

A conceptual illustration of a hand holding a small, green island. On the island, there is a solar panel, a wind turbine, and a tree. The background shows a bright sun and a blue sky with clouds.

# **Roles of PIFS: Reducing vulnerability and enhancing resilience**

**Pacific experiences with accessing Climate Change Finance**

**Solomon Islands**

**18<sup>th</sup> 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

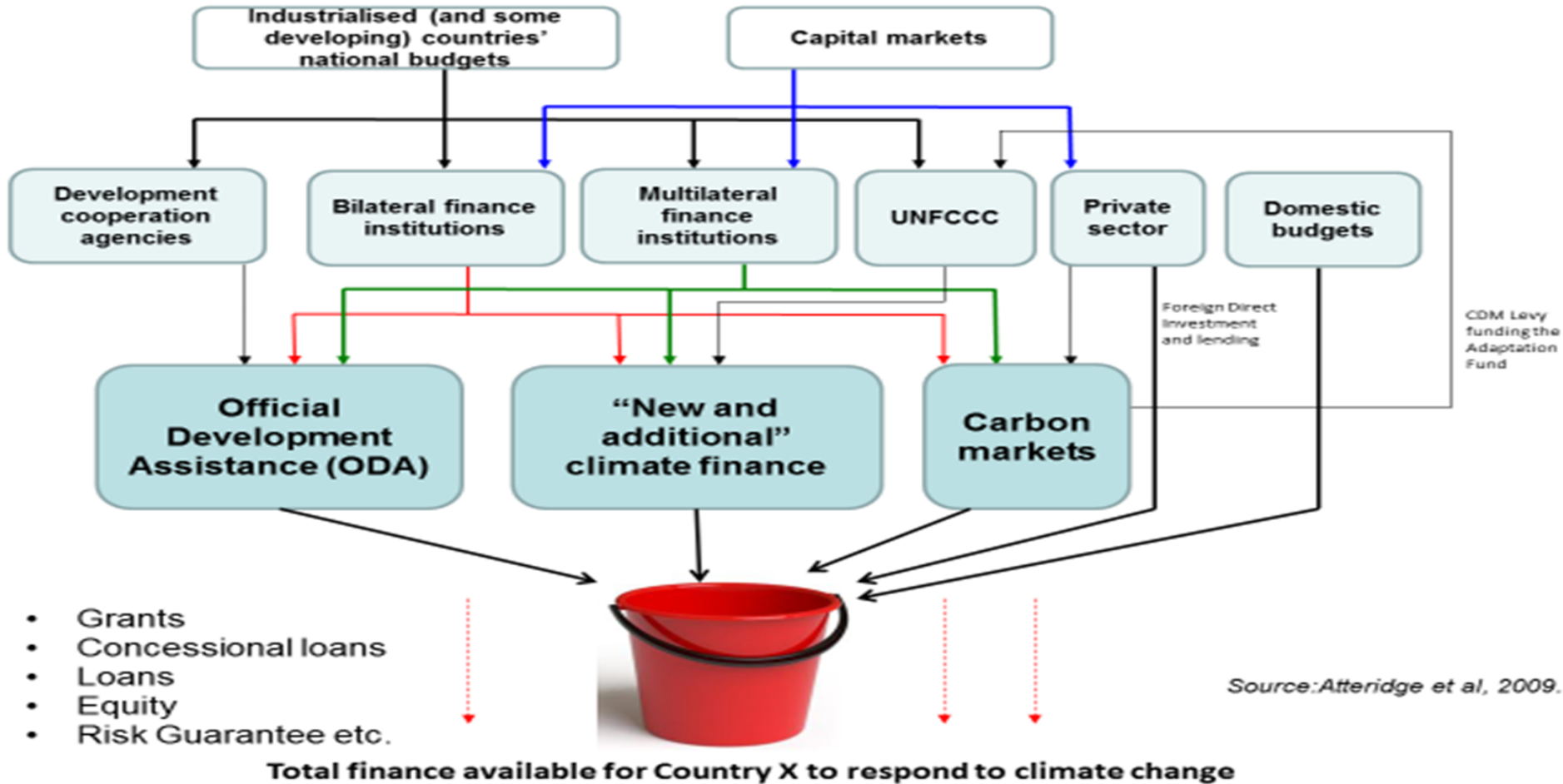
## Definition of Resilience

- 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 thru 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



# 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:



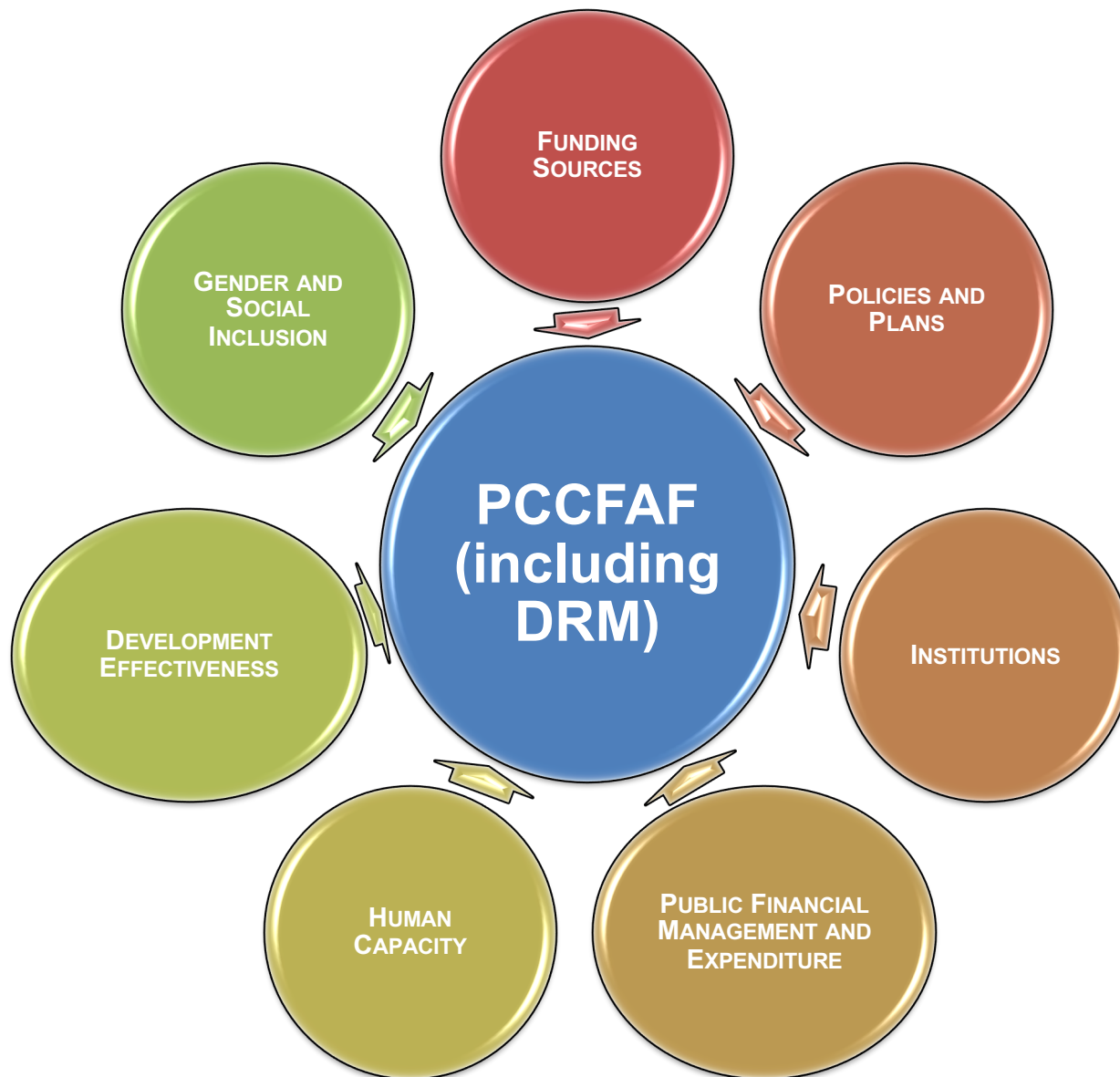
## National / Provincial:

- National Development Strategies/Plans
- Provincial/District Development Plans
- Climate Change related Plans and Policies
- Nationally Determined Contributions (NDCs)
- Other sector plans: Transport, Forestry, Agriculture, Water, Energy, Infrastructure, Fisheries.

**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

Country	Complete	Notes
Samoa	CPEIR-2012	CC finance
Nauru	PCCFAF-2013	CC finance
RMI	PCCFAF-2014	CC finance
Vanuatu	CPEIR-2014 & PCCFAF-2017	CC finance
Fiji	CPEIR-2014	CCDR finance
Tonga	PCCFAF-2015	CCDR finance + GSI
Solomon Islands	PCCFAF-2016	CCDR finance + GSI + prov
Palau	PCCFAF-2017	CCDR finance + GSI
FSM	PCCFAF-2018	CCDR finance + GSI
Kiribati	Budget Review 2013 PCCFAF-2018	CCDR finance & ocean finance
PNG	Brief Review using PCCFAF pillars - 2018	Polcies & Plans, Human Capacity, Institutions, Funding Sources

# 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.

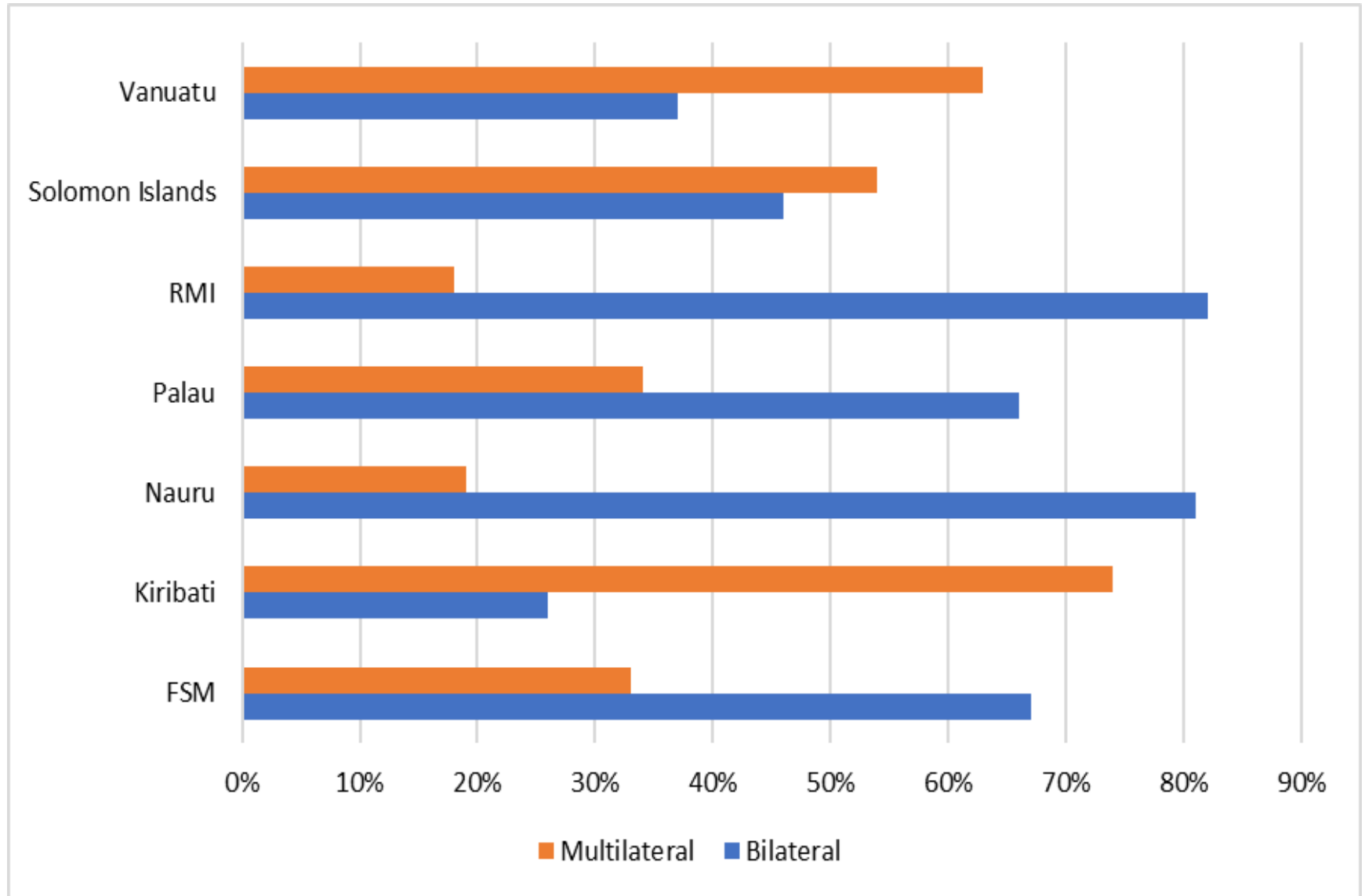
4. Support countries to strategically engage and scale up climate finance.



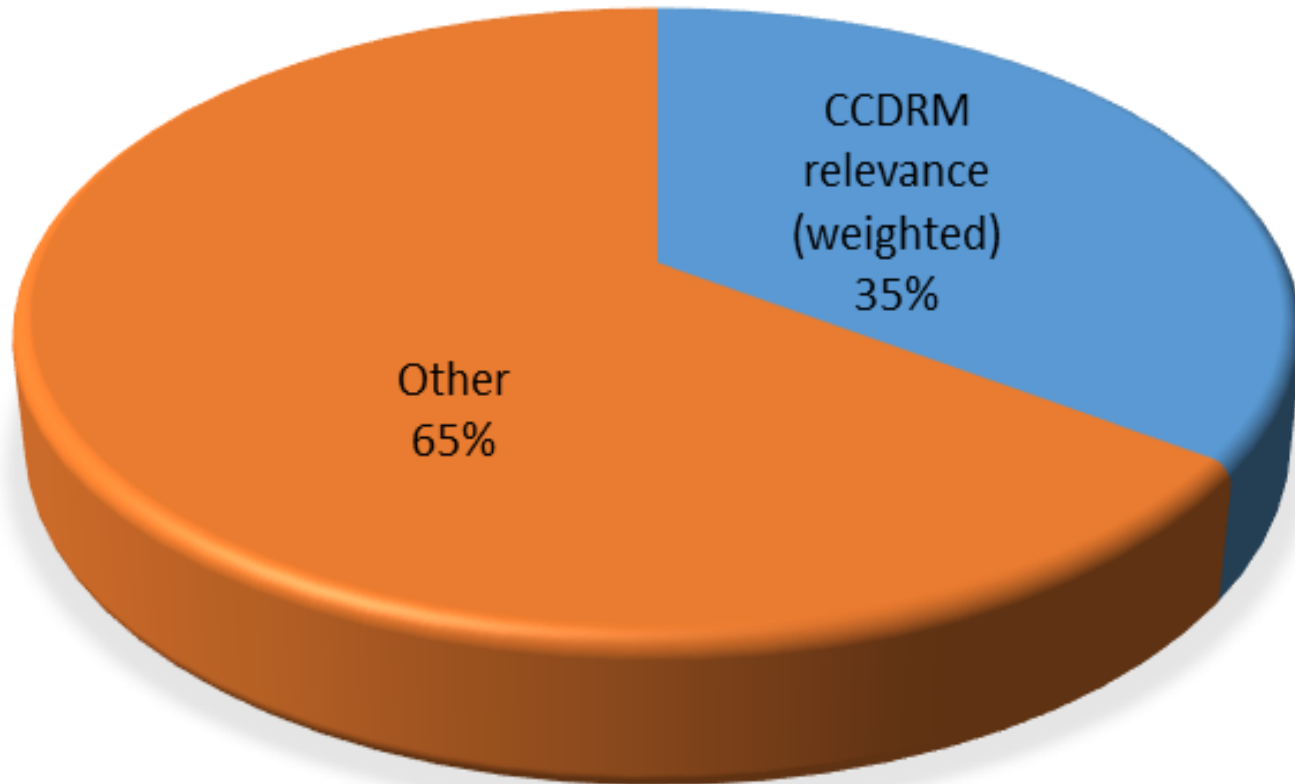
# Synthesis of Accessibility trends for PICs

- 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%

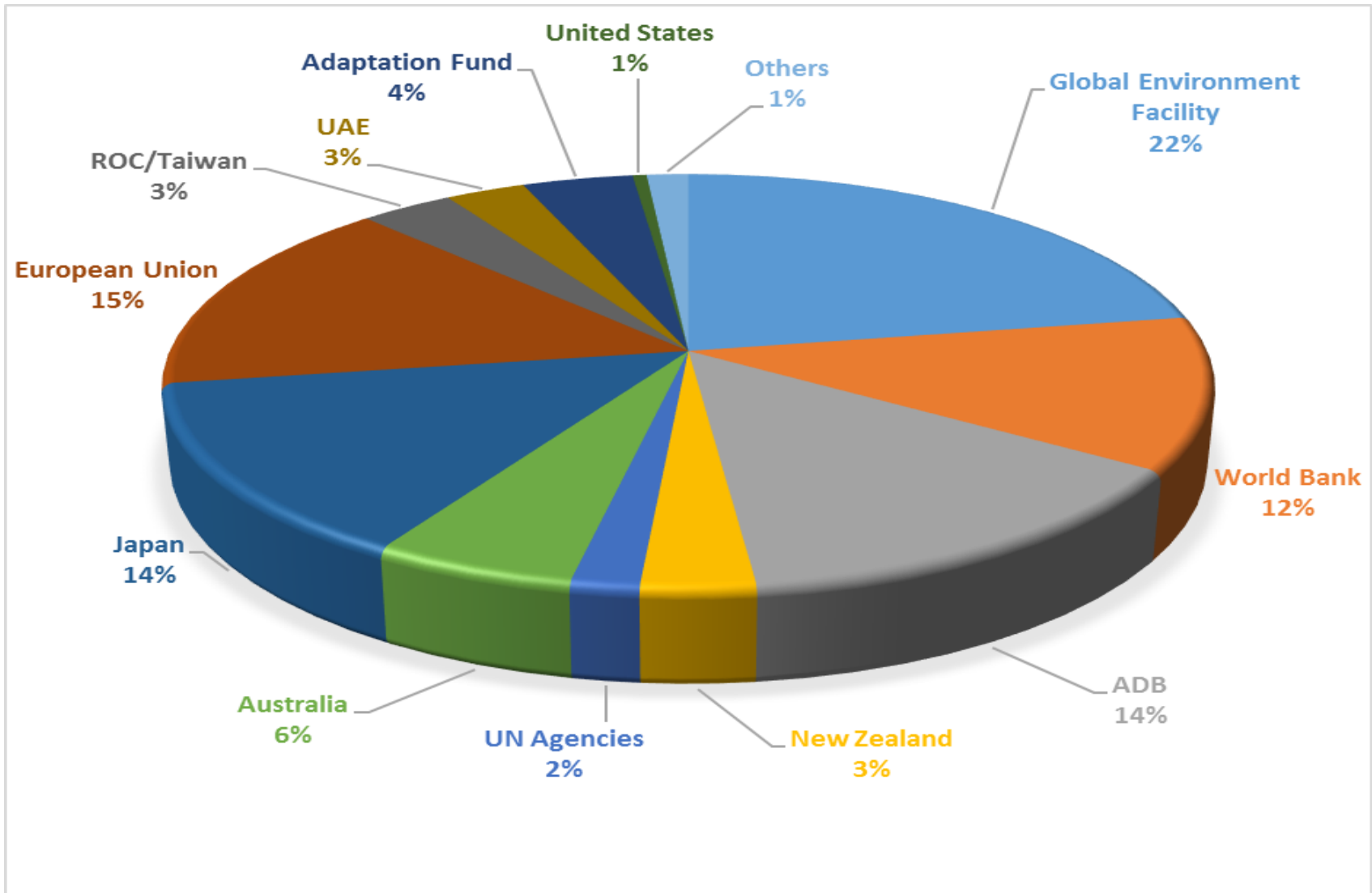
# Regional: Multilateral vs Bilateral



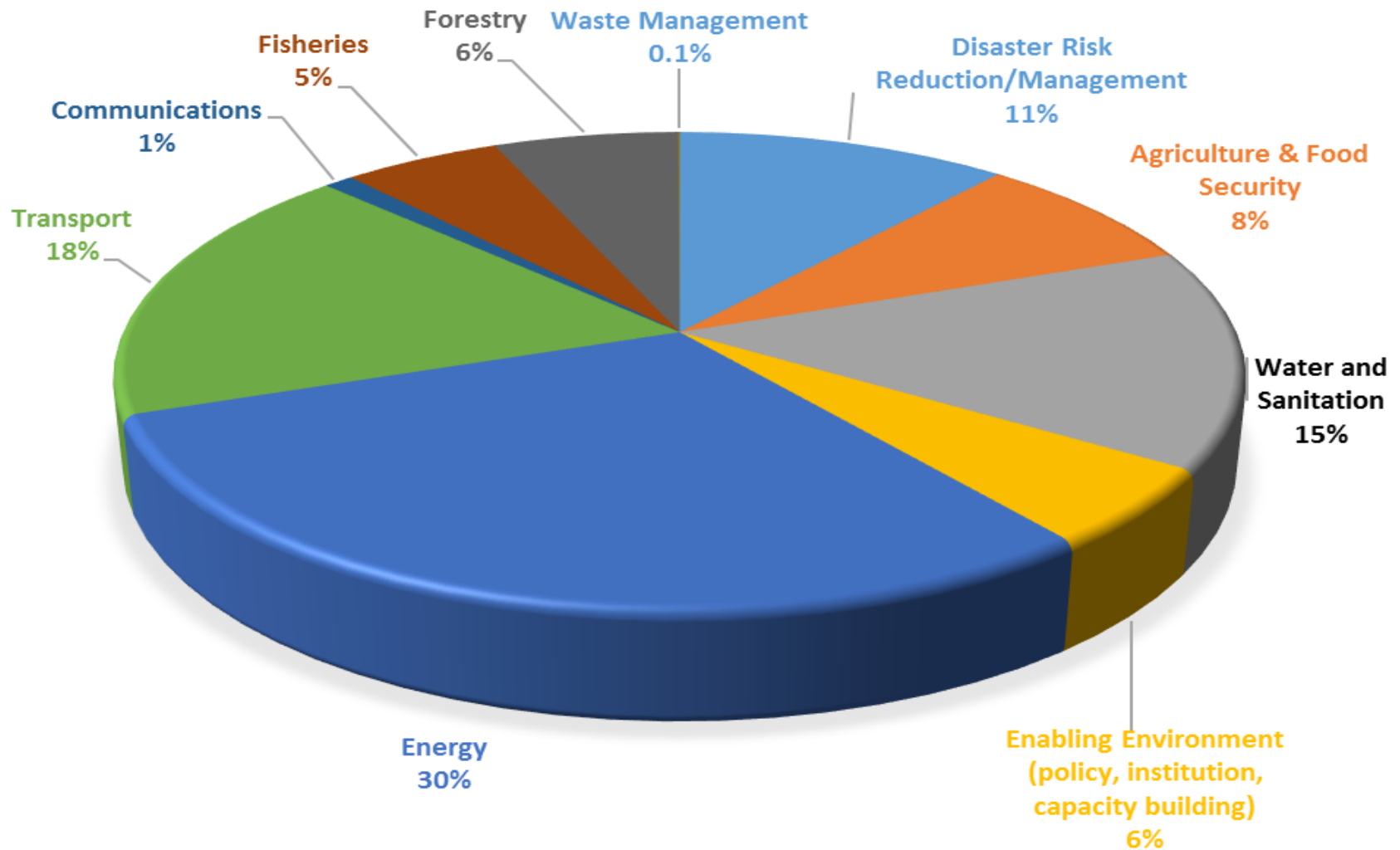
# Solomon Islands: Total allocation on projects that address CCDRM 2010 to present



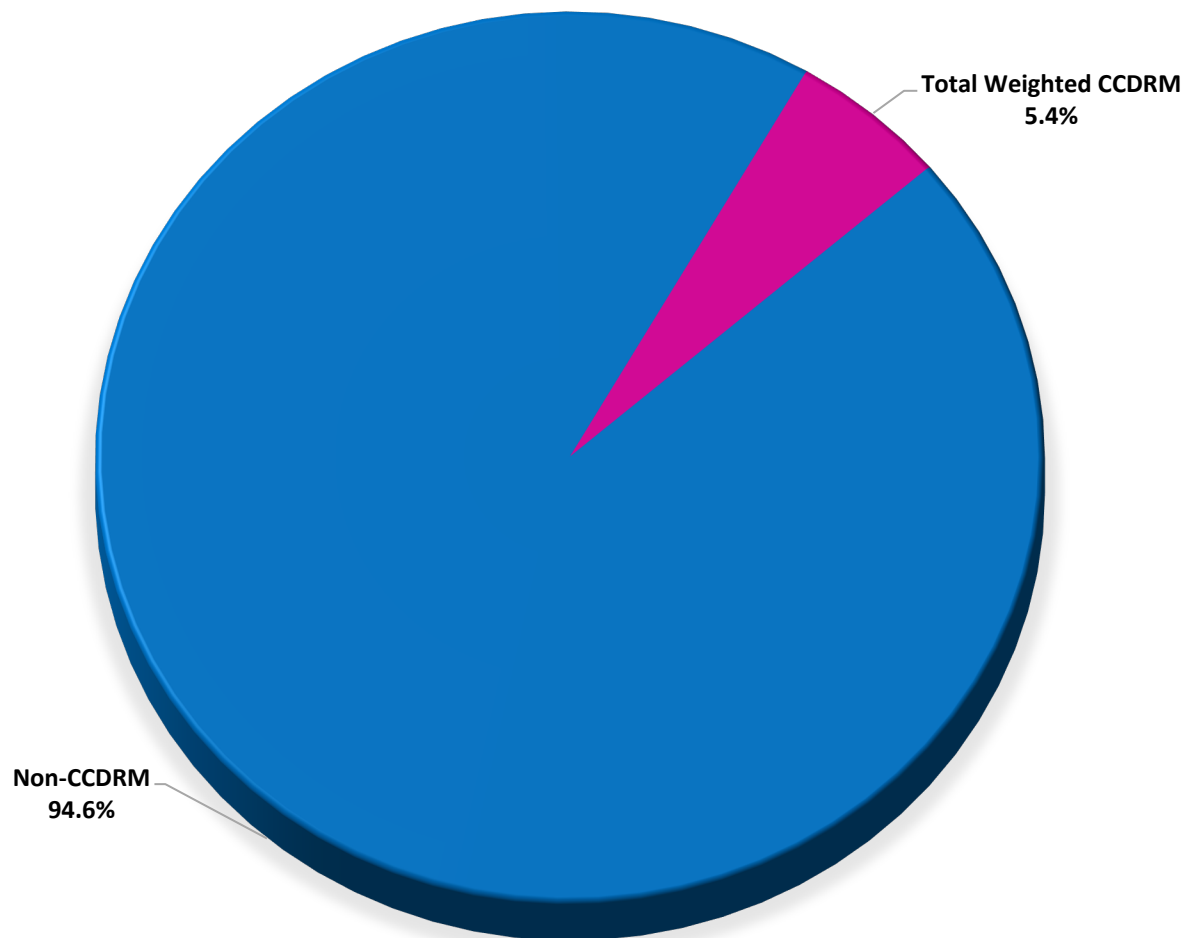
# Solomon Islands: Sources accessed for CCDRM projects 2010 to present



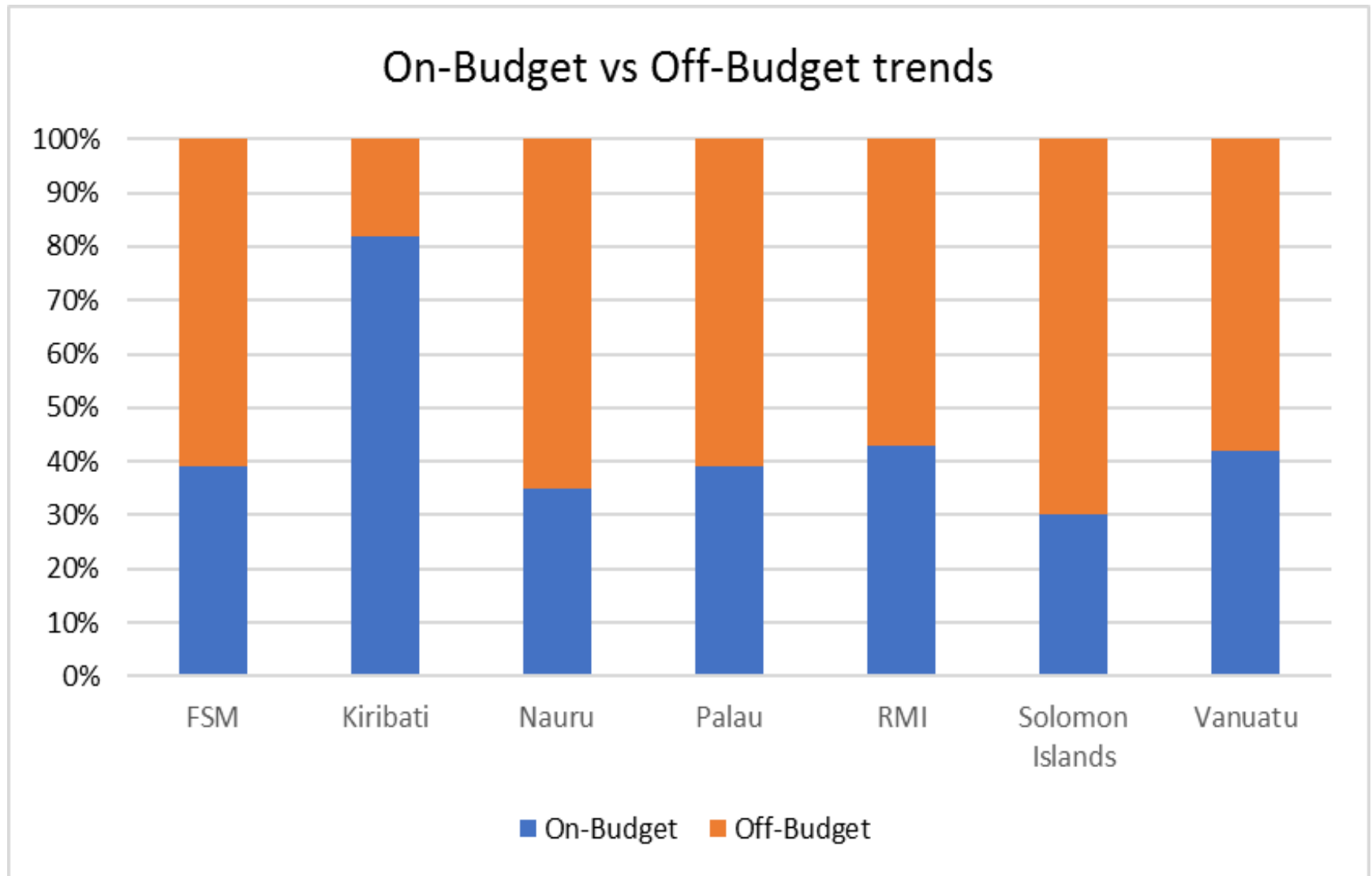
# Solomon Islands: CCDRM related Expenditure by SECTOR



# Solomon Islands: Recurrent expenditure for CCFRM- 2010 to present

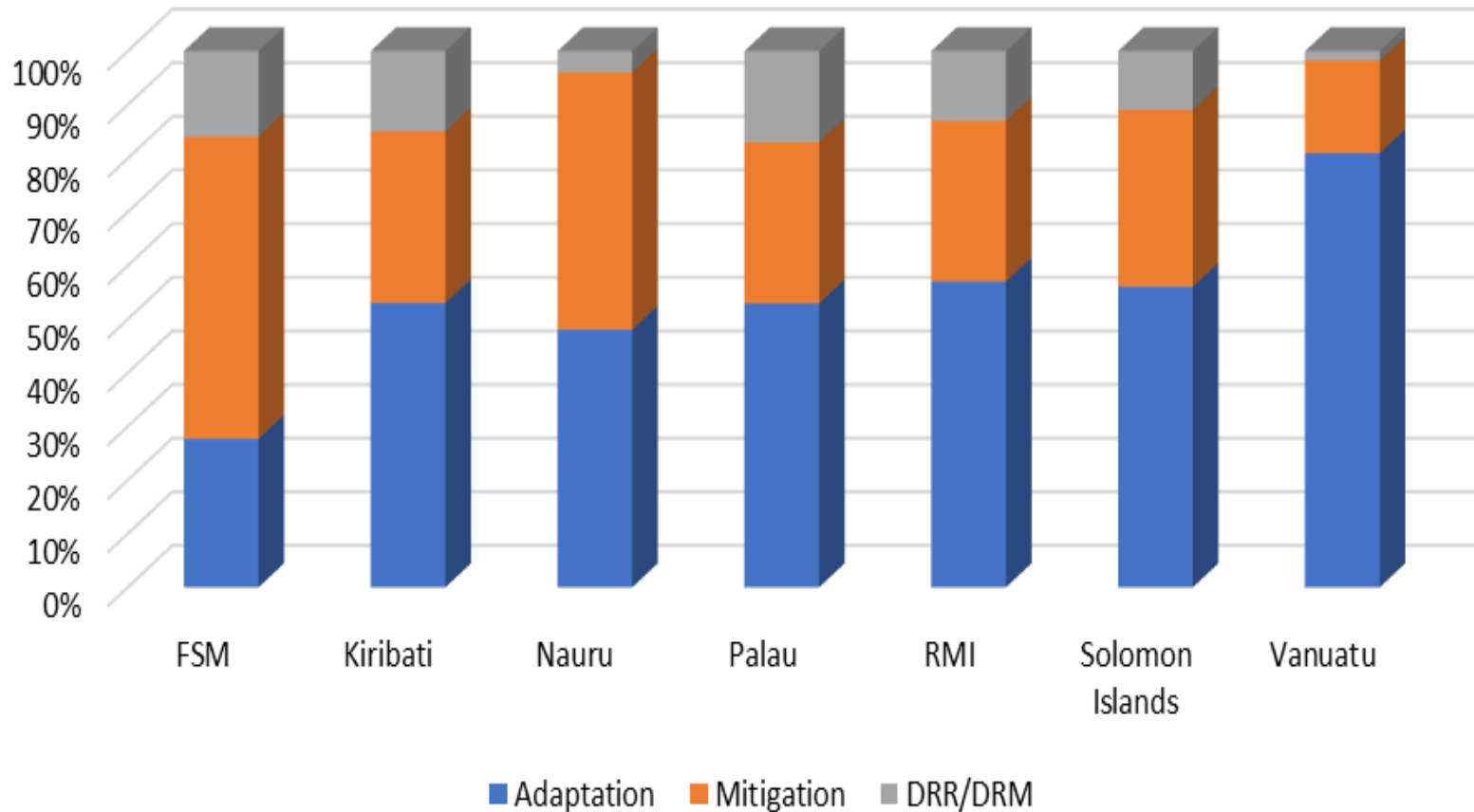


# Regional: On-Budget vs Off-Budget



# Regional: Adaptation vs Mitigation

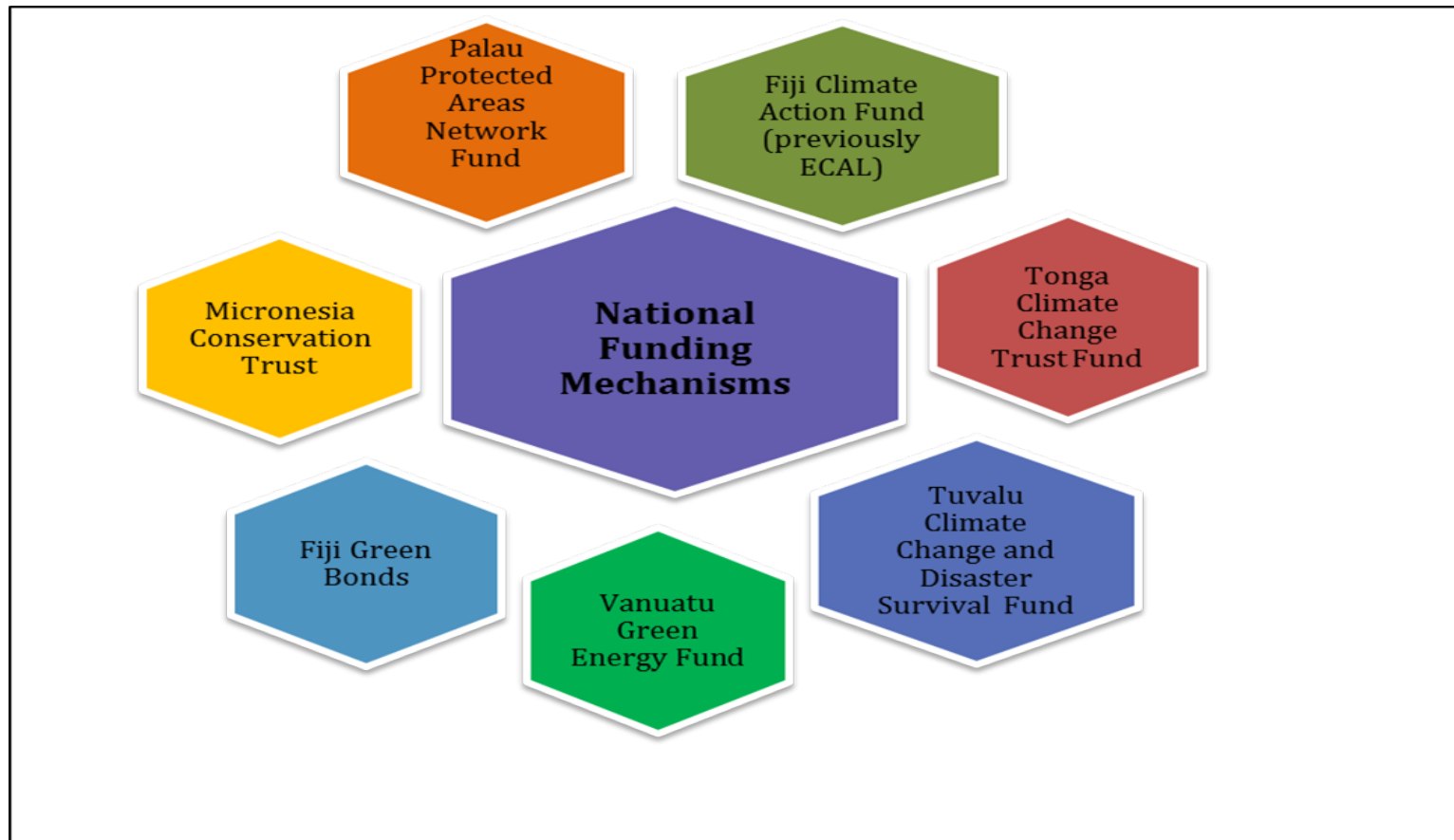
Adaptation vs Mitigation vs DRR/DRM





# 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.
2. Pacific experiences booklet with climate finance modalities – 3<sup>rd</sup> Volume in 2019.
3. Climate Finance Tracking tool pilot in Vanuatu and Solomon Islands.
4. Design of a Pacific Resilience Facility – a Pacific-owned facility for small grants to climate proof and retrofit public infrastructure.
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.
6. Private sector strengthening – private sector mapping in PICs, Private sector options paper, sub-regional private sector workshops.



**GREEN  
CLIMATE  
FUND**

# Approved GCF projects in the Pacific

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

**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

378 m

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

**ADB 17m USD**

**Marshall Islands**  
 Addressing Climate Vulnerability  
 Assessment for (ACWA)  
 Pacific Islands Resilience Project  
 Phase II for RMI

**18.6 m USD**

**THE WORLD BANK 25m USD**

**Solomon Islands**  
 Tina River Hydropower Development Project

**THE WORLD BANK 86m USD**

**Nauru**  
 Sustainable and Climate Resilient  
 Connectivity for Nauru

**ADB 27m USD**

**Kiribati**  
 South Tarawa  
 Project

**ADB 28 m USD**

**PNG, LAC, Africa, EE**  
 GEEREF NeXt

**European Investment Bank 265m USD**

**Tuvalu**  
 Tuvalu Coastal Adaptation Project

**UNDP 36m USD**

**Fiji**  
 Fiji Urban Water Supply and  
 Wastewater Management Project

**ADB 31m USD**

**Tonga**  
 Renewable Energy project

**ADB 30 m USD**

**Vanuatu**  
 Climate Information Services  
 for Resilient Development in Vanuatu

**SPREP 23m USD**

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

**UNDP 58m USD**

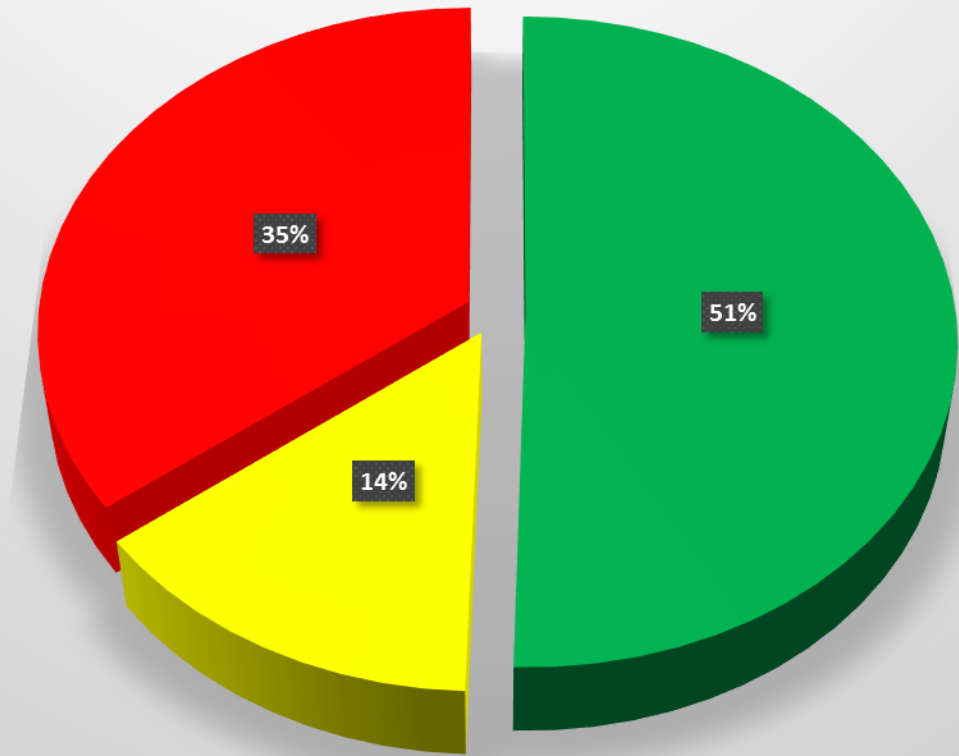
- Not included in total approved portfolio amount
- 7 projects are grants, 2 are loans with funding portion over grants, 23% loans. Projects are between 7 – 50 years in length

Adaptation

Mitigation

Cross

Figure 1: Overall PFM Performance: 2018

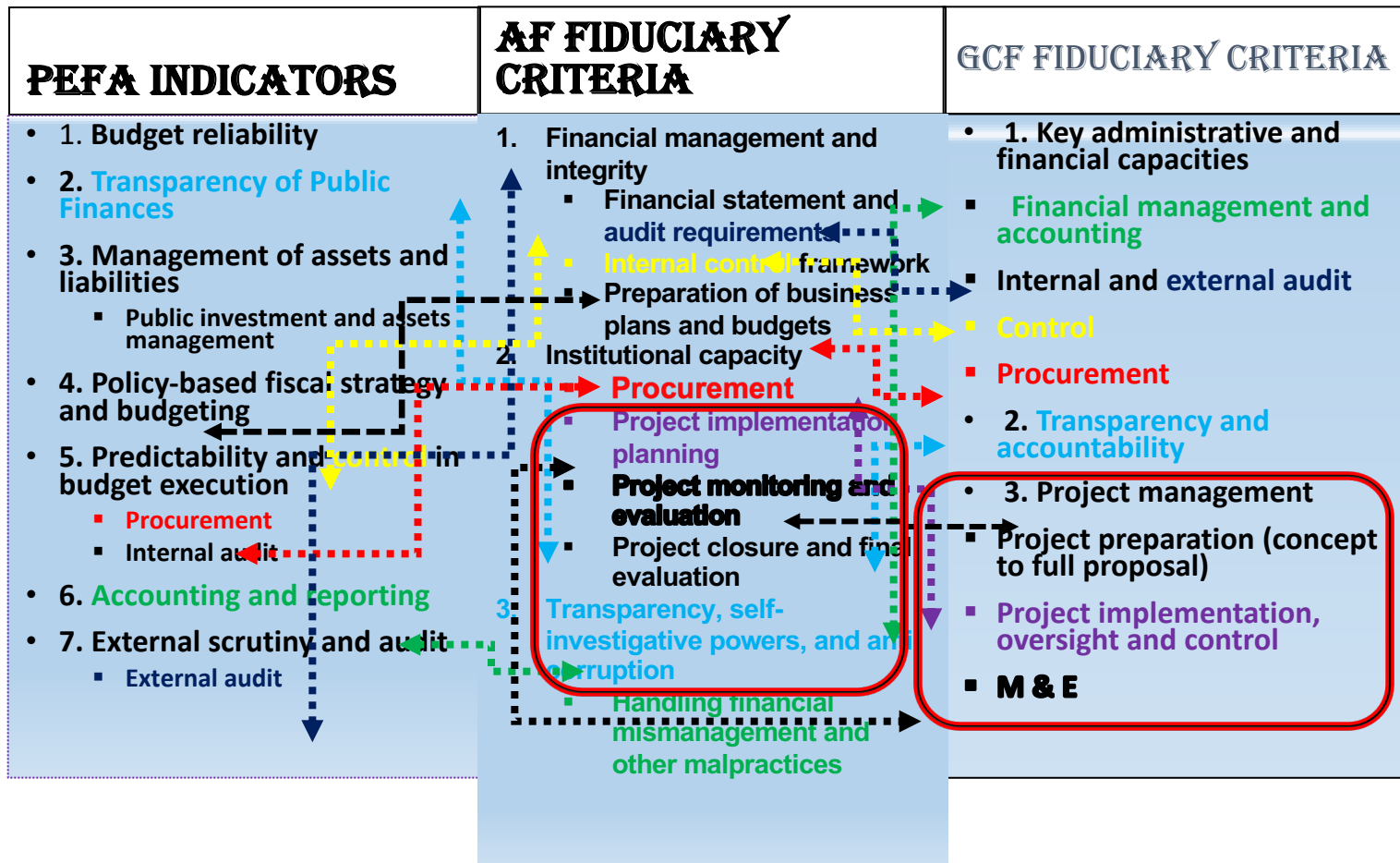


■ Satisfactory   ■ Medium term reform   ■ Immediate reform

**FIGURE 2: PFM PERFORMANCE UNDER 5 COMMON CHALLENGES: 2018**



# Alignment of Climate Finance fiduciary criteria to PEFA



# The Capacity Dilemma facing PICs: Coordination is critical

