Roles of PIFS: Reducing vulnerability and enhancing resilience

Pacific experiences with accessing Climate Change Finance
Solomon Islands
18th October 2019.
Overview

• Definition of Vulnerability, Resilience in the Pacific context and Climate Finance,

• Where funds (money) come from?

• PIFS roles
  • Regional Response: PCCFAF and PFM & CF gaps
  • Synthesis of accessibility trends
  • CCDRM Assessments (region and Solomon Islands outcomes)

• A Pacific Reset for Climate Finance
Definition of Vulnerability

• Inherent vulnerabilities - remoteness and smallness
• Exposure to exogenous shocks - natural shocks, CC and commodity price volatility

Definition of Resilience

• Ability to reduce and prevent loss resulting from CC impacts and disaster events
• Ability to stimulate economic activities and unlock development potentialities
• Ability to manage trade-offs through investment

Defining Climate Finance

• Climate Finance (basic definition): Public and Private financial flows for Climate Change ‘Mitigation’ and ‘Adaptation’ related activities.

• REDUCING VULNERABILITY AND BUILDING RESILIENCE TO CLIMATE CHANGE IMPACTS, DISASTER RISKS AND ECONOMIC VOLATILITY REQUIRES ROBUST PFM SYSTEM (COUNTRY SYSTEM) AND INNOVATIVE APPROACHES TO OVERCOME INVESTMENT UNCERTAINTY AND PROTECT DEVELOPMENT GAINS.
Flow of funds

- Industrialised (and some developing) countries’ national budgets
- Capital markets
- Development cooperation agencies
- Bilateral finance institutions
- Multilateral finance institutions
- UNFCCC
- Private sector
- Domestic budgets

- Official Development Assistance (ODA)
- “New and additional” climate finance
- Carbon markets

- Grants
- Concessional loans
- Loans
- Equity
- Risk Guarantee etc.

Total finance available for Country X to respond to climate change

Source: Atteridge et al., 2009.
PIFS roles - framework development

International:

Article 9 of Paris Agreement context of USD100 billion/year by 2020 target and financial mechanisms – [GCF, GEF, Adaptation Fund], Agenda 2030, SAMOA Pathway & SDGs.

Regional:

National / Provincial:
- National Development Strategies/Plans
- Provincial/District Development Plans
- Climate Change related Plans and Policies
- Nationally Determined Contributions (NDCs)

**Adaptation cost for coastal protection in PICs** (World Bank Pacific Possible 2017 Report):

- **Best case scenario** - PICs will require up to US$234m/year by 2020 and US$285m/year by 2040.
The PIFS: regional response: PCCFAF Pillars
## Status of Country Assessments

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<tr>
<th>Country</th>
<th>Complete</th>
<th>Notes</th>
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<tbody>
<tr>
<td>Samoa</td>
<td>CPEIR-2012</td>
<td>CC finance</td>
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<tr>
<td>Nauru</td>
<td>PCCFAF-2013</td>
<td>CC finance</td>
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<td>RMI</td>
<td>PCCFAF-2014</td>
<td>CC finance</td>
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<tr>
<td>Vanuatu</td>
<td>CPEIR-2014 &amp; PCCFAF-2017</td>
<td>CC finance</td>
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<tr>
<td>Fiji</td>
<td>CPEIR-2014</td>
<td>CCDR finance</td>
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<td>Tonga</td>
<td>PCCFAF-2015</td>
<td>CCDR finance + GSI</td>
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<tr>
<td>Solomon Islands</td>
<td>PCCFAF-2016</td>
<td>CCDR finance + GSI + prov</td>
</tr>
<tr>
<td>Palau</td>
<td>PCCFAF-2017</td>
<td>CCDR finance + GSI</td>
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<td>FSM</td>
<td>PCCFAF-2018</td>
<td>CCDR finance + GSI</td>
</tr>
<tr>
<td>Kiribati</td>
<td>Budget Review 2013, PCCFAF-2018</td>
<td>CCDR finance &amp; ocean finance</td>
</tr>
<tr>
<td>PNG</td>
<td>Brief Review using PCCFAF pillars - 2018</td>
<td>Policies &amp; Plans, Human Capacity, Institutions, Funding Sources</td>
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</tbody>
</table>
Application of PCCFAF within PSIDS

1. Tool to assess country readiness for enhanced and direct access to climate finance and effectiveness of funding accessed.
   - New Climate Finance Unit in Ministry of Finance in Solomon Islands.
   - Support for National Transport Fund in Solomon Islands to get NIE status.
   - Internal audit support to Kiribati’s Ministry of Finance.
   - Private sector mapping in Vanuatu, Samoa and Cook Islands.
   - Climate finance tracking mechanism in Vanuatu.

2. Facilitates multi-agency approach and joint workplans – USAID/SPC ISACC Project and DFAT/GIZ CFRP Project.

3. Comprehensive, consultative and validated baseline information on the national climate finance landscape to inform policy decisions.

4. Support countries to strategically engage and scale up climate finance.
Synthesis of Accessibility trends for PICs

• PICs have accessed over USD1.1 billion over the last decade.

• Key donors:
  • **Bilateral:** European Union, Japan, Australia, Germany, New Zealand, United States, China and ROC/Taiwan.
  • **Multilateral:** World Bank, ADB, Global Environment Facility, Adaptation Fund, Climate Investment Fund & Green Climate Fund.

• Key beneficiary sectors: public utilities/infrastructure, energy, water and sanitation, transport, DRR/DRM and coastal protection.

• Modes of delivery:
  • Project-based support - 86%
  • Technical Assistance - 11%
  • General Budget Support - 1%
  • Sector Budget Support – 1%
Regional: Multilateral vs Bilateral

- Vanuatu
- Solomon Islands
- RMI
- Palau
- Nauru
- Kiribati
- FSM

0% 10% 20% 30% 40% 50% 60% 70% 80% 90%

Multilateral | Bilateral
Solomon Islands: Total allocation on projects that address CCDRM 2010 to present

- CCDRM relevance (weighted): 35%
- Other: 65%
Solomon Islands: Sources accessed for CCDRM projects 2010 to present

- Global Environment Facility: 22%
- European Union: 15%
- Japan: 14%
- ADB: 14%
- New Zealand: 3%
- UN Agencies: 2%
- Australia: 6%
- ROC/Taiwan: 3%
- UAE: 3%
- Adaptation Fund: 4%
- United States: 1%
- Others: 1%
Solomon Islands: CCDRM related Expenditure by SECTOR

- Energy 30%
- Water and Sanitation 15%
- Transport 18%
- Communications 1%
- Fisheries 5%
- Forestry 6%
- Agriculture & Food Security 8%
- Enabling Environment (policy, institution, capacity building) 6%
- Disaster Risk Reduction/Management 11%
- Waste Management 0.1%
Solomon Islands: **Recurrent expenditure for CCFRM- 2010 to present**

- Total Weighted CCDRM: 5.4%
- Non-CCDRM: 94.6%
Regional: On-Budget vs Off-Budget

On-Budget vs Off-Budget trends

- FSM
- Kiribati
- Nauru
- Palau
- RMI
- Solomon Islands
- Vanuatu

On-Budget vs Off-Budget
Regional: Adaptation vs Mitigation

Adaptation vs Mitigation vs DRR/DRM

FSM
Kiribati
Nauru
Palau
RMI
Solomon Islands
Vanuatu

Adaptation
Mitigation
DRR/DRM
PICs are taking leadership

- PICs spend 5 – 8% of total climate finance using domestic resources.
- Using own resources and innovating sustainable financing to respond to climate change.
Resetting Climate Finance in the Pacific

1. Focus of PICs over the past decade has been primarily on “accessibility”.
2. Countries are accessing significant amounts of climate finance, but difficult to track the tangible impact of those funds accessed.
3. Private sector and CSO role is limited.
4. Robust PFM systems to facilitate direct access remains a gap.

➢ More emphasis should be placed on the EFFECTIVENESS of climate finance
Regional Initiatives

1. PFM issues consolidation for 8 PICs – to assist countries and partners focus their support to areas requiring immediate intervention.


3. Climate Finance Tracking tool pilot in Vanuatu and Solomon Islands.


5. Tailored PFM approach that recognizes the capacity constraints of PICs, building on the PEFA framework and include climate finance considerations – Informal WG to be established.

Approved GCF projects in the Pacific

300m (~8%) amongst a global portfolio of 3.7 billion Funding 77% Grant, 23% Loan

US$378 million approved to 11 PICs

- 8% of GCF project funds allocated to date

- NIEs: Fiji Dev Bank and Cook Islands Ministry of Finance

Cook Islands, Marshall Islands, Micronesia, Nauru, Papua New Guinea, Samoa, Tonga
Pacific Islands Renewable Energy Investment Program

Solomon Islands
Tina River Hydropower Development Project

PNG, LAC, Africa, EE
GEEREF NeXt

Marshall Islands
Addressing Climate Vulnerability in the Water Sector (ACWA)

Tuvalu
Tuvalu Coastal Adaptation Project

Samoa
Integrated Flood Management to Enhance Climate Resilience of the Vaisigano River Catchment in Samoa

Fiji
Fiji Urban Water Supply and Wastewater Management Project

Tonga
Renewable Energy project

Vanuatu
Climate Information Services for Resilient Development in Vanuatu

Kiribati
Renewable Energy project

Nauru
Sustainable and Climate Resilient Connectivity for Nauru

ADB

378 m

25 m USD

28 m USD

23 m USD

36 m USD

27 m USD

31 m USD

30 m USD

86 m USD

17 m USD

- Not included in total approved portfolio amount
- 7 projects are grants, 2 are loans with funding portion over grants, 23% loans. Projects are between 7 – 50 years in length.
Figure 1: Overall PFM Performance: 2018
FIGURE 2: PFM PERFORMANCE UNDER 5 COMMON CHALLENGES: 2018

- **CAPACITY LIMITATION**: 19 Satisfactory, 16 Medium term reform, 65 Immediate reform
- **INEFFICIENCY IN SERVICE DELIVERY**: 45 Satisfactory, 10 Medium term reform, 45 Immediate reform
- **BUDGET EXECUTED NOT AS APPROPRIATED**: 61 Satisfactory, 23 Medium term reform, 16 Immediate reform
- **BUDGET MISALIGNMENT TO PRIORITIES**: 68 Satisfactory, 10 Medium term reform, 23 Immediate reform
- **BUDGET LEADS TO UNSUSTAINABLE DEFICIT**: 58 Satisfactory, 13 Medium term reform, 29 Immediate reform

Satisfactory, Medium term reform, Immediate reform
Alignment of Climate Finance fiduciary criteria to PEFA

<table>
<thead>
<tr>
<th>PEFA INDICATORS</th>
<th>AF FIDUCIARY CRITERIA</th>
<th>GCF FIDUCIARY CRITERIA</th>
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<tbody>
<tr>
<td>• 1. Budget reliability</td>
<td>1. Financial management and integrity</td>
<td>• 1. Key administrative and financial capacities</td>
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<tr>
<td>• 2. Transparency of Public Finances</td>
<td>• Financial statement and audit requirement</td>
<td>• Financial management and accounting</td>
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<tr>
<td>• 3. Management of assets and liabilities</td>
<td>• Internal control framework</td>
<td>• Internal and external audit</td>
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<td></td>
<td>• Public investment and assets management</td>
<td>• Control</td>
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<td></td>
<td>• Policy-based fiscal strategy and budgeting</td>
<td>• Procurement</td>
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<td></td>
<td>• Predictability and control in budget execution</td>
<td>• 2. Transparency and accountability</td>
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<tr>
<td></td>
<td>• Accounting and reporting</td>
<td>• 3. Project management</td>
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<tr>
<td></td>
<td>• External scrutiny and audit</td>
<td>• Project preparation (concept to full proposal)</td>
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<tr>
<td></td>
<td>• External audit</td>
<td>• Project implementation, oversight and control</td>
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- Procurement
- Project monitoring and evaluation
- Project closure and final evaluation
- Transparency, self-investigative powers, and anti-corruption
- Handling financial mismanagement and other malpractices
The Capacity Dilemma facing PICs: Coordination is critical