

# Pacific experiences with modalities relevant for Climate Change Financing

Second Volume  
*February 2015*

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## Definitions

<b>Modality</b>	The term ‘modality’ is defined as the specific application of various financial instruments (such as grants, loans, insurance, bonds or market based instruments) that can be blended at the national, sub-regional, regional and international levels. Modalities are used to bundle together multiple financial instruments so that they can be used in a wide variety of permutations to meet recipient country needs and priorities.
<b>General budget support</b>	Budget support is aid channelled directly to a country’s budget, to be disbursed according to its own allocation, procurement and accounting systems. General budget support is untied aid given in support of a national development strategy and channeled directly into a country’s national treasury to supplement the overall government budget.
<b>Sector -budget support</b>	Sector or targeted budget support is aid channelled directly to a country’s budget but earmarked or programmed for a particular sector or purpose (e.g. water).
<b>Trust Fund</b>	There are different types of trust funds (e.g. sinking fund, revolving fund etc). A trust fund is a fund comprised of a variety of assets intended to provide benefits to a country, organization or individual. The trust fund is established by a grantor to provide financial security to a country, organisation or individual. A trust fund can be comprised of cash, stocks, bonds, property and other types of financial products. The recipient of a trust fund must typically wait until a certain age, or until a specified event occurs, to receive a yearly income from the fund.
<b>Public-private sector partnership</b>	A public–private sector partnership is a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. It is a business relationship between a private-sector company and a government agency for the purpose of completing a project that will serve the public.
<b>National Implementing Entities (NIE)</b>	A National Implementing Entity (NIE) provides direct access by a recipient country to the financial resources of a fund. This is in contrast to indirect access whereby funding is channelled through a third-party Multilateral Implementing Entity (MIE), accredited by the fund’s administrators. The Kyoto Protocol Adaptation Fund (AF) provides a good example of how such an arrangement would work and the issues confronting a prospective NIE. At the moment there is no accredited NIE from the Pacific under the AF.
<b>Regional Implementing Entities (RIE)</b>	A Regional Implementing Entity (RIE) provides a conduit for smaller PICs to gain access to a fund (e.g. the Adaptation Fund) and can supplement capacity for smaller PICs. The Secretariat of the Pacific Regional Environment is an RIE for the Pacific to the Adaptation Fund.

## Introduction

Pacific Islands Forum Leaders continue to reaffirm that climate change remains one of the greatest challenges facing the region, threatening the livelihood, security and wellbeing of peoples in the Pacific, particularly those in low-lying atoll nations.

Tackling climate change must be central to the sustainable development and resilience agendas at all levels. Rising sea levels, increasing temperatures, changing rainfall patterns, ocean acidification and an increase in the frequency and severity of extreme weather events including tropical cyclones, floods and drought, are consequences of global warming which will jeopardise development of the Pacific Islands. The already difficult circumstances of small island developing states, who are at risk from over-exploitation of natural resources, limited domestic markets and enormous distances to their export markets, are further aggravated by climate change.

In light of these challenges, Pacific Islands Forum Leaders and Economic Ministers stressed the critical and urgent need for financing to effectively respond to climate change. They have called for improved access to, and management of, international climate change finance (CCF), describing it as being critical for vulnerable Forum Island Countries (FICs)<sup>1</sup>.

In response to directives on CCF from Leaders, Economic Ministers and other related meetings over the past few years, the Pacific Islands Forum Secretariat has developed a multi-tiered, multi-stakeholder approach to progress this work. This has been done in collaboration with member countries and other relevant CROP agencies, in particular SPREP and SPC, and development partners, including UNDP, Australia, European Union, USAID, ADB and the World Bank.

The Forum Secretariat, in collaboration with partners, is exploring a range of modalities and enabling environments that might assist countries more effectively harness available climate change resources and implement them to address their national priorities. A number of these modalities are already being implemented or explored in the region and provide a practical example for other countries to draw from.

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<sup>1</sup> For the region, the high level of interest in gaining greater access to, and management of, climate change financing emanates from the pledges made in Copenhagen in 2009 during the Fifteenth Conference of the Parties (COP 15), and later reaffirmed in Cancun in 2010 during COP 16 under the United Nations Framework Convention on Climate Change (UNFCCC), whereby developed country parties made commitments of US\$30 billion in fast start finance (2010-2012 and to jointly mobilise up to US\$100 billion per annum by 2020.

This booklet builds on the first volume published in 2012 and presents a compilation of additional practical experiences and a follow up of certain case studies covered in the first volume, with contributions made by a number of countries and partners in the region. It also contains relevant contacts under each case study, which will enable countries and partners to pursue further as they wish. This booklet complements other climate change finance initiatives being implemented in the region, a number of which are being coordinated and/or supported by the Forum Secretariat in response to Leaders decisions.

The Forum Secretariat has also provided key summary observations at the end of this booklet in line with the case studies covered, to further inform countries and partners that wish to pursue modalities that suit them.

It is envisaged that this booklet be updated periodically to include contributions from countries and partners, when appropriate, to build a body of practical experiences upon which to share and learn from.

Meg Taylor, DBE  
**Secretary General**



## 1. General Budget Support

### *Solomon Islands' experience with General Budget Support for Climate Change*

Benefits	Challenges/Costs
✓ Budget support supplements overall national government budget.	• Limited understanding of the budget support modality at sector/ ministerial level (e.g. Ministry of Environment, Climate Change, Disaster Management and Meteorology).
✓ Accessing funds through the governments financial/procurement process/systems rather than donor-imposed systems	• Applicable mostly to bilateral assistance sources of funding only (as opposed to accessing global funds).
✓ Facilitates strengthening of national institutional capacity.	• Donor receptiveness to this modality is heavily dependent on confidence in transparency and accountability around national systems. Some smaller PICs are unlikely to meet the requirements of budget support in the short to medium term.
✓ Confidence of the development partners in the national Public Financial Management systems and the reform initiatives.	• Requires a robust national planning process with sound public financial management systems.
✓ Facilitates a predictable and strategic approach to planning, implementation and sustainable capacity development at the national level.	• Fungability of resources – needs close monitoring.
✓ Reduces the significant administrative burden of multiple project development, reporting and monitoring	
✓ Ensures proper monitoring and evaluation processes are institutionalised into country systems and policies.	
✓ Consistent with international best practice on aid effectiveness.	

***Brief background and operational arrangements***

General budget support refers to funds which are channeled directly into a country's national treasury to supplement the overall government budget. Some of the key criteria for budget support include:

- Sound Macro Economic policies;
- Strong Public Financial Management System; and
- Genuine Policy Dialogue between the Government and Development Partner(s).

In the case of Solomon Islands, some of the conditions leading up to the Solomon Islands Climate Change Assistance Programme (SICAP) under the European Union (EU) were as follows:

- Formation of the Core Economic Working Group (CEWG) in 2009 - The CEWG is a forum for policy dialogue on financial and economic reform and the coordination of budget support and technical assistance underpinning reform efforts. The CEWG supported Government's efforts to improve spending, promote economic growth, and institutionalise sound public financial management. The effort grew out of the commitment of the Government to undertake a coordinated response to the fiscal and balance of payments crisis of early 2009, and tackle public financial management and economic governance issues following a 2008 Public Expenditure and Financial Accountability (PEFA) assessment.
- The International Monetary Fund Standby Credit Facility was a prerequisite to EU Budget Support. The Standby Credit Facility provides financial assistance to low-income countries with short-term balance of payments needs. The CEWG has strongly supported existence of a stability-oriented macroeconomic framework and the International Monetary Fund (IMF) engagement in Solomon Islands.
- Creation of CEWG and a common Economic and Fiscal Reform Programme (EFRP), facilitated for General Budget Support from EU, ADB, World Bank and sector budget support from Australia and New Zealand to Health, Education and Infrastructure.

The total cost of the Solomon Islands Climate Change Assistance Programme (SICAP) was €2.8 million from the European Unions Global Climate Change Alliance support, and the financing agreement was signed in March 2011. SICAPs period of execution was for 2 years of operational phase and 2 years of closure phase. Disbursement of funding was done directly to the national treasury in two fixed tranches of €1.0 million each upon meeting general conditions and two variable tranches of €3 million in 2011 and €0.5 million in 2012 upon meeting special conditions.

The general conditions include (i) maintenance of a stability oriented Macro Economic Framework, (ii) satisfactory progress in the production of a Solomon Islands National Development Strategy, and (iii) satisfactory progress in the implementation of a public financial management system. Specific conditions include (i) effective mainstreaming of climate change (CC) and disaster risk reduction (DRR) in national and key sector strategies, (ii) budget allocation to key agencies carrying out CC and DRR activities, (iii) institutional capacities within the Ministry of Environment, Climate Change, Disaster Management and Meteorology (MECDM) strengthened, and (iv) national CC Strategy coherent with the National Disaster Risk Management Plan and the National Adaptation Programme of Action (NAPA).

The SICAP has five key components listed below.

1. Development and Implementation of a national CC Policy.
2. Ongoing Institutional Support for CC Adaptation and DRR Interventions.
3. Support ongoing Institutional Capacity strengthening.
4. Development of Climate Change Strategy on Relocation /“Managed Migration”.
5. Costing of Climate Change Induced Official Internal Relocation / “Managed Migration”.

In terms of the progress, the program management unit (PMU) was established and local technical assistance was sourced for macro level national vulnerability assessments. In addition, local technical assistance was also recruited for drafting of guidelines for resettlement/managed migration. Some re-settled communities consulted include Aruligo in Guadalcanal Province, Popoheo in Isabel Province, Walande/Fanalei in Malaita Province, and Minevi in Temotu Province.

### ***Lessons learnt and recommendations***

1. Timely allocation of funds from the national budget for implementation is crucial.
2. Meeting the conditionalities is important despite the challenge to implement in a limited timeframe.
3. If possible, sector budget support is preferable than direct budget support.

### ***Key donors and partners***

The key donor of SICAP is the European Union through its Global Climate Change Alliance assistance. Relevant national partners include the Ministry of Finance and Treasury, Climate Change Division of the MECDM, SICAP PMU Team and Aid Coordination Division of the Ministry of Development Planning and Aid Coordination.

***Contact points for further information***

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3. Chanel Iroi, Under-Secretary/Technical, Ministry of Environment, Climate Change, Disaster Management and Meteorology, Honiara. Email: ciroi@met.gov.sb



## 2. Sector Budget Support

### *Samoa's experience with Water and Sanitation Sector Budget Support*

#### **Benefits**

- ✓ Enhances national ownership as the Government is driving its national development programme.
- ✓ Strengthens ownership of programme planning and implementation at the implementing agency level.
- ✓ Improves institutional capacities of Implementing Agencies as they are responsible for their own planning, prioritisation, procurement and implementation using Government procedures.
- ✓ Facilitates development partner buy-in to the country's national development strategy/sector plan.
- ✓ Strengthens national public financial management systems.
- ✓ Alignment with national policies, priorities, guidelines and procurement procedures.
- ✓ Mainstreams national reporting requirements, monitoring and verification processes.
- ✓ Promotes annual review processes.
- ✓ Increases focus and efforts on verification of sector developments.
- ✓ Encourages a more inclusive approach (integrated approach) i.e. programmatic approach rather than fragmented and often isolated project based initiatives.

#### **Challenges/Costs**

- Most of the overarching requirements and mechanisms of general budgetary support are required.
- Unless set within a sound national framework it runs the risk of piecemeal development with donors focusing their support on a favourite sector and can result in other sectors missing out.
- Climate change is such a cross cutting issue, it may fragment a holistic approach to climate change prioritisation for PICs.
- In the absence of good sector plans including targets/priorities and a resource envelope, it can be difficult to account for funds and their contribution to outcomes.
- Where a sector has a range of stakeholders and Implementing Agencies who have mandates broader than the domain of the sector, it can be challenging to maintain a sector wide approach, which sustains the momentum and promotes active dialogue.
- Reporting requires intensive verification processes which are lengthy and sometimes seen as an additional burden.
- Implementation of relevant policies and enforcement of regulatory tools and structures require political support and adequate resourcing.

### ***Brief background and operational arrangements***

The Water and Sanitation Sector is one of 14 Sectors prioritised under the Government of Samoa's National Strategy for Development. The Water and Sanitation Sector Policy Support Programme (WSSPSP) is financed through the modality of sector budget support provided by the 10th European Development Fund National Indicative Programme (NIP) for the water and sanitation sector. Phase I of WSSPSP covered financial years 2009/10 to 2012/13. Phase II is currently underway from 2012/13 to 2015/16 and includes the Millennium Development Goals Initiative Programme. Additional budget support was also received in the form of the Global Climate Change Alliance (GCCA) funding towards improvements to the Apia Urban Drainage Network which was implemented from 2011/12 to 2012/13.

The overall objective of the WSSPSP is to alleviate poverty and improve public health through the provision of reliable, clean, affordable water and basic sanitation within the framework of Integrated Water Resources Management. This is in line with the Government's Vision for every Samoan to achieve a better quality of life. Main activities include construction and upgrade of water supply systems<sup>2</sup>, sanitation facilities and drainage<sup>3</sup> networks, strengthening of institutional capacities, public awareness and community engagement as well as strengthening the enabling environment for sector-wide developments.

Transfer of budget support funds are aligned with the Government of Samoa's financial year. The Sector's progress is measured based on the Sector performance framework. Disbursements are made through fixed and variable transfers.

General conditions for the release of fixed transfers include proven satisfactory progress in the areas of (i) Sector Policy Strategy; (ii) Macroeconomic Stability; and (iii) Public Financial Management, while specific conditions for the release of variable transfers are tied to the achievement of agreed targets for performance indicators on sector critical areas: (i) water supply - drinking water quality; (ii) water supply - collection efficiency; (iii) water supply - non-revenue water; (iv) watershed management; and (v) sanitation.

### ***Lessons learnt and recommendations***

1. The success of the Sector-wide approach requires a robust and active sector coordination unit.
2. Targeted and coordinated capacity building initiatives across the Sector are critical to successful implementation.
3. Samoa did not get to where it is over night. A number of reforms had to be undertaken, and require ongoing commitment, dedication and continual collaboration and support.
4. The key to building institutional capacity of implementing agencies is to make

<sup>2</sup> Including treatment of water supplies

<sup>3</sup> Within the Central Apia area in particular the Central Business District

- them responsible for planning and implementation, supplemented by specific and strategic technical inputs (both local and international) where necessary.
5. Capacity building initiatives should place more emphasis on improving systems and processes in addition to human resource development.
  6. Verification processes may be resource intensive, but are also high value, and should become a normal requirement for all development projects/activities. The processes strengthen good governance at all levels of implementation, and builds the capacity of Implementing Agencies to be comfortable at being verified/evaluated and recognising the opportunity to identify avenues for improvement.

### ***Key donors and partners***

The key donor is the European Union. At the national level, the Sector is made up of nine Implementing Agencies (IAs). This includes four policy development and regulatory Government Ministries: Ministry of Natural Resources and Environment (MNRE), Ministry of Health (MOH), Ministry of Women, Community and Social Development (MWCSD), and Ministry of Works, Transport and Infrastructure (MWTI). The other five constitute two State Owned Enterprises (SOEs): Samoa Water Authority (SWA) and Land Transport Authority (LTA); and three Non-Governmental Organisations (NGOs): Independent Water Schemes Association (IWSA), Samoa Red Cross Society (SRCS), and Plumbers Association of Samoa (PAS).

### ***Contact points for further information***

1. Noumea Simi, Assistant Chief Executive Officer, Ministry of Finance, Apia. Email: noumea.simi@mof.gov.ws
2. Frances Brown-Reupena, Sector Coordinator, Ministry of Natural Resources and Environment, Apia. Email: fran.reupena@mnre.gov.ws

### 3. National Climate Change Trust Fund

#### *Tonga's experience with establishing a National Climate Change Trust Fund<sup>4</sup>*

##### **Benefits**

- ✓ The Climate Change Trust Fund will offer direct access to much needed climate change funds by community groups, outer islands and other relevant stakeholders to implement concrete adaptation actions.
- ✓ Provides a good mechanism for sustainable, long term, transparent and predictable sources of climate change finance.
- ✓ Can harmonise many different sources of funds and accommodate “one off” contributions and non-traditional partners without significant disruption.
- ✓ Can be planned and blended with national and sector budgets, or be project based for access by other stakeholders e.g. NGOs, communities and others.
- ✓ Accumulation of funds over time provides security and reduces risk from the impacts of increased frequency and intensity of climate disasters into the future.
- ✓ Climate change funds can be matched with core development activities of governments, against their own timeline of implementation and availability of budget resources.
- ✓ Management, legal structures and governance arrangements can be varied over time to reflect changes in capacity of the country and the level of confidence that donors and development partners have in reforms to climate change strategies and public financial management systems.
- ✓ A positive track record from the financial management and administration of the Climate Change Trust Fund will support Tongas goal to be a National Implementing Entity and to apply for future funds such as the Green Climate Fund.

##### **Challenges/Costs**

- A national climate change trust fund requires high initial investment, or if contributions are drip fed, it will take time to operationalise.
- Requires significant donor engagement and consultation in early stages.
- Requires clear objectives, a strong and effective governance structure that protects the investments, and measures to ensure volatile returns are managed. Without strong governance and accountability mechanisms, as well as prudential financial management practices, macroeconomic and governance risks are high.
- Funds investment portfolio is subject to fluctuations in market returns.
- The sustainability of a trust fund is reliant on adequate investment. If the investments are too small, this may jeopardise the long term sustainability of the fund.
- Need to build the capacity of community groups to develop proposals, manage projects and provide acceptable reporting on funds accessed.

<sup>4</sup> This case study is largely drawn from a presentation made by the Tonga Minister of Finance during the Forum Economic Ministers Meeting in Honiara in July 2014 and other publicly available documents, and noting that Tonga is still at the infant stages of setting up the national climate change trust fund.

***Brief background and operational arrangements***

The Tonga Climate Change Trust Fund (CCTF) is a major component of the Tonga Climate Resilience Sector Project (CRSP). The CCTF was approved by Cabinet on 17 May 2012 through a Climate Change Trust Fund Bill, pursuant to the Public Finance Management Act 2002 (PFM Act).

The CCTF fulfils the CRSP's purpose of mainstreaming climate resilience into Government planning, and establishes a sustainable financing mechanism to support community based climate change mitigation/adaptation responsive investments.

The sustainable financing mechanism involves the use of an Asian Development Bank (ADB) Grant of US\$5 million as a capital investment, through the Climate Investment Fund. The CCTF is being established as two separate bank accounts, these being the Endowment Fund (US\$4 million) and Operational Imprest Account (US\$1 million). The utilisation of funds will be overseen by a CCTF Board, administered by the Joint National Action Plan (JNAP) Secretariat, with support of the CRSP Project Management Unit (PMU). The PMU will have a climate change coordinator specifically to manage the CCTF. The fund management and disbursement will be undertaken by the Ministry of Finance and National Planning to ensure funds are administered and managed in accordance with the PFM Act 2002 and Treasury Instructions.

The entirety of the operational account is expected to be spent fulfilling the purposes of the CRSP during its five year lifespan. Interest and capital gains earned from the US\$4 million endowment account will be transferred to the operational account. The CCTF may also be supplemented by other funding, including from other multilateral donor and development partners.

The operational account is then used to provide projects with small grants, up to a maximum of US\$50,000, and medium sized projects up to US\$250,000. The total available funding is allocated into a 30%:70% funding ratio for small and medium size grants respectively. Of the 70% allocated for medium size grants, only 25% will be available to Government Ministry projects and public service projects. Also 30% of total funds are to be allocated to outer island projects, but no single outer island project can be awarded more than 15% of the total allocation for outer islands.

Eligible grant applicants include community groups, non-governmental organisations (NGOs), public sector operators, Government Ministries, and local authorities. The grants also focus particularly on community based women's groups and NGOs.

The first cycle of the CCTF is expected commence in 2015. An operation manual for the administration and management of the CCTF has been completed in draft form, and ready for circulation to Government stakeholders before finalising. Disbursement of the US\$5 million is conditional to the approval of the CCTF Operation Manual.

### ***Lessons learnt and recommendations***

1. It is important to have a well-functioning, well-managed Trust Fund with a strong governance framework to translate the resources held in trust into sustainable socio-economic development for both current and future generations.
2. Need to adopt a uniform Trust Fund Framework that donors with similar programs can be encouraged to use. Otherwise, duplication of efforts will create high transaction costs, which is counter to the principles of aid effectiveness.
3. Political will and support is crucial for the establishment, capitalisation and sustainability of the Fund.
4. Mainstreaming of climate change and disaster risk reduction into relevant national and sector plans and policies is a key pre-requisite for a national Climate Change Trust Fund.

### ***Key donors and partners***

The key donor is the Asian Development Bank through the World Bank's Climate Investment Fund. At the national level, key partners include the Ministry for Finance and National Planning and the JNAP Secretariat under the Climate Change Department of the Ministry of Environment and Communications.

### ***Contact points for further information***

1. Tatafu Moeaki, Secretary, Ministry of Finance and National Planning, Nukualofa. Email: secretary@finance.gov.to
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## 4. The Green Fee

### *Palau's experience with a Green Fee for Environmental Conservation*

#### **Benefits**

- ✓ A sustainable financing mechanism through the “Green Fee” which provides a regular stream of funding to support the national efforts of the Palau Protected Areas Network (PAN).
- ✓ The green fee supports the implementation of conservation programs and economic development for the 13 States in Palau in line with their Management Plans.
- ✓ A source of economic subsidy to further the cause of conservation programs, including, but not limited to job creation, institutional capacity building, capacity building to train and build the workforce for effective conservation management programs in areas of program management, public awareness, surveillance, enforcement programs and biological monitoring programs to achieve the Micronesia Challenge 30%/20% goal by 2020<sup>5</sup>.
- ✓ Works on the „user pays’ principle through the ‘green fee’ or environmental impact fee charged to non-Palauan passport holders visiting Palau upon departure at the airport or by sea.
- ✓ National ownership as Palau is responsible for collection of the Fee, and any decisions on actions or priorities to support with the PAN Fund raised from this green fee and other sources of funding.

#### **Challenges/Costs**

- The high cost of fuel and technology creates higher operational costs for geographically isolated outer island States.
- Limited pool of skilled labour and expertise in small island countries like Palau to manage and implement conservation activities accessed from the PAN Fund derived from the green fee.
- Rapid growth of new areas being identified and expansion of existing protected areas which correlates to higher cost of management.
- The direct annual management cost to operationalise the existing 13 PAN Member States was estimated at US\$2.5 million in 2012. Factoring in the US\$1.8 million annual green fee revenue in 2012, there would have been a financial shortfall gap of US\$0.7 million needed for an effective management program for PAN Member States per year.

<sup>5</sup> The Micronesia Challenge goal is to effectively conserve 30% of the region's nearshore marine resources and 20% of the region's terrestrial resources by 2020.

***Brief background and operational arrangements***

The “green fee” revenue is an environmental impact fee of US\$15 charged to non-Palauan passport holders visiting Palau as part of the departure tax (US\$50) collected at the seaports and airports. The total green fee revenue is collected by the Bureau of Revenues, Customs and Taxation under the Ministry of Finance (MoF). The MoF then transfers the revenue to the Palau Protected Areas Network Fund (PAN Fund) in accordance with PAN regulations and established procedural agreements.

The implementation of “green fee” revenue became effective in November 2010 and within the same period, the incorporation of PAN Fund’s corporate charter was established; however, PAN Fund’s operation commenced in March 2012 when PAN Fund received the initial operating “green fee” monies.

The Palau Protected Areas Network Fund (PAN Fund) is a registered non-profit corporation governed by a nine-member Board of Directors, which was appointed by the initial four-member incorporators; namely The Nature Conservancy (TNC), Conservation International (CI), Ministry of Natural Resources, Environment and Tourism (MNRET) and Ministry of Finance (MoF) with advice and consent of the Senate of the Olbiil Era Kelulau (OEK-Palau National Congress). The Board of Directors, major responsibilities include governance, fiduciary and grant-making.

The PAN was set up through an Act (The PAN Act 2003) as a national system of support from the Government of Palau to the States to implement programs to preserve, conserve and manage their natural resources and ecological biodiversity. This led to the creation of the PAN Fund. The functions of the PAN Fund are to serve as a financial trustee corporation for all monies received for the PAN, and to support and finance PAN projects and programs thus administering, managing, fundraising, investing, monitoring and disbursing PAN monies for the financial sustainability of the PAN in Palau.

The PAN serves as the national strategy to meet the goals of the Micronesia Challenge and achieve its goals on the Program of Works on Protected Areas (PoWPA) under the United Nations Convention on Biological Diversity (United Nations CBD).<sup>6</sup>

In accordance with PAN regulations, there are requirements which need to be met for eligibility and access to the PAN Fund support. The requirements include a nomination process with procedural, review and assessment of the nominated conservation area(s), establishment of supporting State level legislation for the conservation area, and a conservation area management plan. The eligibility requirements are the responsibility of the States. As such, the management and ownership of the natural resources remain with the State and community in order to promote a successful conservation management program.

<sup>6</sup> Country Program Strategy for Palau’s Micronesia Challenge Endowment Fund

The nomination process involves the PAN institutional members such as the Management Planning Unit (MPU) comprised of the PAN Office, the PAN Technical Committee, the PAN Management Committee and the Ministry of Natural Resources, Environment and Tourism (MNRET). Once the nomination of the site is approved and endorsed by the Minister of MNRET, the State becomes a member of the PAN and becomes eligible to receive fiscal and technical support from the PAN Fund.

### ***Lessons learnt and recommendations***

1. There is great strength in collaborative work to share knowledge and experiences. It supports prioritisation and efficient use of limited resources in order to effectively manage and conserve natural resources.
2. It is a process - although comprehensive, keep it simple and feasible to understand and implement. This means it can be approached with measured and acceptable risk, where issues and opportunities can be quickly identified and remedied to improve best practices and approaches.
3. Community support and political will are key components to successfully introduce enabling legislation. Concurrently, prudent financial fiduciary standards and continual review and monitoring of programs is recommended, with particular focus on reinvestment in people and programs – be it on capacity building, legislation, communications, technology, equipments, and relationship building.

### ***Key donors and partners***

Key contributors to the “green fee” under the PAN Fund are visitors to Palau, who pay a departure tax. Other partners include the Bureau of Revenues, Customs and Taxation under the Ministry of Finance, The Nature Conservancy, Conservation International, Ministry of Natural Resources, Environment and Tourism and the OEK-Palau National Congress.

### ***Contact points for further information***

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## 5. Public-Private Sector Partnership

### *Cook Islands' experience with a Water Tank Subsidy Program*

#### Benefits

- ✓ Increased knowledge and information gained from data and statistics collected during the program and a better understanding of the water situation and needs at the community level (e.g. plumbing leakage and condition of roofs for safe rain water harvesting).
- ✓ Increased awareness of the possibilities of implementing government/private sector/community partnerships to deliver programs efficiently. This assisted in showcasing the private sector's capacity and ability to deliver.
- ✓ The approach adopted ensures that a large portion of the funds allocated to this initiative is channeled to the beneficiaries, to help address the national priority of improved water supply quality and reliability.
- ✓ Increased capacity and local ownership achieved through home owners acting as project managers (1882 home owners have made applications) by organising the installation with a business of their choice. This puts them in control of the process.
- ✓ Capacity building for families and local community organisations in their role as project managers to make decisions and manage their own project as well as continuing to build private sector capacity.
- ✓ Observed positive results and confidence from beneficiaries and other relevant stakeholders in regards to the delivery model adopted.
- ✓ Public-Private Sector Partnership enables the public sector to harness the expertise and efficiencies that the private sector can bring to the delivery of certain facilities and services traditionally procured and delivered by the public sector.

#### Challenges/Costs

- A critical element of a successful Public-Private Sector Partnership is that partners must be equally committed in the partnership and contribute to its success through financial investment or investment in people or leadership.
- Effective decision-making and implementation depends on establishing enabling governance and operating structures. Public sector staff needs to proactively communicate progress and be responsive. Multiple communications channels are a key to quality feedback from homeowners and business partners.
- One key factor is reaching mutual understanding. In order to do so, the government must proactively promote approaches that increase opportunities for private sector through a constructive dialogue on how to build a functional partnership across organisations.
- Impact is achieved where the interest of the public sector partner is aligned with the interest of the private sector and communities engaged in the programme. Transportation and communication for assessors was physical and time consuming and require additional personnel and a coordinated approach.
- Post assessment sign off was hard to coordinate due to a lack of street addresses in Rarotonga. An audit on a percentage of properties would assist bigger PICs to ensure this is manageable.
- Tank installation and shipping delays occurred due to weather or unforeseen circumstances like sustained high demand, which meant suppliers and contractors, must be responsive, increase orders, and work overtime to catch up.

### ***Brief background and operational arrangements***

The water tank subsidy program provides a government funded subsidy to private households for water tanks on Rarotonga. Throughout the process a high priority has been placed on communication between ministries, other relevant stakeholders, suppliers and community organisations. The program subsidises the tank and installation (NZ\$1,500 max per household) and pays “upon performance” – once completed through the final inspection. The total cost for each tank and installation is around NZ\$2,000, on average.

The innovations in the approach to this project are attributed to the following:

- Home owners organise the application form, select one of four accredited businesses to install their tank, pay the initial deposit and sign the paperwork. The Government undertakes assessments of the home owners’ properties to determine eligibility. Home owners then liaised with the installer around all the logistics of when, how and where the tank would be installed. This model put the control of this process squarely in the hands of the home owner.
- A tender committee was used to accredit suppliers whereby interested businesses had to achieve accreditation to agreed New Zealand and Australian standards in order to provide water tank services to the project. So rather than having one business winning the tender, there were four businesses participating: two delivering concrete and two delivering plastic tanks. Individual businesses were very responsive and contributed their own resources for example by advertising the scheme using road side signs and newspapers and attracting business themselves.
- Previous water tank projects highlighted the importance of ongoing accountable and flexible decision making systems that enable adaptation of action to fit the diverse needs of individual situations and respond to emerging issues. These were incorporated into the guidelines and the committee practices.
- The project activities also worked better with coordination across the Minister’s Office, Government agencies, private contractors and regular communication with the public via cooperative and consistent effort of government staff including those not directly managing the project, the committee, the website, print and radio.

A Project Coordination Committee was established to provide guidance and support to project partners. Because of the varying individual circumstances of each application and changing context, a review process was needed for cases which fell outside the approved policy guidelines. To date, around 1,479 water tanks have been installed with around 2,500 eligible homes (originally estimated over 3 years) over a 15 month period - a significant improvement on previous project timelines and implementations.

***Lessons learnt and recommendations***

1. This was quite an innovative method of managing a project for government which has tended to favour models which directly manage projects, although there was some initial resistance from the public sector. However, as the project delivery accelerated past expectations, ongoing positive feedback from the community and businesses helped to build confidence in the project approach. Allowing time for innovative projects to establish and overcome barriers is important.
2. The approach enables every home owner to be a project manager with a personal interest in completing the project on their property to a high standard and in a timely manner. The streamlined process, with limited government involvement and increased private sector and community participation, has been extremely efficient.
3. The private sector and home owners are very supportive of the project approach. The combination of increased voluntary public and private action resulted in a significantly more effective development outcome. This type of partnership could be applied to other types of climate resilient development projects in the future.
4. Working to support genuine partnerships between government, private sector and community, with government involvement focused on a standard setting financing, open communication and a supportive role, rather than signing off every step of the process, has proven to be useful.

***Key donors and partners***

The key financier of this program is the Cook Islands Government through the Ministry of Finance and Economic Management in partnership with the private sector, line ministries and home owners.

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## 6. Coordinated Donor Approach

### *Solomon Islands' experience with Coordinated Donor Approach in Choiseul*

#### Benefits

- ✓ Multiple partners with diverse projects and experiences agreeing to work together from the outset, despite being potential competitors for resources and the time of the province and communities.
- ✓ Agreed multi-year implementation plan with programme outputs linked to relevant national development and sector policies and plans related to climate change adaptation, mitigation, mainstreaming and policy development, sustainable natural resource and land management (terrestrial, coastal and marine resources). The implementation plan also serves as a tool to monitor and evaluate progress of the programme.
- ✓ Commitment from the national and provincial governments, local communities and development partners to deliver programme results over an agreed time period (3 years).
- ✓ Establishment of mechanisms and processes to address programme sustainability and garner new funding support from development partners.
- ✓ Political support and ownership at all levels.
- ✓ Sharing resources (financial, human and technical) with development partners and national ministries to implement activities provides an avenue to strengthen coordination between these stakeholders.
- ✓ Key beneficiaries are local communities and provincial based technical officers. The programme also aims to build capacity of communities to address climate change adaptation, food security, governance and to strengthen livelihoods through healthy ecosystems.

#### Challenges/Costs

- Remoteness of pilot sites results in logistical challenges which can be costly and onerous to coordinate, and at times may result in delays in implementation.
- Consultation is essential to ensure that all stakeholders participate in the planning, implementation, monitoring, evaluation and learning. This is a significant cost (financial and time) to the programme but necessary for programme sustainability.
- Managing multiple partners with varying approaches to project implementation including matters such as appropriate Daily Subsistence Allowance (DSA) rates for staff and the physical logistics of moving around the sites.
- Limited management capacity to oversee and monitor the programme at the provincial level.

***Brief background and operational arrangements***

The Solomon Islands' response to climate change, as in many other countries, has been at times fragmented and uncoordinated. This may be due to the multiple players involved including; national government agencies, development partners, regional organisations, non-government organisations (NGOs) and communities all working in isolation or with limited connectivity with others. The limited coordination traverses not only the policy arena, but also that of resource mobilisation, planning, implementation, monitoring, evaluation and learning.

In 2012, the Solomon Islands Government (SIG) proposed to adopt a more integrated and holistic approach to climate change adaptation and mitigation, at the province-wide level, to help improve coordination and alignment of support, as well as the impact of planned development interventions. It was envisaged that an integrated, holistic and programmatic 'ridge to reef'<sup>77</sup> approach would encourage government agencies, development partners and NGOs to work together at the provincial level under a multi-sectoral "programme", the purpose of which is to strengthen the resilience of communities against climate change. Choiseul Province was selected for trialling this new approach to integrate climate change responses and development assistance, with the programme now known as the "Choiseul Integrated Climate Change Programme (CHICCHAP).

Governance mechanisms to oversee and manage the programme were established in early 2013. The Partners Advisory Group, which comprises of national ministries and development partners, is responsible for coordinating inputs into the CHICCHAP. The Choiseul Provincial Steering Committee, which is made up of technical officers based in the province, is responsible for coordinating programme implementation across sectors.

The national lead agency is the Ministry of Environment, Climate Change, Disaster Management and Meteorology (MECDM). The Provincial Government of Choiseul has the lead in the collaborative effort to achieve the programme objective at the province-level. The Provincial Government and MECDM are supported by the national Ministries of Development Planning and Aid Coordination; Agriculture and Livestock; Infrastructure Development; Mines; Forestry and Research; Fisheries and Marine Resources; and the Ministry of Provincial Government and Institutional Strengthening. Development partners include; the Secretariat of the Pacific Community (SPC), German Development Cooperation Agency (GIZ), Secretariat of the Pacific Environment Regional Programme (SPREP), United Nations Development Programme (UNDP), The Nature Conservancy (TNC), the Government of Australia's Department of Environment, Ecological Solutions and the United States Agency for International Development (USAID).

***Lessons learnt and recommendations***

1. Building capacity at the provincial level for coordinating, financial management and planning is essential for program sustainability.
2. Explore avenues to retain national or provincial capacity which have been funded by projects.
3. Development of exit strategies with national and provincial stakeholders to ensure successful approaches and adaptation interventions are sustained and up-scaled at nationally endorsed project sites.
4. Jointly develop Terms of Reference for project funded positions with technical ministries, Ministry of Finance and the Public Service Commission. Maintain continuous engagement with these stakeholders to encourage opportunities for the absorption of positions that were initially project funded into national ministries and budgets.

***Key donors and partners***

Key donors include the United States Agency for International Development (USAID), German Development Cooperation Agency (GIZ), Australian Government, UNDP and The Nature Conservancy (TNC).

Key implementing partners include SPC, GIZ, SPREP, the Government of Australia (PACCSAP), UNDP, and TNC. National partners include the Ministry of Environment, Climate Change, Disaster Management & Meteorology (MECDM), Ministry of Forestry, Ministry of Agriculture & Livestock, Ministry of Development Planning & Aid Coordination, Ministry of Energy, Mines & Rural Electrification, Ministry of Fisheries and Marine Resources and the Choiseul Provincial Government.

***Contact points for further information***

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## 7. National Implementing Entity (NIE)

*Cook Islands' experience with NIE accreditation application to the Adaptation Fund<sup>8</sup>*

### Benefits

- ✓ Possible direct access to global climate change funds once accreditation has been achieved.
- ✓ The focus on strengthening relevant policies, systems, processes, documentation and examples of good practice is a useful and beneficial exercise at the national level, and not just for the purpose of achieving national implementing entity (NIE) accreditation alone. Defining processes that may already be working and improving others can support the achievement of better development outcomes.
- ✓ The learning throughout this exercise was beneficial in building institutional capacities.
- ✓ Effectively communicating the strengths and weaknesses identified from the NIE application exercise with local and international partners can assist to build confidence of development partners in national systems and processes, as well as tailoring of appropriate access modalities.
- ✓ Because direct access allows a country to obtain and retain funds locally, NIE accreditation helps to build national ownership by allowing a country to continue to invest in building existing country systems and capacity whilst driving national priorities.

### Challenges/Costs

- A key challenge was around both the quantity of information required to support the application, and the lack of specific examples of paperwork or past examples of a successful NIE application. The background research often relied on multiple government departments working together, and can raise questions regarding which department should be the nominated NIE.
- NIE accreditation is time consuming and requires a significant amount of resources and technical expertise, which is an added burden on smaller island state government ministries that already lack adequate staffing and financial resources.
- Managing the expectations of stakeholders regarding the application process, access to funds and when money could realistically be received is a huge challenge. To overcome this, the Cook Islands followed a broader mandate than just “becoming an NIE”. They sought to strengthen their systems and capability over time to deliver better development outcomes, and found that the accreditation process was one mechanism to achieve this goal in relation to climate change financing.
- The process of seeking NIE accreditation requires political will, institutional reforms and innovation.

<sup>8</sup> The Adaptation Fund is a financing instrument under the United Nations Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol (KP). The fund is financed with a portion of proceeds from Certified Emissions Reductions (CERs) generated from Clean Development Mechanism (CDM) projects. Donor governments also provide voluntary contributions to the fund.

***Brief background and operational arrangements***

The Cook Islands Government introduced a Climate and Disaster Compatible Development Policy 2013-2016 which aims to “ensure that the sustainable development of the Cook Islands is actively pursued by the people through a climate and disaster resilience approach that has the capacity to manage climate and disaster risks and reduce our emissions in the context of sustainable development.” This involves taking into account the complexity of the external funding architecture, and ownership for the legal and sovereign implications over national resources. In addition, partnerships and means of coordination and communication must recognise the human and institutional capacity to plan and implement climate and disaster resilient development strategies.

To address the complexity of the global climate change finance architecture and to build climate resilience, the Cook Islands Ministry of Finance and Economic Management (MFEM) is currently applying to become a National Implementing Entity (NIE) to the Adaptation Fund in 2014. Following this process, MFEM will also explore applying for NIE accreditation to the Green Climate Fund. After receiving funding from the European Union supported SPC-Global Climate Change Alliance: Pacific Small Island States (GCCA: PSIS) project, MFEM engaged the services of the Frankfurt School of Finance and Management to embark on a staged process to obtain accreditation. Additional support has been provided by the UNEP readiness support programme to facilitate additional capacity building activities.

To ensure buy-in and carry out the subsequent capacity building, an NIE Working Group was established at the beginning of the project with relevant government ministries working in climate change, financial management, and project implementation and oversight. The terms of reference for the Working Group required regular meetings to be held. The objective of these meetings was to address areas identified as weak or requiring improvement, as well as driving the focus on completion of activities.

Working in close collaboration with MFEM and various government ministries, the first stage involved an in-depth on-site analysis by the Frankfurt School team. This involved a stock take of all information through a review of current processes, projects, policies, guidelines and examples of projects. Following this, an Inception and Analysis Report was drafted which mirrored the NIE application and contained suggested measures for addressing capacity gaps as well as to build climate finance readiness for improved access to other international climate funds. These recommended measures for the way forward are currently being implemented by key stakeholders and the working group.

The next phase was the implementation plan which involved activities and timeframes being agreed upon in relation to short and medium term opportunities and also highlighting any long term initiatives that will need to be worked on in the future (e.g. not required for accreditation, but important to achieve in the longer term “climate finance readiness”). At the time this case study was consolidated, it was expected that MFEM would submit an NIE accreditation application to the Adaptation Fund Board (AFB) by the end of 2014, and will be in close contact with the accreditation panel to ensure all requirements are met.

### ***Lessons Learnt and recommendations***

1. The process has to be country owned, as the required resources can be significant. It needs to be integrated with other national processes to ensure it is part of the core function of the government. In the Cook Islands, this included the national budget process, PEFA roadmap plans, and National Development processes including the Activity Management System.
2. Navigating the Adaptation Fund requirements is quite a technical, resource intensive and lengthy process. Engaging a consultant or consultancy who has the background to understand the requirements is a key part of the process. It is also important to note that the NIE for a country may not have all the necessary technical skills or capacity in-house for some areas of the fiduciary standards, so partnerships to provide specialist assistance are essential.
3. Instead of having a stand-alone NIE, integration with national processes and agencies will ensure broader ownership and avoid perceptions that this is “additional” work. Countries can view this as a broader mandate to strengthen systems and capacities to increase country ownership, effectiveness and build the trust of development partners. Cook Islands will be in a better position to fully learn from this process and share learnings after they have made a formal submission to the AFB.

### ***Key donors and partners***

The key donor for Cook Islands NIE application process is the European Union’s Global Climate Change Alliance: Pacific Small Island States (GCCA-PSIS) project implemented by the Secretariat of the Pacific Community (SPC). Implementing partners include the Frankfurt School of Finance and Management, and the Ministry of Finance and Economic Management. More recently support has been provided for improvement activities by UNEP.

### ***Contact points for further information***

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## 8. National Climate Change Coordination

*Vanuatu's experience with the National Advisory Board to coordinate on Climate Change and Disaster Risk Reduction*

### Benefits

- ✓ Effective coordination of climate change and disaster risk reduction projects/ programs will ensure best use of resources and stronger governance and direction.
- ✓ Limits duplication and fragmentation of activities while increasing collaboration – work towards a comprehensive, consistent approach which addresses key national priorities.
- ✓ Easy to track and maintain a database of all climate change related funds received at the national level.
- ✓ National coordination mechanism to discuss and develop integrated Climate Change (CC) and Disaster Risk Reduction (DRR) policy and positions for national action and international negotiations
- ✓ Facilitates relevant national training and workshops, capacity building and awareness of climate change and DRR issues.
- ✓ Source of quality and timely advice to Parliament, Cabinet and other line Ministries on matters related to CC and DRR.

### Challenges/Costs

- Such national coordination mechanisms like the Vanuatu National Advisory Board (NAB) require political will and support to be institutionalised.
- Challenge in sustaining human capacity and absorbing trained local staff funded by projects and based at the NAB Project Management Unit.
- Some donors that channel their climate change and DRR assistance directly to community organisations, non government organisations or church groups may be difficult to track and fall outside the direct purview of the NAB.
- Lack of available technical capacity in-country to support the implementation and management of CC and DRR activities.
- National coordination mechanisms on CC and DRR would be successful if there is a “whole of government” support and ownership and will require all line ministries to collaborate efficiently.

### ***Brief background and operational arrangements***

The National Advisory Board (NAB) on Climate Change and Disaster Risk Reduction is a committee made up of government and non-government members. Its primary purpose is to: “Act as Vanuatu’s supreme policy making and advisory body for all climate change and disaster risk reduction programs, projects, initiatives and activities”.

Prior to mid-2012, there were two government bodies undertaking climate change and disaster risk reduction work: the National Advisory Committee on Climate Change (NACCC) and the National Task Force (NTF) on Disaster Risk Reduction. There were many areas of overlap in climate change adaptation work and disaster risk reduction work. For reasons of efficiency, coordination, best use of resources, and stronger governance and direction, it was agreed by the Vanuatu Meteorology and Geo-Hazards Department (VMGD) and the Natural Disaster Management Office (NDMO) that a merged body should be formed.

In February 2012, NACCC and NTF hosted a 2-day “Reorientation Meeting” to discuss how to create an integrated approach. Over 50 participants, from Government, NGOs and Donors provided feedback on how a joint advisory board should work. A draft structure, roles and responsibilities was drafted by VMGD and NDMO and circulated for comment. The Council of Ministers endorsed the creation of the interim NAB on 15 October 2012.

The NAB is co-chaired by the Director of VMGD and the Director of NDMO. Members are senior-level representatives from key sector government agencies, and NGO representatives - a representative of the Vanuatu Humanitarian Team (VHT) Network, Vanuatu Climate Adaptation Network and the Vanuatu Association of NGOs (VANGO). Members are nominated in the first instance by the Directors of VMGD and NDMO, and then appointed by NAB Co-Chairs at an official NAB meeting. Observers and visitors are welcome to attend NAB meetings on a request/invitation basis.

The NAB has six main duties:

- a. Act as Vanuatu’s supreme policy making and advisory body for all climate change (CC) and disaster risk reduction (DRR) programs, projects, initiatives and activities;
- b. Develop DRR and CC policies, guidelines and positions;
- c. Advise on international, regional and national CC and DRR obligations;
- d. Advise, facilitate and endorse the development of new CC & DRR programs, projects, initiatives and activities – including mainstreaming CC and DRR;
- e. Act as a focal point for information-sharing and coordination on CC/DRR; and
- f. Advise, guide and coordinate the development of national CC & DRR financing processes.

The NAB meets once every 6-8 weeks or as needed to make decisions. It is supported by an Executive Committee, which meets for urgent decisions, and by the NAB-PMU (NAB Project Management Unit) which is the Secretariat of the NAB. The PMU prepares information for NAB decision, and then implements the decisions of the NAB. In addition, the PMU also focuses on strategic governance and policy,

technical advice, project monitoring and coordination, and project management in terms of financing, procurement and administration. More recently under the Pacific Risk Resilience Programme (PRRP), a Risk Governance Assessment (RGA) exercise recommended a number of changes within the NAB's structure to enable improvements within its mandate. This includes the separation of strategic and project management functions of the NAB. Accordingly work is now underway to establish a dedicated NAB Secretariat, such as the initial recruitment of positions such as Strategic Manager, Policy and Planning Specialist, and Project Development Specialist.

### ***Lessons learnt and recommendations***

1. Develop and/or update relevant legislation to formally recognize the integration of climate change and disaster risk reduction, and to legislate for coordination mechanisms like the NAB.
2. Integrate or mainstream climate change and disaster risk reduction into relevant national development plans and sector policies.
3. It would be beneficial to the country if mechanisms such as the NAB is fully utilised by donors and development partners as a “one stop shop” for all CC and DRR assistance, to allow for easy tracking of support accessed.

### ***Key donors and partners***

Donors and development partners that have assisted the NAB PMU include the World Bank, German Development Cooperation Agency (GIZ), European Union's Global Climate Change Alliance, Global Environment Facility, UNDP, and the Global Facility for Disaster Reduction and Recovery. Key national partners include the Vanuatu Meteorology and Geo-Hazards Department (VMGD) and the Natural Disaster Management Office (NDMO). This is supported by sector government agencies, and NGO representatives from the Vanuatu Humanitarian Team Network, Vanuatu Climate Adaptation Network and the Vanuatu Association of NGOs.

### ***Contact points for further information***

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## 9. National Adaptation Programme of Action (NAPA)

### *Timor-Leste's experience with NAPA Preparation and Implementation*

#### **Benefits**

- ✓ Formulation of the NAPA preparation document enables the country to drive the identification of its adaptation priorities and needs, with the objective of increasing resilience in all vulnerable sectors.
- ✓ Adaptation priorities identified in the NAPA are areas or sectors prioritised for financial support from multilateral and bilateral partners, and the national budget for implementation in the short term. NAPA implementation is currently receiving some financial support from various agencies and donors at the bilateral and multilateral levels.
- ✓ Funded components or priorities of the Programme of Action are helping to increase the resilience of communities to the adverse impacts of climate change.
- ✓ The NAPA development exercise served to raise public awareness at all levels.

#### **Challenges/Costs**

- The Global Environment Facility (GEF) Least Developed Country Fund (LDCF) is often administered by accredited multilateral implementing agencies (IAs). This contributes to perceptions in the government that the money is owned by the IA, resulting in weak ownership from the government side.
- Some implementing agencies of the GEF LDCF often fail to engage or consult with the relevant government agencies in regards to the recruitment process and decisions on consultants.
- Problems with availability of climate change data and sufficient human resource capacity are common challenges.
- The national adaptation priorities developed for the NAPA require financial support from multilateral and bilateral partners in order to implement concrete adaptation measures.

#### ***Brief background and operational arrangements***

As a Least Developed Country (LDC) under the United Nations Framework Convention on Climate Change (UNFCCC), Timor-Leste is eligible to benefit from the Global Environment Facility's (GEF) Least Developed Countries Fund (LDCF), including financial support for the preparation and implementation of a National Adaptation Programme of Action (NAPA). The Government of Timor-Leste, through the Secretariat of State for Environment and in cooperation with the United Nations Development Programme (UNDP) formulated and submitted a proposal to the GEF for the preparation of a NAPA for Timor-Leste in 2008. As a result of this proposal, the GEF allocated US\$200,000 to Timor-Leste to formulate a NAPA preparation document. This project was executed by the Secretariat of State for

Environment and the fund was managed by UNDP, acting in its capacity as one of the GEF Implementing Agencies.

The project commenced in 2009 by involving all related stakeholders and ministries in the preparatory work for development of the NAPA. During the formulation and consultation, nine adaptation priorities were identified for Timor-Leste. The priorities are: food security and agriculture, water resource management, human health, natural disaster management, livestock, coastal ecosystem and forestry, infrastructure, oil and gas infrastructure, and capacity building. The NAPA preparation document was completed and approved by the Council of Ministers in 2011 and was submitted to the UNFCCC Secretariat and GEF in the same year.

There are key differences between NAPAs and National Adaptation Plans (NAPs). Firstly, NAPAs identify “urgent and immediate” adaptation projects while NAPs focus on bigger and long-term planning. Secondly, NAPAs are developed by the LDCs while NAPs are for all developing countries.

In 2011, GEF allocated US\$4.6 million for Priority 2: Small Scale Rural Water Infrastructure, a project which was ongoing at the time of publication. This project is executed by the Ministry of State Administration, with financial management provided by UNDP. Also in 2011, the European Union allocated US\$4 million for food security and agriculture as part of the NAPA implementation. This project is ongoing and executed by the Ministry of Agriculture and Fisheries.

In 2012, GEF allocated US\$5.25 million for the implementation of NAPA priorities, with a focus on natural disasters and road infrastructure construction. This project was ongoing at the time of publication, and is executed by the Ministry of Social Solidarity, specifically the Natural Disaster Directorate, and managed by UNDP.

In 2013, GEF allocated US\$4.5 million to improve the resilience of Timor’s roads to the impacts of climate change. This project was still ongoing at the time of publication, and is executed by the Ministry of Infrastructure, and managed by the Asian Development Bank (ADB). There has also been additional financial assistance for NAPA implementation from the European Union under the EU-USP Global Climate Change Alliance with financial support of US\$203,000 managed by the by the National Directorate for International Environmental Affairs and Climate Change with focus on community based adaptation on water supply. Further financial support of US\$1.7 million was also received from the Australian Government and implemented by OXFAM, CRS, CARITAS and CARE. Also in 2013, the EU allocated US\$4 million for forestry, agriculture and land use information system as well as rural adaptation activities which is being implemented by the GIZ and the Camoes Institution.

In 2014, the EU-GIZ Adapting to Climate Change and Sustainable Energy (ACSE) project has allocated US\$1 million for funding of two projects known as “Securing clean water for a climate resilience future” and “Integrated action for resilience and adaptation (IA4RA) to climate change in the Raumoco Watershed”.

### ***Lessons learnt and recommendations***

1. Coordination among all relevant agencies is very important.
2. A national climate change thematic working group was established, but also needs support in the form of a Climate Change Committee at the political level.
3. Institutionalised climate change financing is required for Programme sustainability.
4. Country ownership is important and should be addressed as a matter of priority. This could include giving government bodies the opportunity to manage the fund in order to increase their ownership.
5. Countries should be supported to develop a climate change financing framework or strategy that is integrated with the NAPA.
6. Financial support should be given to the countries for the full implementation of NAPA priorities (LDC members) and at the same time to support countries in dealing with National Adaptation Plans (NAPs) for medium and long term adaptation measures.

### ***Key donors and partners***

Key donors and development agencies that provided support to Timor-Leste’s preparation and implementation of its NAPA include the Global Environment Facility, UNDP, ADB, Australia, and the European Union. Lead national executing partners include the Secretariat of State for Environment, Ministry of State Administration, Ministry of Agriculture and Fisheries, Ministry of Social Solidarity specifically the Natural Disaster Directorate, and the Ministry of Infrastructure.

### ***Contact points for further information***

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## 10. Regional Implementing Entity (RIE)

*SPREP's experience with Regional Implementing Entity accreditation to the Kyoto Protocol Adaptation Fund*

### Benefits

- ✓ As a whole the process was positive as a tool for identifying gaps or weaknesses in organisational policies, procedures and controls. These improvements will serve as one of the bases for improved project delivery and an improvement in the organisation's credibility and reputation.
- ✓ The issue of access modalities for the Green Climate Fund (GCF) generated significant discussion and interest both within and outside the Pacific region. Having progressed through the accreditation process, the Secretariat of the Pacific Regional Environment Programme (SPREP) now improved its internal procedures and processes to a level that gives it an excellent platform from which to engage with the GCF process with a view to gaining access. Although it is likely that there will be additional criteria for accessing the GCF, which may represent a higher standard, SPREP sees the Adaptation Fund (AF) accreditation process as an important source of learning that will be valuable in the future.
- ✓ SPREP's RIE accreditation would help to build and supplement capacity limitations of smaller island states in regards to their ability to develop proposals to access the AF and other climate change funds.
- ✓ The lessons learnt and experience in undertaking this RIE exercise can be used to assist other PICs interested in pursuing NIE status.

### Challenges/Costs

- A substantial commitment of staff time and resources was required in order to ensure the success of the accreditation. In particular, the process involved the introduction of internal mechanisms that were new to the organisation, and associated cost implications. It is also important to note that as the AF was set up in order to finance "concrete adaptation projects", the Fund itself is unable to finance activities associated with building this capacity.
- It is important that countries understand the importance of having the resources in place to meet the requirements on an ongoing basis.
- It will be a challenge for an RIE to maintain a balance between the priority climate change adaptation needs of member countries, recognising the diversity within the region and the likelihood of some hoping to attain NIE status in the future. However, SPREP is working closely with countries to ensure its position as an RIE complements and supports national efforts to achieve NIE status.
- There will be challenges associated with developing proposals, disbursement and management of climate change funds at the national level, as observed with many regional climate change initiatives. To support this work, SPREP has trained countries on proposal writing to the AF.

***Brief background and operational arrangements***

The Secretariat of the Pacific Regional Environment Programme (SPREP) secured its status as a Regional Implementing Entity (RIE) under the Kyoto Protocol Adaptation Fund in November 2013.

The Adaptation Fund (AF) provides countries with the option of accessing funding directly through a National Implementing Entity (NIE), Regional Implementing Entity (RIE) or Multilateral Implementing Entity (MIE) that meets the international fiduciary standards set up by the AF Board. The Implementing Entity is accountable directly to the Board for the overall management of projects, as well as for the financial, monitoring and reporting aspects of project activities.

In order to be accredited as an NIE, RIE or MIE, prospective institutions must demonstrate that they have the requisite staffing, expertise, experience, internal controls and capacity to manage grant amounts of up to US\$10 million disbursed by the AF. This means that organisations are obliged to demonstrate a “track record” over a number of years. The accreditation process is defined and organised around a set of fiduciary standards which prescribe the level of capacity organisations must have across a range of categories. In order to gain accreditation, organisations must satisfy the Accreditation Panel, the independent body set up to recommend institutions to the Board.

SPREP submitted its initial application to the AF Secretariat in April 2011 and was thereafter involved in close consultation with the Accreditation Panel in supplying further information in a back and forth fashion in order to demonstrate compliance with the fiduciary standards. A significant number of documents were supplied by SPREP to the AF Secretariat ranging from those establishing SPREP’s separate legal personality as an international organisation, to project evaluations, to evidence of its financial systems and accounts. In all, SPREP supplied around 60 separate pieces of evidence ranging from its annual accounts to procurement policies and procedures. The Panel identified a number of areas as being in need of improvement, and SPREP benefited from the Panel’s specific advice on the necessary measures to achieve this. In satisfying some of these criteria, SPREP had to implement certain new changes to its internal infrastructure, policies, internal auditing and financial processes.

With this accreditation SPREP can assist countries in developing and submitting climate change adaptation proposals to the Adaptation Fund Board for financing. This is particularly important for countries in the region with limited national capacity. At the same time, SPREP plans to continue to support efforts in the region that would allow countries to attain NIE status, allowing them direct access. To this effect, SPREP has produced a report on its experience in gaining RIE accreditation to the AF. To date, there are no NIEs in the Pacific, although some countries

have successfully developed AF projects with MIEs such as the United Nations Development Programme (UNDP).

### ***Lessons Learnt and Recommendations***

1. One of the crucial lessons was the importance of being able to demonstrate a track record in project delivery backed up by sound financial management. This can be something as simple as ensuring that policies and procedures are reviewed systematically, ensuring that outcomes and follow-up actions based on these reviews are recorded adequately.
2. Commitment from SPREP's stakeholders, predominantly from member countries and key donors, was vital to gaining accreditation.
3. Due to the back and forth nature of the process, it was vital for SPREP to nominate a focal point person to coordinate the responses to requests for information and keep track of progress on action points. The range of information requested from the Accreditation Panel covered the whole organisation, so it was important to identify an individual to be responsible for internal coordination of the application.
4. SPREP found some existing initiatives that were designed to assist NIE and RIE entities in their applications for accreditation under the AF. SPREP was able to draw on the technical expertise of other organisations in developing policies and procedures. One drawback is that no additional funding was available to implement any reforms proposed, and SPREP had to meet these costs out of its existing budgetary resources.
5. In a country there are potentially several institutions involved in the accreditation process. A prospective government should undertake a consultative process to identify and select an appropriate entity within the government/country that meets the requirements of the fiduciary standard or is in the best position to implement the infrastructure to fulfill the fiduciary requirements.
6. Upgrading internal structures is only the first activity in a line of steps required to access funding. After gaining accreditation as an RIE, SPREP began developing the formal structures for developing projects, action plans and roles. Resources to meet ongoing responsibilities are important.

### ***Key donors and partners***

Key partners include other CROP agencies with interests in climate change adaptation, member countries that supported SPREP's nomination to be an RIE and relevant development partners.

### ***Contact point for further information***

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## Summary Observations

From the various experiences outlined by Pacific Island Countries and partners in this booklet, there are several key observations noted by the Pacific Islands Forum Secretariat and summarised below:

- Having improved access to international climate change financing will continue to remain at the forefront of national priorities of Pacific Island Countries, and their interest in pursuing an array of options and modalities will continue to grow.
- A proper understanding by countries regarding the range of channels and modalities used to disburse international climate change finance will help to clarify between assistance received from the pledged “new and additional” climate change finance, and the traditional Overseas Development Assistance from their development partners.
- Budget support (direct and sector) as in the case of Solomon Islands and Samoa, national climate change trust fund (Tonga) and national implementing entity (Cook Islands) are modalities that enhance national ownership and complement national systems and institutional capacity building. Meeting the required conditionalities, strengthened national systems and increased use of those systems by development partners are key pre-requisites. The focus on strengthening relevant policies, systems and processes is a useful and beneficial exercise at the national level, not necessarily for the purpose of achieving national implementing entity accreditation, for example, but to support the achievement of better national development outcomes.
- Integration of climate change into national plans, policies and budgets will have significant implications for the sources and modalities of access/delivery available to a country.
- Innovative sustainable financing mechanisms, such as the Green Fee or Environmental Impact Fee for visitors and tourists in Palau, promote the ‘user pays principle’ and national ownership, and at the same time generate an important economic subsidy for national efforts.
- Providing opportunities for public-private sector partnerships in the region on climate change response, as is the case of the Cook Islands water tank subsidy, is innovative and useful in addressing national priorities and capacity building of the private sector and communities.

- Efforts to coordinate and harmonise donor approaches in-country (Solomon Islands), and establishing national coordination mechanisms and arrangements (Vanuatu's National Advisory Board and Timor-Leste's NAPA implementation) will assist to reduce duplication and donor fragmentation. These mechanisms need to regularly engage across sectors to remain connected to stakeholders and abreast of national development priorities.
- Gaining direct access to global climate change funds, through the National Implementing Entity (NIE) approach under the Adaptation Fund and other relevant global climate funds seems to be the preferred modality of access. This could also provide a sound approach for delivering other sources of funds through national systems in line with the principles of aid effectiveness. In addition, SPREP's accreditation as a Regional Implementing Entity is an ideal step as an interim measure to assist the region until all Pacific Island Countries attain NIE status, and the accreditation process lessons and experiences are documented and shared.
- Sound fiduciary management (including financial investment) is a requirement across all modalities of access and management. Efforts to progress reform of public financial management systems and more comprehensive aid management policies will provide direct and tangible returns beyond improved access to climate change financing.
- Implementation of climate change financing through any modality depends heavily on the capacity available in-country, in particular to implement activities and projects. This consideration is often cited by donors as the reason for not



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