

Submission by the Pacific Islands Forum Secretariat, Suva, Fiji

To the UNFCCC Standing Committee on Finance

on information and data for the preparation of the 2018 Biennial Assessment and overview of Climate Finance Flow

15th May 2018

Background of the Pacific Islands Forum Secretariat

The Pacific Islands Forum Secretariat (PIFS) is an Observer to the UNFCCC and is the premier political and economic policy inter-governmental organisation in the Pacific, which serves 18 Member States¹. Since 2010, Pacific Island Forum Leaders and Economic Ministers have tasked the Secretariat to coordinate on climate finance in the Pacific, in collaboration with other regional organisations such as the Secretariat of the Pacific Regional Environment Programme (SPREP) and the Pacific Community (SPC), and partners. PIFS role is specific to coordination, high level advocacy and policy analysis and advice. In response to the political directives, PIFS has been working collaboratively with a number of partners to undertake a multi-agency, multi-tiered (support at the national, regional and international for a) approach to support Pacific Island Countries improve their understanding, accessibility and the ability to manage international climate finance. At the international level, PIFS has supported Pacific Island negotiators in the finance negotiations of the UNFCCC COP since COP 17, and also being an observer to the Green Climate Fund Board Meeting.

Methodological issues relating to measurement, reporting, and verification of climate finance

A methodology developed in 2012 by the Pacific Islands Forum Secretariat and currently being applied in the Pacific for tracking and reporting climate finance provided and received, and measuring mitigation and adaptation finance outcomes, is the "[Pacific Climate Change Finance Assessment Framework \(PCCFAF\)](#)". The PCCFAF analyses the national context of a country against seven key pillars: (i) Policies and Plans, (ii) Funding Sources, (iii) Public Financial Management and Expenditure, (iv) Institutions, (v) Human Capacity, (vi) Gender and Social Inclusion, and (vii) Development Effectiveness. The PCCFAF builds on other international and regional tools/methodologies, including the UNDP Climate Public Expenditure and Institutional Review (CPEIR), the Public Expenditure and Financial Accountability (PEFA) assessment, the Pacific Forum Compact Peer Reviews and so forth. To date, ten² of the fourteen Small Island Developing States in the Pacific have been assessed. The four remaining countries are Papua New Guinea, Cook Islands, Niue and Tuvalu.

National climate finance assessments are undertaken in response to official requests from the government (on a needs basis). A draft TOR for the assessment was then developed in consultation with the government, consisting of key guiding questions within the PCCFAF. The objectives were to clarify the key funding sources that a country accesses over the past 5-7 years, assess policies/plans, human capacity, institutional coordination and public financial management systems to identify areas that could be

¹ Australia, Cook Islands, Federated States of Micronesia, Fiji, French Polynesia, Kiribati, Nauru, New Caledonia, New Zealand, Niue, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

² Federated States of Micronesia, Fiji, Kiribati, Nauru, Palau, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, and Vanuatu

strengthened in light of direct access (national implementing entity accreditation), and identify opportunities for prioritizing donor support and harmonization to national priorities.

PIFS would then mobilise a multi-agency team to undertake a two week in-country mission to consult with government officials, NGOs and community based/church organisations, private sector, donors and development partners and training institutes. The consultations (primarily at the national level with some countries at the sub-national level) are usually preceded with a national introductory workshop, to inform stakeholders of the PCCFAF methodology and expected data/information requirements. Following the first in-country mission, a second mission (usually 1 week) was undertaken to present and validate the preliminary findings and recommendations with all the stakeholders consulted. After that, there was an opportunity for national stakeholders to provide written inputs to the draft report prior to finalisation. Upon finalisation, a copy was sent to the government for Cabinet consideration and endorsement before being officially launched and implementation could start. The report is usually structured according to the seven key pillars of the PCCFAF, outlining key observations and recommendations. There is also a tabulated Action Plan with the list of recommendations aligned to realistic timeframes for implementation, lead national agencies and potential partners that could be approached for support. In the longer term, there are plans to do periodical reviews to identify recommendations that have been progressed and update the assessment report.

Weighting methodology for capturing project funding sources and budget expenditure

To analyse financial data for the ‘Funding Sources’ and ‘Expenditure’, projects/expenditure items are classified by their ‘climate change relevance’ and builds on the UNDP Climate Public Expenditure and Institutional Review, as summarized below. The approach in the Pacific was that the weighting was done by government officials (or validated by government officials) in line with their national policies.

- High (~80%)
- Medium (~50%)
- Low (~25%)
- Marginal (Optional ~5%)

Example of Classification – High Relevance

High relevance (~80%)	Rationale	Clear primary objective of delivering specific outcomes that improve climate resilience or contribute to mitigation, DRR and DRM
	Examples	<ul style="list-style-type: none"> • Energy mitigation (e.g. renewables, energy efficiency) • Disaster risk reduction and disaster management capacity • The additional costs of changing the design of a programme to improve climate resilience (e.g. extra costs of climate proofing infrastructure, beyond routine maintenance or rehabilitation) • Anything that responds to recent drought, cyclone or flooding, because it will have added benefits for future extreme events • Relocating villages to give protection against cyclones/sea-level • Healthcare for climate sensitive diseases • Building institutional capacity to plan and manage climate change, including early warning and monitoring • Raising awareness about climate change • Anything meeting the criteria of climate change funds (e.g. GEF,PPCR)

Example of Classification – Medium Relevance

Medium relevance (~50%)	Rationale	Either secondary objectives related to building climate resilience or contributing to mitigation, or mixed programmes with a range of activities that are not easily separated but include at least some that promote climate resilience or mitigation
	Examples	<ul style="list-style-type: none"> • Forestry and agroforestry that is motivated primarily by economic or conservation objectives, because this will have some mitigation effect • Water storage, water efficiency and irrigation that is motivated primarily by improved livelihoods because this will also provide protection against drought • Bio-diversity and conservation, unless explicitly aimed at increasing resilience of ecosystems to climate change (or mitigation) • Eco-tourism, because it encourages communities to put a value of ecosystems and raises awareness of the impact of climate change • Livelihood and social protection programmes, motivated by poverty reduction, but building household reserves and assets and reducing vulnerability. This will include programmes to promote economic growth, including vocational training, financial services and the maintenance and improvement of economic infrastructure, such as roads and railways

Example of Classification – Low and Marginal Relevance

Low relevance (~25%)	Rationale	Activities that display attributes where indirect adaptation and mitigation benefits may arise
	Examples	<ul style="list-style-type: none"> • Water quality, unless the improvements in water quality aim to reduce problems from extreme rainfall events, in which case the relevance would be high • General livelihoods, motivated by poverty reduction, but building household reserves and assets and reducing vulnerability in areas of low climate change vulnerability • General planning capacity, either at national or local level, unless it is explicitly linked to climate change, in which case it would be high • Livelihood and social protection programmes, motivated by poverty reduction, but building household reserves and assets and reducing vulnerability. This will include programmes to promote economic growth, including vocational training, financial services and the maintenance and improvement of economic infrastructure, such as roads and railways
Marginal relevance (~5%)	Rationale	Activities that have only very indirect and theoretical links to climate resilience
	Examples	<ul style="list-style-type: none"> • Short term programmes (including humanitarian relief) • The replacement element of any reconstruction investment (splitting off the additional climate element as high relevance) • Education and health that do not have an explicit climate change element

Climate-related finance flows

Under the PCCFAF methodology, the two most relevant pillars for clarifying climate-related finance flows are the 'Funding Source Analysis' and 'Expenditure Analysis'. For funding sources, the information/data were obtained from approved project documents, national development budget reports, project matrix/list from donors/development partners, projects available on the [Pacific Climate Change Portal](#), information on the Climate Funds Update [website](#), and project listing on the websites of respective climate funds. Information for the Expenditure Analysis was primarily extracted from national Recurrent and Development Budget Estimates and Actuals. The key difference is that Expenditure Analysis reviews the recurrent and development budget (support that is captured on-budget) whereas the Funding Source

Analysis captures support that is both on-budget and off-budget (e.g. climate finance accessed directly by NGOs or line ministries but not recorded or tracked in the budget).

The PCCFAF assessment analyses data from present to the past 5 years in totality and not disaggregated by year. Therefore, it is difficult to quantify how much climate finance is received per year, recognizing that most projects are multi-year and their budget expenditure is not always aligned to the original timeframe of the project.

For the Funding Source Analysis, some of the key information that were clarified include the following:

- Total quantitative amount of climate finance accessed over the past 5 – 7 years;
- Key donor sources;
- Breakdown between multilateral and bilateral sources;
- Breakdown between adaptation and mitigation;
- Key sectors (in percent) that benefited from the funds accessed; and,
- Proportion of projects that are on-budget vs off-budget.

Selected Examples (more details could be extracted from respective country assessment reports):

For Solomon Islands, approximately USD 112 million has been accessed between 2010 and 2016. Of that the key donors are below in Fig 1 and the breakdown between multilateral and bilateral in Fig 2. Fig 3 shows the breakdown between adaptation vs mitigation. Fig 4 key sectors and Fig 5 the on-budget vs off-budget.

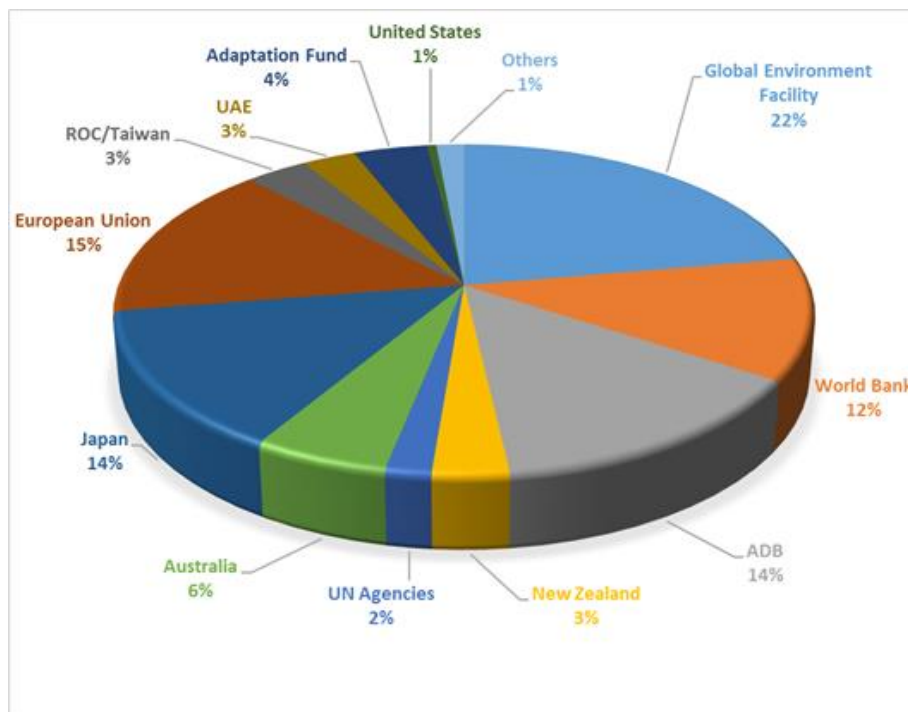


Fig 1. Key donors for Solomon Islands

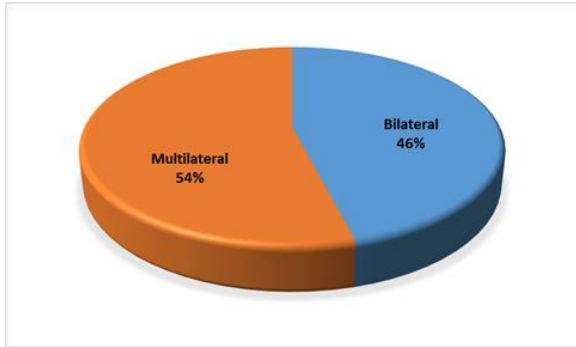


Fig 2. Multilateral vs bilateral for Solomon Islands

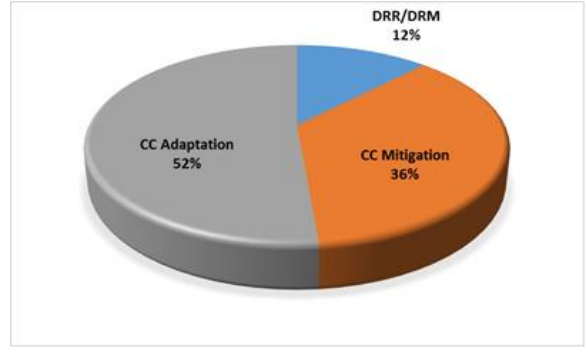


Fig 3. Adaptation vs mitigation based on amount

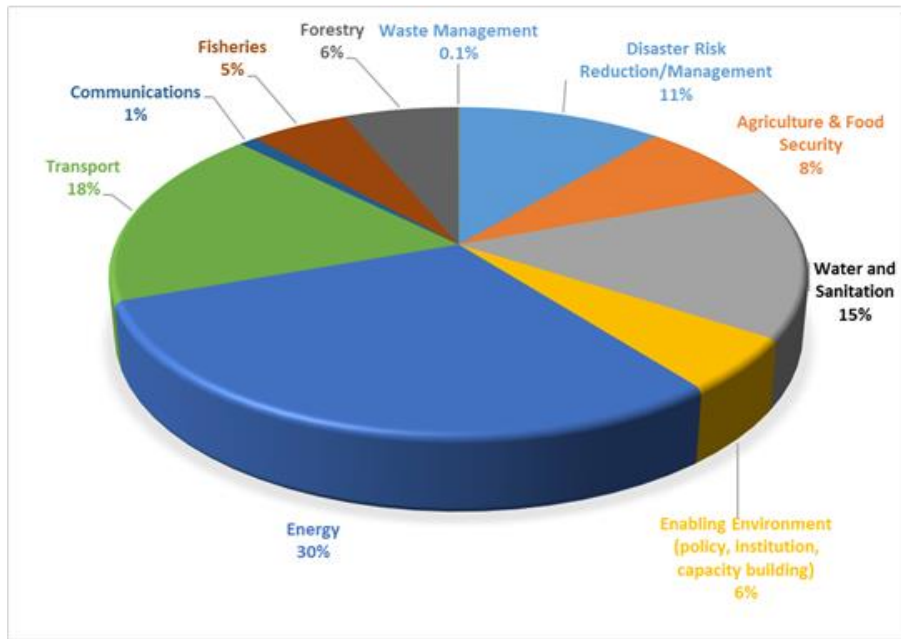


Fig 4. Beneficiary sectors

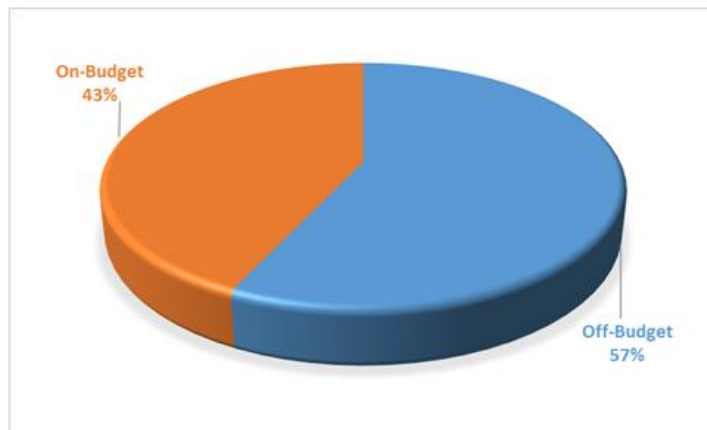


Fig 5. On-budget vs off-budget

For Vanuatu, around USD 200 million has been accessed between 2013 and 2017. Fig 6 shows the key donors, Fig 7 multilateral vs bilateral, Fig 8 beneficiary sectors, and Fig 9 on-budget vs off-budget.

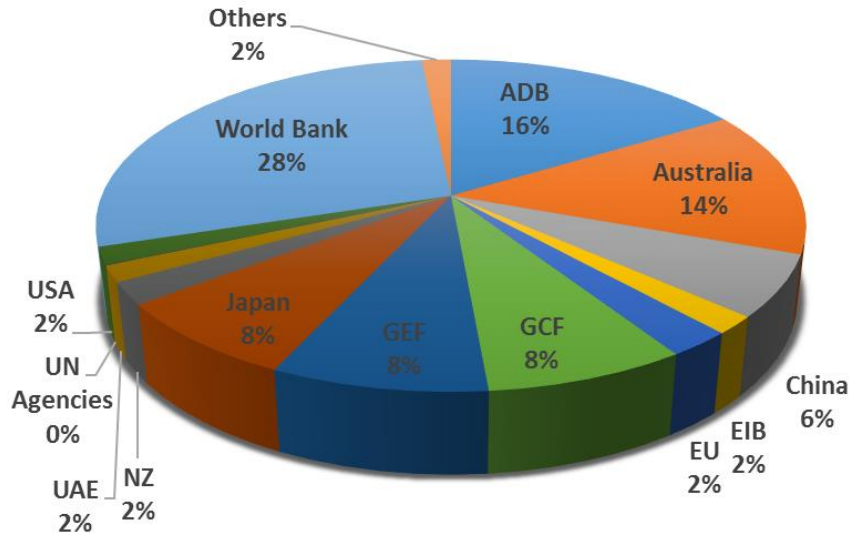


Fig 6. Key donors for Vanuatu

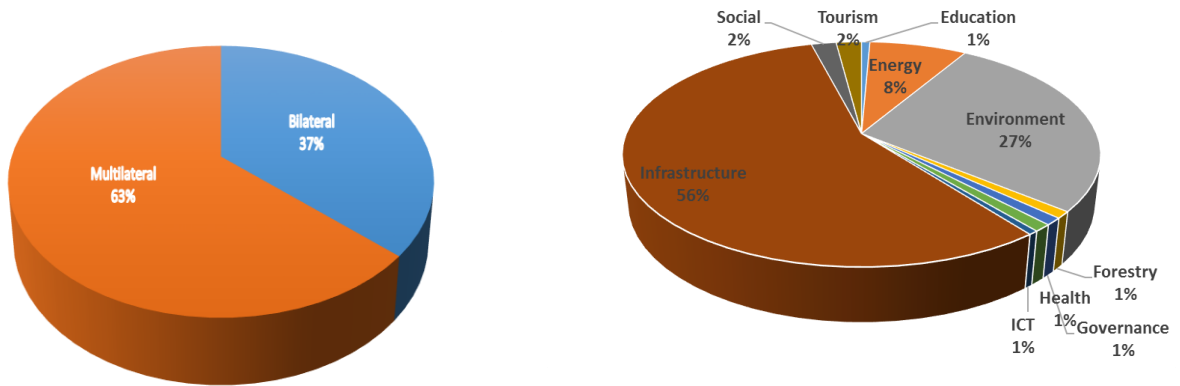


Fig 7. Multilateral vs Bilateral

Fig 8. Key beneficiary sectors

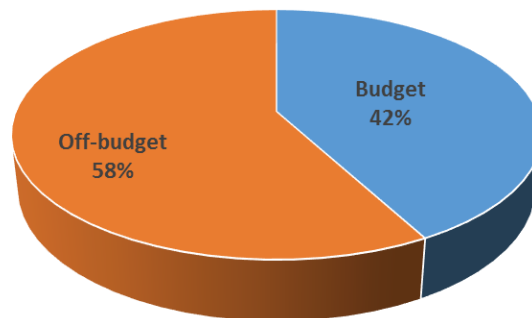


Fig 9. On-budget vs off-budget

For Palau, approximately USD 28.7 million was accessed between 2010 and 2017. Key donors for climate change include the major bilateral partners: United States, Australia, European Union, New Zealand, Japan, and Republic of China (Taiwan). Key multilateral sources include the Global Environmental Facility, Asian Development Bank, and World Bank.

Fig 10 shows the breakdown between multilateral vs bilateral sources, Fig 11 adaptation vs mitigation, Fig 12 key beneficiary sectors, and Fig 13 on-budget vs off-budget.

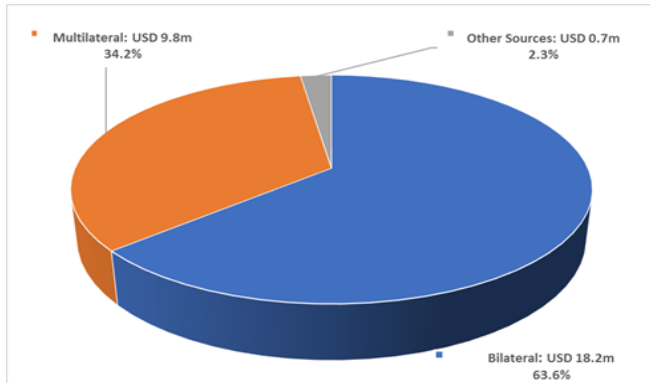


Fig 10. Multilateral vs bilateral

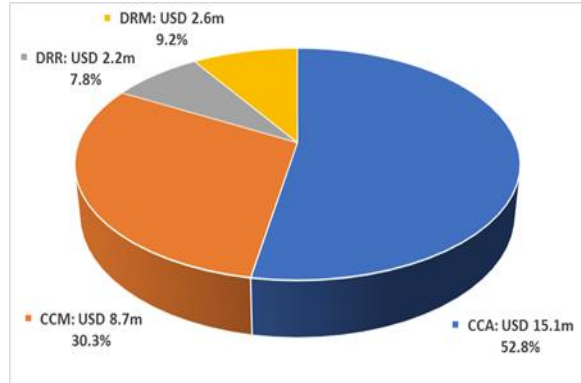


Fig 11. Adaptation vs mitigation

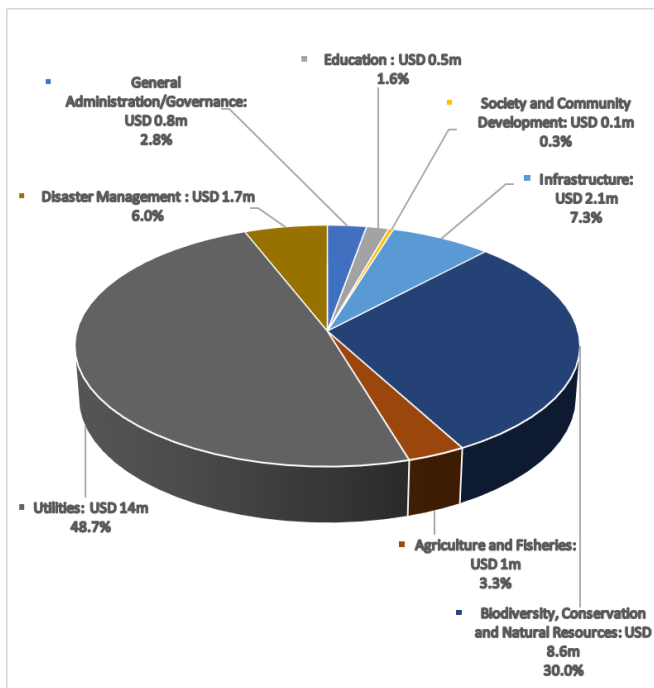


Fig 12. Key beneficiary sectors

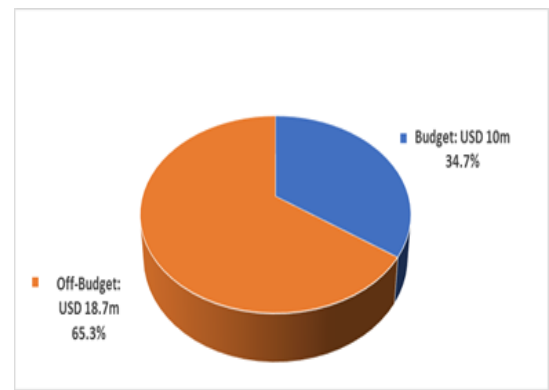


Fig 13. On-budget vs off-budget

For the Expenditure Analysis, the key information that are clarified include the following:

- Climate change related recurrent expenditure vs non-climate change recurrent expenditure;
- Recurrent expenditure by type (mitigation vs adaptation);
- Climate change related development expenditure vs non-climate change development expenditure; and,

- Development expenditure by type (mitigation vs adaptation).

Selected example (more details could be extracted from respective country assessment reports):

For Solomon Islands, the total climate change related recurrent expenditure is 5.4% (Fig 14). Recurrent expenditure by type is Fig 15. Fig 16 the climate change-related development expenditure, and Fig 17 the development expenditure by type (adaptation vs mitigation).

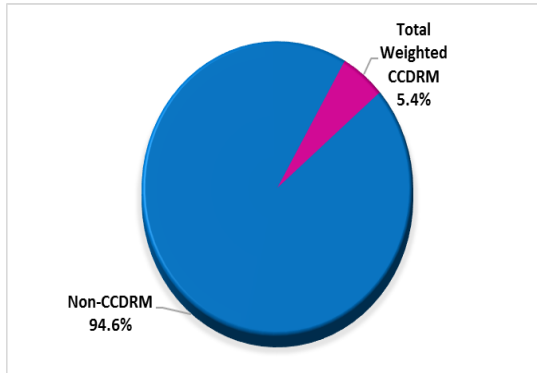


Fig 14. CC-related recurrent expenditure

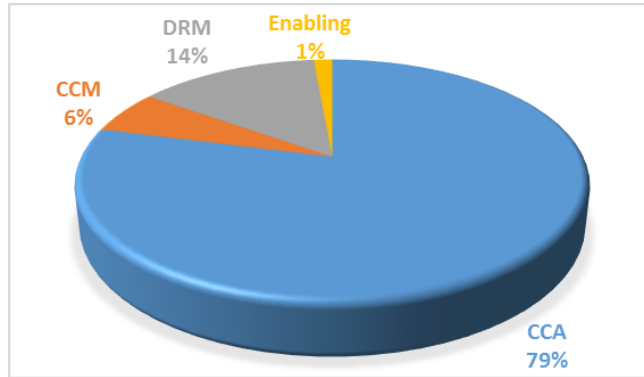


Fig 15. Recurrent Expenditure by type

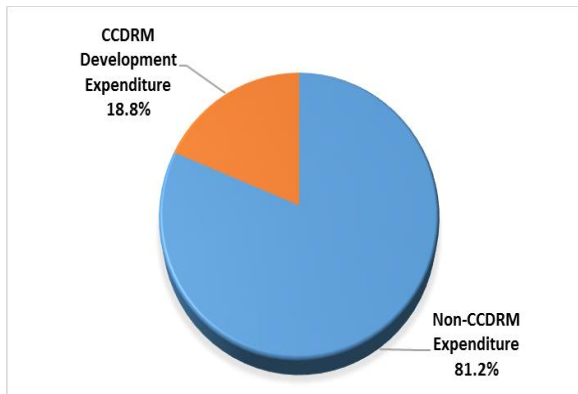


Fig 16. CC-related development expenditure

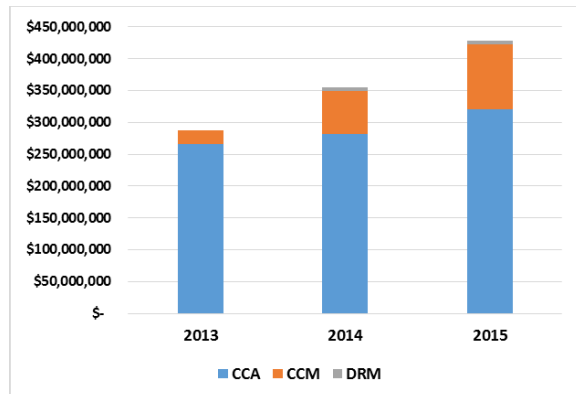


Fig 17. Development expenditure by type

Assessment of climate finance flows

The PCCFAF assessment assists Pacific Island Countries to identify their needs and areas for strengthening related to engaging with funding sources, mainstreaming of climate change into sector plans and policies and vice versa, improving public financial management (PFM) systems, institutional coordination, human capacity building and capacity supplementation, and addressing issues related to monitoring and evaluation of the impact of climate finance and incorporating gender and social inclusion considerations. These are outlined as recommendations in country assessment reports and presented in the form of an Action Plan so that the recommendations can be easily tracked.

Unfortunately the PCCFAF was never intended to gather data on climate finance needs of countries and aligning them with NDC priorities. Many Pacific Island Countries are working on NDC Implementation Roadmaps, while Fiji already has one. Also, the PCCFAF does not gather evidence on the impact and results of climate finance spending from dedicated multilateral climate funds, development finance institutions

and bilateral finance arrangements. The Pacific Islands Forum Secretariat, with support from the USAID/SPC *Institutional Strengthening for Pacific Island Countries to Adapt to Climate Change* (ISACC) Project, is piloting a national climate finance tracking tool in Vanuatu. Similarly, PIFS is working with the DFAT/GIZ *Climate Finance Readiness in the Pacific* Project, to consolidate a PFM issues matrix for prioritising external support on public financial management systems/processes to Pacific Island Countries. Further updates will be presented to the next Forum Economic Ministers Meeting in 2019.

Next Steps and Contact Details

The Pacific Islands Forum Secretariat is aware that the 2018 Forum of the Standing Committee on Finance will be convened from 5 – 6 July in Songdo, immediately after the 20th Board Meeting of the Green Climate Fund (GCF) to be held from 1 to 4 July in Songdo. PIFS is an Observer to the GCF Board Meeting and will consider attending the next meeting from 1 – 4 July. PIFS is kindly requesting an invitation to attend the 2018 SCF Forum, to further discuss this submission with complete and detailed information/data for all the countries assessed.

Key contacts at PIFS for this submission are:

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