Integrated Climate Change Programme (CHICCHAP) in Solomon Islands. Predictability of climate finance is an important aspect of development effectiveness as it allows countries to plan for and manage fluctuations in aid. This aspect is still somewhat problematic in the Pacific Islands region and there is scope for further improvement.

Managing for results and mutual accountability: improving coordination and enhancing greater inclusivity of civil society and private sector

Managing for results and accountability is a grey area in most FICs. The existence of policy matrices such as those for the provision of budget support is encouraging high level outcome reporting but monitoring of development results remain weak and experiences vary across countries and sectors. Samoa and Vanuatu are relatively stronger in terms of monitoring development results in aggregate and sectors such as health and education have more advanced monitoring and reporting systems. Monitoring for results in climate change is still a gap in most FICs. Greater attempt at improving both government and donor coordination can be inferred from efforts such as stakeholder forums, thematic groups, joint work planning/programming and joint analytical and monitoring missions. Supporting and enabling a flexible range of modalities and institutions, including civil society and private sector, allows for a wider base of resource pool which can perform different functions and respond better collectively to country needs.

Table 7: Summary of Case Studies

Example/Initiative	Benefits	Challenges
Joint Work-Plans and Missions: DFAT/ GIZ Climate Finance Readiness in the Pacific Project and USAID Institutional Strengthening for Adaptation to Climate Change Project	• The combination of complementary strengths and core competencies creates an expanded resource pool and base support, which adds value to climate change efforts. • Lower administrative burden on countries, through the streamlining of project implementation, particularly work-planning missions and project activities. • Greater harmonisation and coordination and reduced duplication of efforts and resources. • Facilitates exchange of knowledge, information, good practice and experience, including individual and organisational networking.	• It may lack clear objectives or difficult to achieve common objectives. • Dilution of organisational visibility and beneficiary confusion can arise. • Requires full commitment by all organisations/projects to share costs and avoid getting credit for another project's effort.
Choiseul Integrated Climate Change Programme	• The CHICCHAP was an innovative approach, which brought together development partners, national government, provincial government, and NGO/CBOs in a collaborative partnership, knowledge sharing and resource pooling where they complemented capacities across the partnership. It laid the groundwork for future integrated approaches in Solomon Islands. • The CHICCHAP contributed to strengthening policy frameworks and facilitated mainstreaming of climate change into wider development planning at national, provincial and sectoral level. Choiseul Province is now working to develop a Provincial Climate Change Strategy, indicating sustainability and that provincial government is taking ownership and leadership. • The CHICCHAP facilitated an enhanced understanding of climate change at the community level and helped build communities adaptive capacity. • The Vulnerability and Adaptation Assessment undertaken in precedence of the CHICCHAP enabled the provision of targeted and specific support to vulnerable communities.	• The Partnership in the CHICCHAP did not entail a guided approach. The idea evolved over time, bringing in new members and dropping others along the way. The 'loose' partnership resulted in a minimal sense of obligation from different partners to the integrated approach collectively. • Harmonisation involved workplan sharing for consolidation by the PMU, joint missions to the field and coordination through the Partners Advisory and Implementation Group (PAIG). Beyond that partners implemented their own projects according to different timelines and using their own procedures and maintaining individual visibility meaning that fragmentation still existed. • The approach lacked a collective community engagement strategy, creating the risk of ineffective community engagement with target beneficiaries. • The CHICCHAP lacked a clear 'Theory of Change'. Monitoring and evaluation was the weakest link in the CHICCHAP approach. Ensuring an effective and practical M&E system and Results Framework and a clear common 'Theory of Change' for the integrated approach helps clarify goals and objectives and how different partners will contribute to achieving them.

7.2 Case Studies

7.2.1 Joint Work-Plans and Joint Missions (GIZ, DFAT, CFRP, SPC, USAID and ISACC)

The Institutional Strengthening for Pacific Island Countries to Adapt to Climate Change (ISACC) project is funded by USAID with a funding envelope of US$2.9 million and implemented jointly by the Pacific Community (SPC), The Secretariat of the Pacific Regional Environment Programme (SPREP) and the Pacific Islands Forum Secretariat (PIFS) in eight FICs namely, Federated States of Micronesia, Fiji, Kiribati, Palau, Samoa, Solomon Islands, Tuvalu and Vanuatu. The project is targeted at strengthening country readiness to access and better manage climate finance focusing on three key areas: strengthening institutional frameworks and national capacity to support multi-sectoral approaches to climate change and disaster risks; enhancing country capacity to access new climate finance; and strengthening regional cooperation and coordination through augmented national capacity delivered through shared learning to support national initiatives. The ISACC project is one of the first inter-CROP agency projects bringing together SPC, SPREP and PIFS as implementing partners within one project.

The Climate Finance Readiness for the Pacific (CFRP) Project started in 2016 and was funded by the Government of Australia with a total project funding of €1.5million. It is implemented in five Pacific Island Countries, which are Fiji, Kiribati, Solomon Islands, Tuvalu and Vanuatu. The project is implemented jointly by GIZ in close collaboration with PIFS, SPC and the Pacific Financial Technical Assistance Centre (PFTAC). The key objective is to strengthen the capacity of FICs to access climate change finance.

These two regional projects have overlapping activities in the five FICs and given the synergies in project objectives and activities, the two project teams have developed joint work plans in partnership with relevant country counterparts for the five countries (Fiji, Kiribati, Solomon Islands, Tuvalu and Vanuatu) and working closely with the ministries responsible for climate change, finance and treasury, and planning.

Under the collaboration of the two regional projects, national climate change and disaster risk finance assessments have been undertaken in three countries (Solomon Islands, Vanuatu and Kiribati), the Pacific Climate Change Portal Climate Finance Navigator has been developed through partnership between SPREP and Griffith University (Australia). A private sector mapping has been undertaken for Vanuatu and a mapping of PFM capabilities of countries for the five CFRP Project countries. The two projects have also jointly supported a regional 'Climate Finance Forum' for participants from eight FICs.

7.2.2 Solomon Islands Choiseul Integrated Climate Change Programme (CHICCHAP)

In 2012, the Solomon Islands Government adopted an integrated approach to addressing climate change at the provincial level in Choiseul Province. Choiseul Province is one of the nine provinces of Solomon Islands and Choiseul is one of the six main Islands. A Vulnerability and Adaptation (V&A) study undertaken in 27 communities around Choiseul Province recommended that an effective adaptation response would entail a multi-sector and multi-partner approach to be able to adequately respond to the complexity of drivers contributing to people's vulnerability and factors influencing their capacity to adapt to the adverse effects of climate change.

The overall objective of the CHICCHAP approach was that the resilience of the Choiseul people to impacts from current and emerging threats of climate change, environmental degradation and natural disasters be strengthened and sustained.

Several development partners and government agencies partnered in the CHICCHAP approach. The national lead agency was the Ministry of Environment, Climate Change, Disaster Management and Meteorology. The Ministries of Development Planning and Aid Coordination; Provincial Government and Institutional Strengthening; Mines, Energy and Water Resources; Forestry and Research; Fisheries and Marine Resources; and Infrastructure Development provided support. Development partners involved in the collaboration included: The Pacific Community (SPC); German Development Cooperation Agency (GIZ); Secretariat of the Pacific Regional Environment Programme (SPREP); United Nations Development Programme (UNDP); Government of Australia's Department of Environment; The Nature Conservancy (TNC); and the United States Agency for International Development (USAID). The Choiseul Provincial Government provided leadership and oversight at the provincial level. The Lauru Land Conference of Tribal Community (LLCTC), a community-based organisation also played an active and significant role.

In terms of governance and programme coordination, a Partners Advisory and Implementation Group (PAIG) was established to coordinate development partners and support the Choiseul Provincial Government and the Lauru Land Conference of Tribal Communities to ensure cohesion of CCDRM initiatives and other resilience building projects. A Provincial Steering Committee (PSC) responsible for oversight and implementation exists at the provincial level, which meets twice annually and is linked to PAIG. An evaluation to assess the effectiveness of the CHICCHAP as an integrated approach was undertaken in 2017. The lessons learnt are presented in the summary table of case studies above.

8. Gender and Social Inclusion (GSI)

8.1 Broad regional observations

Need for mainstreaming

As cross-sectoral and multi-sectoral issues, gender, youth, and disability issues need a coordinated and integrated approach to maximise potential for collective impact. To achieve this, gender and social inclusion (GSI) considerations cannot be peripheral at any point of the policy process, particularly in the proposal development stages. A reoccurring conclusion on GSI incorporation in project proposals, national plans and priorities, and programme development in many FICs is that social inclusion issues are tackled as an afterthought to meet the requirements for various global climate funding institutions. This method of addressing GSI issues, means that they are not harmonised with the programme or modality mechanisms. The result is that GSI progress is often jarred and therefore ineffective.

Measuring gender and social inclusivity outcomes

The other key issue relates to measuring gender and social inclusivity outcomes in climate change projects and policy interventions. The lack of consistent GSI outcomes measurement also means that adequate recommendations cannot be readily made on how to accurately and effectively incorporate GSI targets in climate change policy. This difficulty in measurement is largely attributed to two things; a lack of capacity in marginalised community data creation; and a gap in expertise on GSI issues. The siloed approach to policy development, and at times restrictive stakeholder consultation process mean that GSI consideration is not included in policy development until fairly late in the policy process. This ultimately decreases the engagement of the policy or modality with GSI, contributing to an ongoing cycle.

Enhanced effectiveness

In the spirit of the Sustainable Development Goals to 'leave no one behind', it is essential to amalgamate the specific needs of women, youth, persons with disability, and marginalised communities in the development of climate change, and other policies. In doing so, not only does the benefactor base of a modality of policy increase, but the gap between enfranchised and lack of it, decreases. As GSI issues are incorporated earlier in the policy process, the effectiveness of a policy increases due to its increased ability to lift the communities facing the largest development gaps.

Table 8: Summary of Case Studies

Example/Initiative	Benefits	Challenges
The Pacific Gender and Climate Change Toolkit	• The toolkit outlines step-by-step tools relevant to all stages of the policy process, and examples of application across multiple sectors and policy spheres including water, health, governance, energy, disaster risk reduction, and food security. • The toolkit effectively mobilises case studies across the region, highlighting the potential nuanced applications required in each case. • The analysis checklists part of the toolkit provides specific guidance for gender analysis across the project/programme cycle, providing a guide for the non-gender specific practitioner across other sectors. The effectiveness of these checklists will be enhanced if gender specialists are engaged in the project.	• Gender mainstreaming requires political will at the national and project level. Where this is absent, it may be difficult to buy in to using the toolkit and following through on findings. • Ensuring that gender is mainstreamed into climate change policy and programmes requires integration into the budget and planning process. • Gender is still a sensitive topic in some FICs. Taking time to generate local ownership of the toolkit is important.
Vanuatu's Gender Sensitive Budgeting (GSB)	• Better data collection: the requirement for sex-disaggregated data and gender analysis of budget programmes can significantly contribute to the ongoing collection of data about budget programmes and their results. • Improved indicators for budget programmes: GSB work usually contributes to better performance indicators and understanding of programme results, and by introducing gender indicators enables the monitoring of budget programmes' impact on men and women and different social groups. • Improved efficiency. Gender inequality has an economic cost and by ensuring expenditure benefits those who need it governments can optimise use of scarce resources and improve budgetary performance. • Improved monitoring of the achievement of political goals, related to ensuring gender equality. • Improved budgetary decision-making processes, by engaging a wider range of society's interests and improving their capacity for budgeting and policymaking. Gender-sensitive budget circulars issued by the Ministry of Finance to agencies and departments are important for aligning budgetary decision-making with policies.	• It can be challenging to shift the mentality and tendency for the Ministry of Finance to think that gender considerations are within the remit of the gender machinery only. The Ministry needs to be on board and to play a leading role if GSB is to be successfully introduced and institutionalised. • Existing limited capacities within government may hinder the effective introduction and institutionalisation of GSB. • For this to be effective, it will require a user-friendl and advanced financial system (e.g. FMIS) with relevant and clear chart of accounts to enable the ease of tracking.

8.2 Case Studies

8.2.1 The Pacific Gender and Climate Change Toolkit

The Pacific Gender and Climate Change toolkit is designed to support climate change practitioners and gender practitioners working on climate change in the Pacific region to integrate gender into their programmes and projects. It is aimed at climate change professionals working in national governments, NGOs, regional, and international organisations, which are involved in managing and implementing climate change programmes.

At a practical level, the toolkit provides policy advice based on many decades of experience in the integration of a gender perspective in sustainable development, natural resources management, and disaster preparedness. The toolkit was developed by multiple development partners active in the region, drawing their experiences of mainstreaming gender in to policy, and creating and implementing climate change policy. It was designed to be a living document that can be revised and added to in the future, depending on the evolving needs and priorities of the region. It includes multiple modules and tools which can be adopted separately, based on the information needs of the reader or as a whole, to generate a comprehensive understanding of the intersection between gender and climate change policy issues.

Drawing on the networks and spheres of activity of the development partners who developed the toolkit (SPC, SPREP, UNDP, UN Women, GIZ, PACC, USAID), the consultative process was extensive. The value placed on stakeholder consultations in the formative stages of the creation of the document add to its depth and greatly increase the effectiveness of the toolkit. By incorporating the specific needs, priorities, and characteristics of various stakeholder groups, the toolkit is likely to be more effective across a broader range of applications when employed by practitioners. Furthermore, by allowing stakeholders access to the development of the toolkit, their interest in the success of the toolkit will be enhanced, in turn supplementing the practitioner's experience when involving said stakeholders at a later stage in the policy process.

The toolkit is organised in sections according to the target user's specific section. The sections are split into various stages in the policy process with various actors therein. In doing so, development practitioners are able to quickly and effectively access information relevant to their particular predicament and see the 'gender tool' applied in a contextualised case study.

8.2.2 Vanuatu Gender Sensitive Budgeting

The Government of Vanuatu in Partnership with UNDP are working towards the implementation of Gender Sensitive Budgeting in Vanuatu. This is work in progress.

Gender Sensitive budgeting (GSB) brings together gender equality and public financial management, two issues and spheres of work that are not commonly associated with one another. PFM reforms today are increasingly focused on improving service delivery, moving beyond just accurate and efficient accounting towards achieving economic and social impact through fiscal policy. Due to budgets often being general and broad, it is not easy to ascertain how service delivery across the government machinery is enhancing gender equity. GSB seeks to improve the results of budgets in general as well as gender equality and women's empowerment. It is a tool for promoting gender equity, accountability to women's rights, and efficiency and transparency in budget policies and processes.

The main steps of the GSB involve:

i. An analysis of whether budget programmes are responding to gender equity priorities and considerations. This enables feedback to government and other stakeholders about whether programmes are responding to and meeting the needs of different social groupings. As a fiscal tool, GSB allows for the determination of how and to what extent policy and its resourcing in the budget is impacting different social groupings and other associated socio-economic drivers within the community and society.

ii. Making relevant changes to programmes and budgets so that they are more gender sensitive.

iii. Systematic integration of GSB in the planning and budgeting processes to ensure that the needs of different social groups are continuously considered. This can happen through the establishment of requirements for gender analysis of budget programmes, for example, gender indicators in budget requests.

Women and girls experience and are affected by climate change and natural disasters differently from men and boys and though all groupings are equally vulnerable, their social and economic vulnerabilities can be placed quite differently. Rising sea levels and changes in air and water temperature for example, distinctly impact women's traditional economic, agricultural and fishing activities. GSB enables the specific consideration of such impacts and ensures that initiatives and support provided is targeted.

Notes:

PACIFIC ISLANDS
FORUM SECRETARIAT

Private Mail Bag, Suva, Fiji. Ratu Sukuna Road, Muanikau, Suva, Fiji | +679 331 2600 | info@forumsec.org.fj | www.forumsec.org