

Views and recommendations from Parties on elements to be taken into account in developing guidance to the operating entities of the financial mechanism of the Convention

Submission from the Republic of Vanuatu

1. Acknowledging the progress made by the UNFCCC Secretariat and Parties to develop financial mechanisms supporting Non Annex I countries, the Republic of Vanuatu submits its views and recommendations on the elements to be taken into account in developing guidance to the operating entities of the Financial Mechanism of the Convention.
2. Insisting on the critical importance of developing effective, operational and fair modalities in the Financial Mechanism of the Convention, in particular for the most vulnerable region of the Small Island Developing States (SIDS), threatened in their integrity and survival as nations due to the negative impacts of climate change.
3. Noticing the unsatisfactory level of fulfilment of the financial pledges and considering the fast pace of climate change induced impacts in the SIDS, the Republic of Vanuatu urges contributing Parties to timely fulfil their pledges.
4. Noting with concern that no National Implementing Entity (NIE) from the SIDS has yet received accreditation, thus reflecting the limitations of the Adaptation Fund in regards to Direct Access.
5. Reminding the Parties of the 1995 Paris Declaration on Aid Effectiveness supporting the concept of “country ownership” over the national development process, the Republic of Vanuatu recommends that discussions on direct finance be given more importance during the 19th session of the Conference of Parties.
6. Considering the multiple benefits of direct finance, such as stronger ownership, better selection of national priorities, swifter implementation of projects and cost reduction, and due to the low use of Direct Finance by the Convention outside of the Adaptation Fund, the Republic of Vanuatu calls for more flexibility and broadened direct access amongst the operating entities of the UNFCCC Financial Mechanism.

1. More Flexibility in the Accreditation of NIEs under the Adaptation Fund

The fiduciary standards required for accreditation under the Adaptation Fund have been very strict and stringent. This has proven to be great challenge for most developing country parties under the Kyoto Protocol in achieving NIE accreditation that promotes direct access to climate change adaptation funding under the Adaptation Fund. The Republic of Vanuatu is concerned that within the Asia-Pacific region, where only one NIE was accredited under the Adaptation Fund, the number of NIE will be very low.

Working towards meeting its obligations under the Adaptation Fund fiduciary standards, the Republic of Vanuatu insists on the difference of capabilities between Multinational Implementing Entities (MIEs) and NIEs, and therefore recommends that developing country parties under the Kyoto Protocol, and in particular the most vulnerable Parties such as the Pacific SIDS, be allowed more flexibility in meeting those standards. The Republic of Vanuatu suggests that the Parties consider adopting an approach of minimum principles to which potential NIEs must demonstrate equivalency¹.

Under this proposal, the Republic of Vanuatu suggests that the Adaptation Fund and other UNFCCC financing avenues provide funding in degrees to Non Annex I NIEs based on the level of achievement in meeting those standards. A gradual approach could be adopted to ensure that NIEs are proposed minimum principles and given support to improve their eligibility while enabling the country to start taking ownership of the funding and implementation of climate change projects. In this sense, Non Annex I NIEs could access smaller grants and work upwards until their capacity is built and the fiduciary standards fully met.

Noting the uncertain future of the Adaptation Fund due to the fall in the price of Certified Emissions Reductions (CERs), the Republic of Vanuatu supports other submissions that urge the Adaptation Fund Board to progress the decisions of COP 18/CMP8 to diversify sources of funding to the Adaptation Fund, whilst simultaneously encourage developed country Parties to make voluntary contributions to the Fund.

The Republic of Vanuatu finally suggests that the processes and requirements now being addressed for the Adaptation Fund are not completely changed or redeveloped for other funding mechanisms, e.g. the Green Climate Fund, so that the Republic of Vanuatu, and other Non Annex I countries that are already working towards the accreditation of their NIE, are not required to start from scratch.

2. Progressing towards Direct Finance amongst the Operating Entities of the Financial Mechanism of the Convention

Considering the lessons learned and successes displayed by Multilateral Funds using Direct Finance, e.g. the Global Alliance for Vaccines and Immunisation (GAVI) and Global Fund to fight AIDS, tuberculosis and malaria (Global Fund), the Republic of Vanuatu suggests that Direct Finance be considered as a priority in the Financial Mechanisms of the Convention. The Republic of Vanuatu therefore recommends that direct access be included in the discussions of the 19th session of the Conference of Parties as a standing agenda item.

¹ Views from Discussion Paper, Direct Access to Climate Finance : Experiences and Lessons Learned – UNDP & ODI – 2011

The Republic of Vanuatu finally recommends that more consideration be given to capacity building efforts of NIEs. Under this proposal, a system may be devised where an interim entity plays the role of the NIE if the national fiduciary requirements haven't been met yet, while simultaneously building the capacity of the NIE and ensuring that progress is made towards the NIE's accreditation leading to a swift handover to national institutions. Within this note, the Republic of Vanuatu would like to bring the attention of Parties on the challenges faced by SIDS Governments in their efforts to stand as qualifying institutions. Due to small-sized governmental agencies and their inequality of capabilities, meeting the first fiduciary requirement of clear legal status and under one national umbrella seems unlikely in the SIDS. Consequently, the Republic of Vanuatu calls the UNFCCC Financial Mechanism to acknowledge the limitations of the Adaptation Fund fiduciary standards and discuss alternative financing avenues and requirements to promote direct access in the Financial Mechanisms of the Convention.

It is necessary that the Financial Mechanisms of the Convention demonstrate further efforts in enabling Non Annex I countries, in particular the SIDS with small Governments and spread out capabilities, to take direct ownership and control of the funding and implementation of climate change projects. Thus, the Republic of Vanuatu hopes that the Parties give Direct Finance the place it deserves during the discussions of the 19th session of the Conference of Parties.