

Key Points of Policy Dialogue – Climate Change resourcing and aid effectiveness

Context - SIDS are acknowledged as the least contributors to causing climate change but amongst the most vulnerable with the least capacity to respond to its impacts. On this basis they rightly deserve new and additional resources to combat climate change and these resources should be provided in the most efficient way possible.

Current challenges from experience – Participants expressed frustration with the challenges they have faced in effectively accessing and managing climate change funding. Heavy conditionality and compliance measures for relatively small amounts of resources as well as lengthy disbursement procedures. Project based funding, often disjointed with timelines for implementation dictated by donor requirements. This effectively means limited national human capacity has to wait around for resources to be provided before they can implement and address priorities. This is near impossible for small administrations and extremely frustrating.

Global climate change finance and aid effectiveness – OECD research shows that only a small percentage of global funding for climate change has actually been accessed which is an indication of the existing efficiency of the current global funding architecture. It is possible to track ODA funds for climate change through the OECD creditor reporting system and information can be disaggregated by donor, recipient country, sector, adaption versus mitigation and thus provides a basis to suggest ways to improve harmonization and aid effectiveness in climate change. This could be modified by PIC's to track mitigation and adaptation funds into Pacific Island countries.

SIDS focused analysis - The conference encouraged an analysis focused on Small Island Developing States (SIDS) as they are particularly vulnerable to climate change and also have the most limited capacity to compete for resources. This will help SIDS to influence changes in the way global funding architecture accommodates their particular constraints in future. The Transitional Committee (TC) set up to develop the Green Fund provides a good opportunity in this respect and the importance of feeding into this process through Ambassador Elisaia who is the SIDS representative on the TC.

One size does not fit all - Pacific Island Countries have voiced their frustrations with access to resources for many years and until there is response to this in the form of tailor made modalities taking into the particular capacity constraint of SIDS, we will continue to face these problems into the future.

Move from short term, to long term funding – Climate change is an immediate and long term crisis which needs to be matched with both immediate and long term predictable resources and action. Flexibility in the use of these resources will allow governments to investment in the

necessary structural changes, and policy to build resilience sustainably for the long term. This will also facilitate the clear articulation of climate change challenges within the development context and aspirations of each country.

Country lead prioritization - Pacific Island Countries recognize the importance of leading and strengthening their own national systems and effectively mainstreaming climate change into national plans, sector plans and budgets building on the experience from the NAPA process. In addition, establishing the necessary institutional structures that facilitate effectively implementation through coordinated participation of key line ministries involved in climate change, environment, through to the central ministries of finance and planning.

It was acknowledged that effectively mainstreaming climate change into national plans, budgets and systems is not an easy process and few, if any, Pacific Island Countries have achieved this thus far. This requires resources, political will, country leadership and ongoing sufficient support from development partners.

Pacific leading efforts in development coordination - The EU acknowledged that the region has committed to doing this with its partners through the Cairns Compact on development coordination. Key components of this Compact focus on strengthening national plans, systems and links with budgets and other resources; strengthened Public Financial Management systems, sound fiduciary management and strengthening donor harmonization and aid effectiveness measures. Development partners must support this and align their resources against national systems where ever possible. It was emphasised that if aid coordination mechanisms are robust at the national level then this leaves very little room for reinventing the wheel.

The European Commission, acknowledging the continued strengthening of mainstreaming processes, PFM and monitoring systems, reiterates its commitment to the use of modalities such as budget support that can best address the structural and long term nature of climate change.

It would be useful to use existing reporting mechanisms under the Cairns Compact to facilitate evidenced based approach to developing a national and regional climate change score card focused.

Effective use of resources – It is important that in monitoring and measuring the performance of financing mechanisms of climate change that the focus is not only on how effectively resources can be accessed but also how effectively the resources are delivering results. It is

also important not too loose sight of the fact that in the Pacific small community projects are often very effective and inexpensive but don't often have access to resources.

National examples and possible models –

- **Tuvalu Trust Fund** – benefit is long term predictable source of resources. Could this be replicated in other countries? Acknowledging the larger the fund the smaller the management cost, could a similar Trust Fund modality be rolled out at the sub-regional or regional level. There would be many issues that need to be considered if this is to be explored such as equity, decision making, fiduciary management of resources etc.
- **Solomon Island direct budget support with EU** – With strong political will of the Solomon Islands government and commitment to coordinate among development partners in the spirit of true partnership, EU provided direct budget support which included climate change funding to the Solomon Islands.
- **Vanuatu** – One of the first countries to receive direct budget support from the EC and the first to receive GCCA funds.

Where to from here –

- Continue to explore direct budget support with EU and possibly other development partners.
- Use this as a basis to develop the EU – Pacific Action Plan 2011-2013.
- Inform the development of the Options Paper on improved access to and management of climate change resources as requested by Forum Leaders.
- Support Ambassador Feturi in his role as SIDS representative on the Transitional Committee developing the modalities of management and operationalisation of the Green Climate Fund.