LOWY INSTITUTE
FOR INTERNATIONAL POLICY

JULY 2011

ANALYSIS

NIC MACLELLAN
nicmaclellan@optusnet.com.au

IMPROVING ACCESS TO CLIMATE FINANCING FOR THE PACIFIC ISLANDS

EXECUTIVE SUMMARY

The United Nations Framework Convention on Climate Change (UNFCCC) commits developed countries to provide assistance to 'developing countries that are particularly vulnerable to the adverse effects of climate change in meeting the costs of adaptation.'

Although recent commitments of 'fast-start' climate funding from partners like Australia, Japan and the European Union are welcome, Pacific Island countries face wider obstacles in accessing appropriate and timely levels of funding for adaptation and mitigation to manage the adverse effects that environmental challenges have on core areas for economic, social and human development.

The experience of Solomon Islands, the first Pacific country to obtain funding from the Kyoto Protocol Adaptation Fund for a project on food security and agricultural production, offers some important lessons for the region.

Access to climate financing could be improved through seeking special access for small island states in financial mechanisms, establishing programs and structures that improve donor coordination and build the capacity of national institutions, developing national climate trust funds and a Pacific Regional Climate Change fund and, most importantly, implementing more targeted action on the ground to assist the most vulnerable communities with concrete adaptation programs.

LOWY INSTITUTE FOR INTERNATIONAL POLICY
31 Bligh Street
Sydney NSW 2000
Tel: +61 2 8238 9000
Fax: +61 2 8238 9005
www.lowyinstitute.org

The Lowy Institute for International Policy is an independent policy think tank. Its mandate ranges across all the dimensions of international policy debate in Australia – economic, political and strategic – and it is not limited to a particular geographic region. Its two core tasks are to:

- produce distinctive research and fresh policy options for Australia's international policy and to contribute to the wider international debate.

- promote discussion of Australia's role in the world by providing an accessible and high-quality forum for discussion of Australian international relations through debates, seminars, lectures, dialogues and conferences.

Lowy Institute Analyses are short papers analysing recent international trends and events and their policy implications.

IMPROVING ACCESS TO CLIMATE FINANCING FOR THE PACIFIC ISLANDS

Introduction

In December 2008, countries from around the world gathered in Poland, for global climate negotiations under the United Nations Framework Convention on Climate Change (UNFCCC). Addressing the plenary session, Tuvalu's then Prime Minister Apisai Ielemia argued that vulnerable island nations in the Pacific require easier access to funding for adaptation and mitigation, so they can respond to the challenge of climate change:

> 'Small Island Developing States like Tuvalu need direct access and expeditious disbursement of funding for real adaptation urgently, because we are suffering already from the effects of climate change. How else can we say it more clearly! It seems however that some key industrialised states are trying to make the Adaptation Fund inaccessible to those most in need. I am compelled to say we are deeply disappointed with the manner some of our partners are burying us in red tape. This is totally unacceptable.' [1]

The UNFCCC commits developed countries to provide assistance to 'developing country parties that are particularly vulnerable to the adverse effects of climate change in meeting the costs of adaptation.'[2] Since this convention was adopted at the Rio conference in 1992 and extended by the Kyoto Protocol in 1997, one of the central pillars of global climate negotiations is the need to improve access for developing countries to funding and technical resources.

Since Apisai Ielemia's call to action, the global architecture for climate financing has evolved considerably, with new steps taken at the 2010 climate conference in Cancun, Mexico. But efforts to establish effective mechanisms for climate financing are complex and long-running, with governments trying to balance the accountability required for the allocation of tens of billions of dollars with the urgent need for resources to flow into the poorest communities in the world.

This is a central tension in the debate over climate financing. Taxpayers from donor countries have expectations that additional funding will be spent to help poor communities at risk. International institutions and bilateral partners claim to have high accountability standards and have questioned the absorptive capacity of Pacific Island countries to spend additional funding effectively. The fact that many Pacific states have a mixed record in meeting the Millennium Development Goals despite high levels of Official Development Assistance (ODA) has caused some donors to express concerns about the 'absorptive capacity' of Pacific Island governments.

In turn, Pacific governments and community organisations have raised concerns over the inflexibility and bureaucracy of donor programs, which can limit the flow of resources to those most in need. Small Island Developing States are amongst the nations most vulnerable to the adverse effects of climate change, but often lack the necessary resources to reduce greenhouse gas emissions and adapt to the immediate effects of climate change, which are exacerbating existing development challenges. They highlight the historic responsibility of the industrialised nations for greenhouse gas emissions, and the need for international support to assist the transition to a low-carbon economy in Small Island Developing States (SIDS) and Least Developed Countries (LDCs).

This paper will address these tensions between accountability, effectiveness, equity and urgency. It will outline innovative ways to increase access to financial mechanisms, improving the flow of resources to those most in need in our region.

Island states have limited resources to carry their voice into the complex UNFCCC negotiations, which involve a range of countries with different treaty obligations. Annex I nations comprise both developed (OECD) countries and economies in transition (EITs) from the former Soviet Union. All Annex I countries have commitments to reduce greenhouse gas emissions, but only the OECD 'developed' nations (dubbed 'Annex II countries') are required under the UNFCCC to commit finance for mitigation and adaptation.

In Conference of the Parties (COP) negotiations, there are a range of negotiating groups from the South: the 'G77 and China' developing country bloc, the BASIC group of large emerging economies (Brazil, South Africa, India, China); oil producing countries; and – in larger numbers but wielding less economic and political clout – the Least Developed Countries (LDCs) and the Alliance of Small Island States (AOSIS).[3]

Pacific governments have discussed climate financing for many years, but the issue has taken on new urgency.[4] At the 2010 Pacific Islands Forum meeting in Port Vila, Vanuatu, Pacific leaders asked officials to advise on options to improve access to, and management of, climate change resources. The issue will be addressed at the Forum leaders' meeting in Auckland, New Zealand in September 2011. The issue will be on the agenda again at the next UNFCCC Conference of the Parties in Durban, South Africa in late 2011.

This paper will focus on the issue of climate financing, a central pillar of the UNFCCC negotiations and one of four building blocks of the Bali Action Plan adopted at the thirteenth Conference of the Parties (COP 13) in 2007. It will not address the full range of issues in the public debate on climate change such as: the science of global warming; the rigour of projections outlined in the Assessment Reports of the Intergovernmental Panel on Climate Change (IPCC); economic and technological options to assist the transition from economies based on fossil fuels; and the range of targets for reduction of greenhouse gas emissions needed to develop a safe climate. While it will touch on the UN Reducing Emissions from Deforestation and Degradation (REDD) program that will be an important source of climate financing for some Melanesian nations, the major focus will be on funding for adaptation initiatives.

Section 2 outlines the difficulties that Pacific Island Countries (PICs) have in accessing and mobilising resources, especially for adaptation programs. After a case study in section 3 on Solomon Islands' successful bid for funding from the Kyoto Protocol Adaptation Fund, section 4 outlines some options to improve donor coordination, strengthen national institutions and increase action on the ground. For those unfamiliar with the international architecture for climate financing, Annex 1 outlines the key institutions established over the last decade.

Mobilising resources to respond to climate change

There are a variety of ways that climate finance can be sourced, with debates over the mix of public and private sources (which could include market-based carbon trading, actions by corporate, foundation or community organisations or the introduction of new mechanisms such as 'Robin Hood' taxes on financial transactions).

Over the last decade, a number of climate funds have been established under the UNFCCC and today there are more than forty international and regional mechanisms. Annex 1 of the paper provides an overview of some of these institutions, including: the Least Developed Countries Fund (LDCF) and Special Climate Change Fund (SCCF) under the Global Environment Facility (GEF); the Kyoto Protocol Adaptation Fund; and Climate Investment Funds (CIFs) administered by the World Bank.

After the failure to negotiate a legally binding treaty at the 2009 Conference of Parties in Copenhagen, 141 nations initially indicated support for the 'Copenhagen Accord'. The Accord included pledges for both short- and long-term financial support for developing countries to deal with climate change, including 'fast-start' or 'fast-track' funding approaching US$30 billion in 2010-12 and a goal of US$100 billion a year by 2020.[5] These pledges were reaffirmed at the 2010 Cancun conference, which saw significant advances on the idea, initially raised in Copenhagen, to establish a new Green Climate Fund. The conference agreed to establish a Transitional Committee to develop the structure, mandate and priorities of this new fund.

Beyond these global mechanisms, there are a range of bilateral initiatives, including Japan's Hatoyama Initiative (formerly the Cool Earth Partnership), the European Commission's Global Climate Change Alliance (GCCA) and Australia's International Climate Change Adaptation Initiative (ICCAI) and International Forest Carbon Initiative (IFCI).

The debate on climate financing is part of an intensely political struggle on the global response to climate change. There is evidence that the major OECD countries see financing for small island states as a way of playing them off against other developing countries within the G77 group (especially the BASIC group of Brazil, South Africa, India and China). According to a US diplomatic cable released by WikiLeaks on a meeting on 11 February 2010 between EU Climate Action Commissioner Connie Hedegaard and US Deputy Special Envoy for Climate Change Jonathan Pershing, Hedegaard suggested 'the AOSIS (Alliance of Small Island States) countries "could be our best allies" given their need for financing.'[6]

In February 2010, UN Secretary General Ban Ki-Moon established a High-Level Advisory Group on Climate Change Financing, tasked to identify potential sources of finance – public and private, bilateral and multilateral – to achieve the goal of raising US$100 billion a year by 2020. The Advisory Group issued their report in November 2010, but their study focused more on how to source the necessary funds, rather than ensuring that developing countries could easily and directly access those resources.[7]

Australia, the European Union, Japan and other nations have now made specific pledges on 'fast-start' finance. Australia's A$599 million package of fast-start funding for 2010-13 was announced in June 2010, with 25 per cent targeted for SIDS. In Cancun, Australia's Minister for Climate Change and Energy Efficiency Greg Combet outlined more details of the package, as the major contributors presented reports to the UNFCCC on their fast-start pledges:

> 'Australia is fulfilling our commitment made at climate change talks last year to ensure adaptation funding is prioritised to the most vulnerable developing countries. As part of our $599 million climate change fast-start finance announced in June this year, the Pacific will receive support of up to A$80 million within the next two years.'[8]

However, as discussed below, to meet its fair share of the global funding pledge of US$100 billion a year by 2020, Australia will need a tenfold increase in its current annual commitment of A$200 million.

Pacific governments have welcomed these commitments from partners. However many Pacific leaders have stressed that they are not yet benefitting from the fast-start funding. In recent years, they have raised concerns about the complexity, delay and effectiveness of accessing climate funding and the failure to fully deliver on pledges. Samoa's Prime Minister Tuila'epa Sailele Malielegaoi told the UN General Assembly in September 2010:

> 'The much publicised 'fast track' funding announced in Copenhagen to meet the adaptation needs of the most vulnerable countries has become a "best kept secret". Information on how much of the pledges have been honoured, disbursed and to whom, has been scarce. When available, the information is vague and seems bereft of coordination. Yet the fast track resources were commitments made at the highest political level, in recognition at Copenhagen of the pressing need for an interim measure to help the most vulnerable countries avert further harmful effects of climate change pending the conclusion of a negotiated agreement.'[9]

Samoa's Permanent Representative to the United Nations Ambassador Ali'ioaiga Feturi Elisaia has highlighted the complexity of using existing institutions such as the Global Environment Facility (GEF), as one reason why developing nations have lobbied for the new Green Climate Fund:

> 'The complexity of the GEF governance structure, which requires people to be accountable to multiple governance measures and the complexity of the project cycles, which require the approval of multiple executing agencies, provide easy ammunition for people looking for justification for creating a new fund. While the Kyoto Adaptation Fund is operational, the level of capitalisation is limited due to the narrow level of Clean Development Mechanism (CDM) proceeds allowed, resulting in only a few projects being approved for implementation. The quality and nature of contributions to the Least Developed Countries Fund and the Special Climate Change Fund administered by GEF means there is a mismatch between country needs and available resources.'[10]

In early 2010, three Pacific countries (Tuvalu, Cook Islands and Nauru) formally advised the United Nations that they could not sign on to the Copenhagen Accord, as it failed to address their core concerns on climate mitigation and adaptation. Other PICs did sign the Accord, though with reservations. Kiribati President Anote Tong has stated that one reason his country agreed to sign was to ensure the flow of urgently needed adaptation funds, but this has not eventuated:

> 'We regret to say that up to now we have not been able to access any of the fast-start funds pledged. I acknowledge that many elements of any international regime on climate change will take several years to conclude, but…the urgent need for the flow of adaptation funds to address the more urgent adaptation needs of the most vulnerable countries is a matter over which there is general consensus. It is not a matter for negotiation or to procrastinate over otherwise it will be too late for some countries and any subsequent agreement will be meaningless.'[11]

Early action on adaptation has practical benefits, as governments – both donors and recipients – could strengthen their capacity to implement larger scale programs in the future. A 2011 Commonwealth Secretariat study notes:

> 'Whilst securing the governance system for the international architecture is critical, attention also needs to be given to the early delivery of sufficient finance so that lesson learning can begin and national systems can strengthen so that they operate effectively at scale.'[12]

Pacific Island nations face seven broad challenges as they try to access increased funding.

1) Adequacy of adaptation funds

The architecture and allocation of climate funding is still in flux, but the picture is not encouraging for SIDS. A sticking point for the UNFCCC climate negotiations is the need for developed countries to commit adequate funds to assist developing countries with mitigation, capacity building, technology transfer and especially adaptation. A report by the Imperial College in London has found that major studies like the Stern Report and IPCC Assessment Report have underestimated the levels of global adaptation funding, with two to three times more funds being required.[13]

By May 2011, Annex I developed countries have announced fast-start finance pledges amounting to US$28.14 billion. However, according to information formally reported to the United Nations by member governments, only US$12.14 billion of the pledged amounts had actually been requested or budgeted by executive bodies in these countries.[14]

David Sheppard, Director of the Secretariat of the Pacific Regional Environment Program (SPREP) states that: 'We all recognise that we need a quantum leap in climate financing.'[15]

In January 2011, Pacific countries joined other developing nations at the Commonwealth High-Level Meeting on Climate Finance. The meeting communiqué highlights:

> 'the inadequate level of accessible climate finance for their adaptation and mitigation

> needs; difficulties in accessing existing sources of funding; the imbalance between the financing of mitigation and adaptation actions; the challenge of fragmented funding sources; and the need for climate financing to be driven more strongly by national programs and needs. Participants noted that a lack of capitalisation of the LDC Fund had posed particular difficulties for the implementation of National Adaptation Programmes of Action (NAPAs).'[16]

2) Balance between adaptation and mitigation

Under the 2009 Copenhagen Accord and 2010 Cancun agreements, developed countries have committed to a balanced allocation between adaptation and mitigation for their fast-start finance. Australia's current package of climate financing has struck a rough balance between adaptation and mitigation, but this is not true for other major donors.

Before Cancun, Oxfam International estimated that less than ten per cent of global funds allocated to date have been spent on helping people in vulnerable countries adapt to the impacts of climate change.[17] Other studies estimate only 11-16 per cent of fast-track money has been allocated for adaptation.[18] Delegates to the Commonwealth High-Level Meeting on Climate Finance noted:

> 'The present UNFCCC negotiating text that speaks of a "balanced allocation" between mitigation and adaptation funding is a step in the right direction to support the more vulnerable countries, but this remains an aspiration of the international community rather than a reflection of present day realities.'[19]

This is a major concern for Forum island countries, which have long expressed greater interest in adaptation rather than mitigation funding. Adaptation is a more pressing concern given the environmental impacts island states are already experiencing, but also there is limited opportunity for extensive emissions cuts given the small size of their transport and energy sectors. Even so, island governments have adopted policies to shift from diesel-fired electricity generation to renewable energy through the Pacific Renewable Energy Project. This gesture of support for the UNFCCC process will also have economic benefits at times of fluctuating oil prices.

Island countries only contribute 0.03% of global greenhouse gas emissions and the average per capita emissions are estimated at 0.96 tonnes of carbon dioxide equivalent (CO_2e) per year.[20] In contrast, the latest Australian National Greenhouse Accounts show that Australia's per capita emissions were 25.7 tonnes in 2009, nearly twice the OECD average and more than four times the world average.[21]

3) New and additional

Developing countries have argued that climate funding should not generate external debt and should be channelled through a financial mechanism that is established under the authority of the UNFCCC. In the jargon of the global negotiations, financial resources should be 'scaled-up, new and additional, predictable and adequate.'

Treaties like the 1992 UN Framework Convention and the 1997 Kyoto Protocol as well as conference decisions such as the 2009

Copenhagen Accord and the 2010 Cancun agreements state that climate finance for developing countries will be 'new and additional.' However this term has never been properly defined and the uncertainty is becoming a major sticking point in the global negotiations. Solomon Islands Ambassador to the United Nations Colin Beck has noted:

> 'There are a lot of pledges but we are not sure where they are and whether it's new and additional to their current overseas development assistance.'[22]

Many countries updated their 'fast-track' pledges at the Cancun negotiations in 2011, but these pledges often double-count funding commitments made in previous years. The World Resources Institute (WRI) has noted that key nations are double-counting some previously made commitments:

> 'Japan's US$15 billion fast start pledge announced in December 2009 as the Hatoyama Initiative includes US$10 billion announced previously in 2008, while the fast start pledges of the United Kingdom and the United States also include their 2008 commitments to the Climate Investment Funds (CIFs) of roughly US$1.4 billion and US$2 billion respectively.'[23]

Developing nations have long said climate finance is 'new and additional' only if it is above the pre-existing goal, set in 1970, for developed nations to give 0.7 per cent of their annual gross national income (GNI) as Official Development Assistance (ODA). Most OECD countries have never reached that goal. OECD countries use competing definitions and baselines and there is now a complex political and technical debate on defining 'additionality.'[24] Some proposals suggest using a 2009 baseline, or determining that rising ODA levels include climate change finance with the amount limited to a specified percentage (as suggested by former UK Prime Minister Gordon Brown).[25]

Money pledged for adaptation and mitigation in Australia's fast-start package has been drawn from the ODA budget and rebadged commitments.[26] At a time when there is an expanding aid program and bipartisan support to increase the aid budget to 0.5 per cent of GNI by 2015, this has not raised much public debate – though circumstances may change in coming years, as opposition politicians have stated they will cut funds for Australia's adaptation initiative on winning government.[27]

The recent independent review of the effectiveness of Australia's aid program, chaired by Sandy Hollway, made brief reference to the issue of climate financing, but noted that Australia's fair share would be roughly two per cent of the proposed US$100 billion a year in 2020. To meet this target, this would require a ten-fold increase in the current allocation of 'fast-track' climate financing, which averages A$200 million a year in 2010-13. The review suggests this could come from both private and public sources, with the aid budget allocating nearly a billion dollars by 2020:

> 'If Australia's share were to stay at 1.9 per cent, with half funded through private sources, then by 2015, the Australian government's ODA commitment would be US$0.5 billion and by 2020, US$0.9 billion.'[28]

The Independent Review of Aid Effectiveness explicitly rejects the call from developing nations that climate financing should be additional to existing obligations to meet ODA targets of 0.7 per cent of GNI:

> 'Using aid budgets to finance climate change spending is often opposed by developing countries on the grounds it should be "additional". Australia has argued that, with a growing aid budget, aid funding for climate change is additional. In any case, the objections raised by developing countries have not stopped donors relying on aid for their climate financing. On the contrary, all public sector climate funding is counted as ODA.'[29]

The government's formal response to the Review, announced by Foreign Minister Kevin Rudd on 6 July 2011, noted that:

> 'We will continue to contribute to multilateral and global environment and climate change funds to deliver cost-effective, innovative, and geographically broad climate change financing approaches.'[30]

However, the government's response did not address the issue of 'additionality', even though the debate will have much greater significance in the medium to long-term, as global climate finance grows and begins to match current levels of aid spending.[31] Australia and other countries will need to find predictable long-term sources of finance outside their foreign aid programs to meet their share of the global commitment of US$100 billion a year. Consideration could be given to allocating a proportion of revenue generated from carbon taxes or emissions trading schemes, where they are in operation, to international financing of adaptation and low-carbon development in developing countries. This issue has not been addressed in the Australian debate on carbon pricing, with the Gillard government allocating the bulk of revenues from its carbon tax to compensating low-income households, emissions intensive industries and renewable energy programs.[32]

At international level, the debate over whether climate finance pledges go beyond existing aid commitments is intensely political. This debate needs resolution if emerging economies are to restrict their energy usage based on pledges of support from the developed nations. Consistent with the polluter-pays principle, Pacific governments are calling for new and additional funds, allocated within fixed timelines to allow forward planning. Kiribati President Anote Tong has explained:

> 'It is also important that adaptation funds should not be regarded as additional development funds by either development partner or recipient countries, but must be provided and applied for the sole purpose of adaptation to climate change.'[33]

4) Grants not loans

In global negotiations, the G77, AOSIS and LDC caucuses have all stressed that funding from UNFCCC mechanisms such as the new Green Climate Fund must be grants, not loans. However, some funds issued from bilateral and regional initiatives like Japan's Hatoyama Initiative, the UK's Environmental Transformation Fund and the World Bank (including our region's Pilot Program on

Climate Resilience) are being offered as loans, rather than grants. According to analysis by the World Resources Institute, less than half of European Union member state contributions in 2010 were in the form of grants.[34]

Pacific Island countries have argued against the use of loans rather than grants for adaptation, on the basis that this meant the poorest and most vulnerable nations would have to repay the funds required to address problems created largely by the industrialised donor countries, based on their historic legacy of greenhouse gas emissions. (A 2009 paper submitted by Tuvalu to the UNFCCC negotiations noted that 'Annex I parties have contributed approximately 75 per cent of cumulative global emissions of CO2', with the United States contributing 29.25 per cent and Annex I signatories to the Kyoto Protocol a further 45.75 per cent.)[35]

The extension of loans rather than grants has more serious practical negative consequences for small Pacific Island countries. Loans add to the increasing problem of debt burden that a number of Pacific Island countries are already experiencing, thanks in part to the accumulation of Chinese soft loans.[36] Many Pacific Island countries lack the capacity to generate sufficient new economic activity and foreign exchange to service foreign loans. This in turn has the potential to cause greater economic hardship for small nations.

5) Special vulnerability of island nations

All countries around the world face hazards from climate change and extreme weather events but the UNFCCC has long recognised that developing countries are the most vulnerable because they have fewer resources to adapt: socially, technologically and financially. Vulnerable regions face multiple stresses that affect their exposure and sensitivity as well as their capacity to adapt. The 2010 Cancun agreements noted that: 'funding for adaptation will be prioritised for the most vulnerable developing countries, such as the Least Developed Countries, Small Island Developing States and Africa.'[37]

The recognition that vulnerable countries need greater financial and technical support to adapt to climate change does not end the debate. As with 'additionality', defining 'vulnerability' has become a complex political and technical debate.[38]

Larger LDC nations in Africa and Asia can claim more 'bang for the buck' through projects assisting tens of thousands of people. In contrast, Pacific Island countries face particular challenges due to their comparative smallness, remoteness, and the archipelagic character of many of the island nations and territories. Pacific governments must help small village communities in far-flung archipelagos, at much greater expense per capita.

SPREP's climate change adviser Espen Ronneberg notes that efforts to gain a special SIDS status in global agreements have faced resistance from larger developing countries who want to be specifically highlighted:

> 'This creates a bit of an absurd situation where every single group of countries is listed as the most vulnerable and clearly that's creating a bit of a problem in negotiations. If we do not have a specific listing of small island states as a specific

> group then we tend to lose out from any of the international resources.'[39]

Samoa's UN Ambassador Feturi Elisaia believes that AOSIS can still mount a case for small island states:

> 'Everyone is claiming vulnerability of one sort or another but I think we still can maintain we are more vulnerable than others. We can focus on the vulnerability of Pacific Small Islands Developing States in accessing existing climate finance. I think those same problems will exist with the new Green Fund, so if we were to focus on vulnerability in accessing existing and future funding that will help differentiate the Pacific.'[40]

6) Complexity of funding systems

The governance arrangements of the international financial institutions can disadvantage SIDS and LDCs by creating burdensome administrative processes. The time taken to deal with donor requirements can divert energy from concrete work on the ground, thus jeopardising achievement of the outcomes donor governments and international institutions want to see. A 2010 briefing paper for Forum economic ministers noted:

> 'Countries have tried to build their capacity to understand and influence these funds, but the challenges faced in accessing these funding mechanisms, and in many instances the process itself, has diverted capacity from sound management and implementation of climate change priorities.'[41]

This has been a problem for the smallest island states like Niue (population 1,514) which has experienced disasters such as Cyclone Heta in 2004.[42] In an interview, Niue Premier Toke Talagi highlighted the extensive documentation required even for a small project to build evacuation centres in Niuean villages:

> 'You have to wonder sometimes whether the idea is to chop down trees for the amount of reporting that's required. Some of these project proposals are thick, thick documents and I'm never quite sure who actually reads them completely. The amount of documentation you have to go through is enormous….Each and every donor and acronym has its own governance and accountability requirements which is challenging and frustrating for us. Focus on outcomes and not process please.'[43]

The global funding architecture is complex and many existing funding mechanisms are not designed to take into account the small size and capacity constraints of SIDS. For example, Tuvalu's environment department has just five permanent staff: the Director; a Climate Change Officer; a Biodiversity Officer, an officer for environmental monitoring and assessment (currently overseas on study leave) and a Clerk / Librarian. Other staff are added for specific projects, but this adds extra administrative burden for core staff.[44]

At the 2011 Pacific Climate Change Roundtable in Niue, Pacific governments highlighted a series of constraints:

- Lack of up-to-date and timely information on types of resources available (funding, technical assistance, information on best practice etc) and procedures to access them

- Long timelines and multiple frameworks for developing, implementing, reporting on and evaluating projects
- Understanding and influencing the priority focus of these funds and how they operate and can be accessed
- Harnessing external resources on a more predictable basis, and combining it with national budgets and national and sectoral development plans.[45]

A key problem for coordinating departments is dealing with a multitude of bilateral donors, which often have not coordinated their programs, all with different conditions, timelines, processes for access and requests for focal points. As discussed in the Solomon Islands case study (section 3, below), donors may deal with national government focal points, with line ministries, NGOs or directly with communities. This can lead to duplication of effort and limit long-term planning. This is a central development dilemma – whether to strengthen national government institutions that have limited capacities, or bypass them to get rapid results.

7) **Differing perspectives over REDD+**

This paper will not explore into the complex debate over the UN Reducing Emissions from Deforestation and Degradation (REDD) program, where carbon trading may provide a key source of finance, with developing countries generating tradeable carbon credits by giving forests a monetary value based on their capacity to store carbon.

The fact that Pacific countries do not have a united position on REDD+, however, does affect their international lobbying impact. There are significant differences between smaller atoll nations and larger Melanesian countries with significant forest resources like Papua New Guinea (a co-founder of the Coalition of Rainforest Nations in the UN negotiations).[46]

Many NGOs have questioned the use of market mechanisms to value forests and create carbon sinks, for failing to address demand from developed countries and downplaying the rights of forest communities.[47] There are also governance issues related to management of REDD projects and groups like Transparency International have raised concerns over existing corruption in the logging industry in Papua New Guinea, Solomon Islands and other countries and the potential for corrupt dealings in carbon trading.[48] Indigenous rights activists have raised concerns about the lack of informed consent of land and resource owners in REDD projects, while other analysts have raised the pitfalls of REDD for Pacific countries without forest reserves.[49]

Case study: Funding for adaptation in Solomon Islands

To illustrate the problems outlined above, this section will provide a brief case study of Solomon Islands, highlighting: barriers to action on accessing climate funds; the institutional and resource constraints for the Solomon Islands government to respond to climate change; and the recent successful bid to gain funding from the Kyoto Protocol Adaptation Fund for a project on food security.[50]

With a total of 997 islands, a land area of 30,407 square kilometres and an Exclusive

Economic Zone (EEZ) of 1.34 million square kilometres, Solomon Islands is a Least Developed Country (LDC). Covering a vast area, with the majority of citizens living in isolated rural villages and outlying islands, social and economic development is often stymied by high transportation and communication costs. The country has a young and growing population of 549,574 (2010 estimate), with a 2.7 per cent annual population growth rate and over 40 per cent of the population under the age of 14 years.[51]

Detailed studies on climate change in Solomon Islands have focussed on the adverse effects of recent extreme weather events and impacts on food security, agricultural production, water supply, public health and problems managing riverine and coastal environments.[52]

a) **Barriers to action**

The Solomon Islands government acknowledges many constraints – institutional, human and financial – to promoting action on climate change on top of existing responses to improve livelihoods and reduce poverty. Barriers to action include:

- Absence of understanding, awareness and information regarding the likely adverse impacts of climate change and consequent sea-level rise
- Relevant Government institutions and the policy framework governing the development and management of the agriculture sector and related fields (e.g. land use, forestry, and water management) have not systematically included consideration of impending climate change risks and opportunities
- Island communities have not taken measures to prepare and manage the risks posed by climate change
- Absence of systematic information on practical adaptation measures including best-practices.[53]

Solomon Island's 2008 National Adaptation Program of Action (NAPA) stressed that effective adaptation will require support from partners to strengthen institutions, finance, information and technological support.[54] Some of the delays and difficulties in responding to climate change stem from poor coordination at the country level, but the complexity of reporting, varying timelines and administrative requirements of partnering agencies also means obtaining support can be a lengthy process. This in turn raises problems of dashed expectations from grassroots communities, who expect that increased funding will lead to action on the ground rather than a series of project documents.

This has been shown with recent efforts to obtain funding from the Global Environment Facility (GEF) with World Bank support.[55] The Solomon Islands NAPA was developed with GEF funds and submitted to the UNFCCC in December 2008. In April 2009 a World Bank Identification Mission arrived in Solomon Islands to assess *Progress on Disaster Risk Reduction and Climate Change Adaptation*. With assistance from SPREP and the World Bank, officials and consultants started to work on a Project Implementation Form (PIF) and over the next year there was further consultation with the World Bank and feedback from the GEF. In March 2010, there was another World Bank mission to further develop the project concept. It was agreed the project *Strengthening Adaptation to Climate Change Risks in Solomon Islands (SACCSI)* would draw on two sources, the GEF (US$5 million) and Global Fund for Disaster Response (US$2 million). The proposal was submitted to both bodies in early 2010 as two separate PIFs: GFDRR accepted the submission but GEF require the PIF as one package. The World Bank has thus been working to revise the SACCSI proposal for the next round of submission to GEF in 2011.

As one interviewee stated: 'It's taken us all of 2009 and 2010 to get this far, but we want implementation on the ground.' Another noted: 'The World Bank does good due diligence, but they're cumbersome and inefficient.'[56]

Donors regularly cite the lack of capacity of local institutions to manage and implement programs effectively. While acknowledging the need for better capacity in line and coordinating ministries, a constant theme in interviews with Pacific government officials is the lack of coordination by donors.

Under the Regional Assistance Mission to Solomon Islands (RAMSI), Australia, New Zealand and other Forum island countries have made significant investments in technical assistance and development aid. There are also a range of innovative civil society initiatives on climate adaptation in Solomon Islands that highlight the need to go beyond government-to-government adaptation funding.[57]

But issues of integrating ODA and adaptation funding will become more important for donors in coming years, given the multiplicity of projects that affect a relatively small public service and regular changes in political leadership. The Australian Agency for International Development (AusAID) has sought to integrate climate adaptation funding into existing development initiatives in Solomon Islands, especially on infrastructure projects like road building. But Australian funding for disaster response programs comes to government directly and through SPREP but also through Australian NGOs, churches and the Red Cross which run parallel programs. At a time when the National Disaster Management Office (NDMO) is moving to standardise materials and information on disaster response for local communities, this can cause difficulties.

Solomon Islands do not have a specific donor coordination process on climate change, although climate issues are being bumped up the agenda of existing development dialogue meetings.[58]

b) Efforts to strengthen capacity

Climate change is not just an environment issue and Solomon Islands, like many countries, faces serious challenges to develop 'whole of government' responses and link national planning initiatives with line ministries and community-based organisations. A recent Solomon Islands report acknowledges:

> 'Development planning has not been easy for the Solomon Islands government which has been struggling to maintain equity in the delivery of services and economic growth across its culturally-diverse people speaking more than 95 languages and is geographically-scattered. Unit cost of service delivery is often very high with the remote populations being more disadvantaged. The

> incremental costs expected to be borne by a Pacific island country like Solomon Islands will be significant as a result of climate change and will be an added burden on national budgets and community resources.'[59]

The Solomon Islands Government, working with aid donors, NGOs and community organisations, has taken initiatives to strengthen its climate response. Recent steps include:

- The development of the Solomon Islands National Adaptation Program of Action (NAPA), published in November 2008
- Endorsement by Cabinet of a National Disaster Risk Management Plan
- Merging the National Disaster Management Office (NDMO) into the new Ministry of Environment, Climate Change, Disaster Management and Meteorology (MECDM), to better integrate climate change and disaster response
- With support from the GEF, consulting with a range of stakeholders to develop the country's Second National Communications to the UNFCCC
- Establishing a Development Assistance Database in the Ministry of Planning to coordinate information about the range of resources from donors
- MECDM is working on a proposal to establish an inter-ministerial structure on climate change, to give legal status to the existing ad hoc National Climate Change Team, which focuses on project management rather than strategic policy.

Even with increased support, the climate change unit of the Ministry of Environment only has four dedicated positions, of which only two were staffed in March 2011. The Ministry hopes to soon increase unit staffing to five, but faces a daunting task to address all the required activities – lacking even office space and equipment.[60] There are additional staff hired in line ministries to implement adaptation programs, but core Ministry of Environment staff already face a heavy work load to coordinate and manage a range of existing climate-related projects funded or administered by UNDP, GEF, AusAID, IDG, USAID and the World Bank.[61]

c) Accessing the Adaptation Fund

In spite of all these constraints, Solomon Islands is the first member of the Pacific Islands Forum and one of only seven countries in the world thus far to successfully gain adaptation funding from the Kyoto Protocol Adaptation Fund.

The Adaptation Fund is widely supported by developing countries, as it allows direct government access without an intermediary institution like the World Bank, and has a governance structure with majority membership from developing countries. But a quick scan of the Fund's operating procedures shows the technical requirements require a lot of work to unravel their systems.[62] The Fund requires high levels of accountability, reporting and compliance, and one interviewee involved in preparing the Solomon Islands proposal stated:

> 'One of the challenges is that the Adaptation Fund is a new mechanism. They started off with a simple process to get funds flowing quickly, but now this very simple process is

> evolving with new requirements coming in.'[63]

The Solomon Islands proposal to the Adaptation Fund focussed on food security. The government's national agricultural policy states:

> 'The traditional practice of shifting cultivation that allowed for regeneration through fallowing for extended periods is no longer possible in most areas due to increasing population pressure on land and there is mounting evidence, supported by a number of assessments and surveys that the fast growing population of rural families and communities are struggling to cope with the effects of changing weather patterns.'[64]

The local NGO Kastom Gaden has been centrally involved in researching food security at local levels.[65] Cyclones and storm surges have flooded agricultural land, especially in riverine and coastal environments. Changing reef ecologies (with ocean acidification and coral bleaching) can reduce food gathered from the marine environment. Cyclones and flooding have caused extensive damage in recent decades and climate projections foresee an intensification of these weather events. In contrast, the 1997-8 El Nino resulted in severe drought conditions in many parts of the country, affecting food gardens. A milder drought with similar effects was experienced during the 2009 El Nino, increasing the stress on food supply.

Government agricultural outreach is already stretched by a range of political and administrative problems (regular changes of minister; mismanagement of resources in provincial projects; lack of access to information for rural farmers etc). As noted in the proposal for adaptation funding:

> 'Government capacity for community outreach and engagement is constrained by finances as well as the sheer limitations in staff numbers where the field staff-population ratio amongst most ministries is around 1:3,000…These are the realities in an LDC such as Solomon Islands and there is very little room for government agencies and their stakeholders to take on additional work and begin a program of raising awareness and promoting new farming practices to address climate change without funding support and collaboration by other partners.'

For this reason, the Solomon Islands government has sought adaptation funding focussed on food security, rather than sea-level rise or other issues traditionally highlighted in the climate debate. The Adaptation Fund, however, is a competitive process, and Solomon Islands effectively had to mount a better case than other LDCs in Africa, even though it has a smaller population and high costs to assist villages in outlying islands.

On 8 April 2010, the Kyoto Adaptation Fund Board (AFB) issued an invitation letter for governments to submit project proposals to the Fund. Solomon Islands government rapidly decided to respond, and government officials and United Nations Development Program (UNDP) staff developed a concept note within ten days, which was submitted on 26 April.[66] Rather than an overseas expert, project consultation was coordinated by a Solomon Islander who had formerly worked at SPREP, drawing on years of local and regional experience.

The project 'Enhancing resilience of communities in Solomon Islands to the adverse effects of climate change in agriculture and food security' includes:

1) Community-based adaptation initiatives in at least 18 communities across at least three regions in the Solomon Islands ($3,500,000)
2) Institutional strengthening to support climate resilient policy frameworks for the agriculture sector ($750,000)
3) Production, sharing and dissemination of climate change adaptation knowledge (USD 250,000).

The project, to be coordinated by the Ministry of Environment, Climate Change, Disaster Management, and Meteorology (MECDM), will involve specific components from the Ministry of Agriculture and Livestock (MAL), Solomon Islands College of Higher Education (SNR-SICHE), Provincial Governments, and NGOs such as Kastom Gaden Association and Nut Growers Association of Solomon Islands. The outreach component aims to reach 307,000 people in 51,000 households in the capital Honiara and 17 other communities across South Guadalcanal, South Makira, South Choiseul, North Malaita, Maringe (Isabel Province), Lau and Langa Langa lagoon.

The project concept was approved by the AFB in June 2010, with agreement to proceed to a full project proposal. This was submitted in October 2010, having gone through various edits and changes. The project was finally approved by the Adaptation Fund Board at its meeting in Bonn on 17-18 March 2011.

Overall, the process brought a positive result, but not without some grinding of teeth.[67] The number of communities was cut from the original 30 to 18 in the final version to make it more manageable. Some NGO interviewees were unhappy with the downgrading of elements about learning from best practice of the practical adaptation measures at community level. This highlights a tension between good development practice and the political imperative to show that adaptation funding is underway. As one participant noted: 'The Adaptation Fund Board wants to see projects quickly addressing community level impacts. They want trees planted, water supply fixed and results!'

Government officials noted that collaboration with UNDP was vital, given constraints with staffing in MECDM. UNDP is responsible for providing a number of key general management and specialised technical support services. However, some interviewees questioned UNDP's 8.5 per cent administrative fee and another raised concern that UNDP's expertise was managing the project cycle administration, while the real challenge would be managing the project in the field, especially as the adaptation component required work in communities spread across three islands.

Solomon Islands now faces the challenge of coordinating the different elements of the project, even though one interviewee stated there was 'no proper networking' between ministries, donors and NGOs, with consultations organised on an ad hoc basis. NGOs raised concern that government didn't have the full capacity to operate in outlying areas and relied on community organisations, but without their full integration in the planning process: 'They get our records and data from the field and use it when they're putting in results to donors.'

Another challenge is to integrate any climate program focussed on food security with existing projects on agricultural development that are not financed from climate-dedicated funds. In Solomon Islands, these include: the Rural Development Program (EU, AusAID, and World Bank); Rural Constituency Development Fund, funded by the Solomon Islands Government and government of Taiwan and the Community Support Program (AusAID), amongst others.[68]

As it begins operations in 2011, this US$5.5 million project on agricultural production and food security will provide lessons for broader programs of climate adaptation financing in the region.

Some core lessons from this initiative include:

- the focus of the projects on rural communities, and the core issue of agriculture and food security that is relevant to their livelihoods
- the attempt to integrate government departments and community organisations in the project, to increase outreach to local communities
- the role of a local consultant rather than an outsider in the project development and consultation phases
- the need to coordinate this 'climate-funded' initiative with existing agriculture programs funded through ODA
- the danger that funding for monitoring, evaluation and lesson learning will be cut back in the design phase or if project costs escalate, especially as project operations must be managed across 18 communities.

Strengthening Pacific access to climate finance

Given the difficulties in accessing appropriate and timely levels of funding, and the potential range of institutions and organisations involved in adaptation work, the development of a flexible portfolio of bilateral, regional and multilateral mechanisms for climate adaptation funding would be the most suitable means to facilitate activities. Although multiple financing mechanisms add to administrative and financial costs, current experience suggests a mix of climate funding systems should be encouraged, that draw on the strengths of existing development partnerships, and build on existing work to achieve the Millennium Development Goals.

The following outlines a range of options, at international, regional and national levels.

1) Increasing SIDS access to financial mechanisms

A crucial issue at international level is to create specific windows or modes of access for SIDS in global multilateral funds. There are already examples where tailored systems have improved funding. For example, the GEF Pacific Alliance for Sustainability has provided a unique model which has delivered more than $200 million to Pacific countries through 30 projects since 2006. This is an increase over the first fifteen years of GEF funding (1991-2006), when Pacific countries only obtained US$86 million in grants, the lowest amount for any region in the world.[69]

Pacific representatives carry the voice of the region into these key climate financing institutions: Peceli Vocea of Fiji represents SIDS on the Adaptation Fund Board (AFB). Samoa's UN Ambassador Feturi Elisaia is one of two SIDS representatives on the new Transitional Committee to establish the Green Climate Fund.

Australia, also a member of this committee, could support Pacific Island representatives as they seek greater access to funding for island nations. In relevant fora, such as the G-20 and Major Economies Forum, Australia should lobby for specific SIDS access mechanisms within global funding initiatives.

Pacific leaders are seeking changes to the way that the United Nations defines a 'Least Developed Country' (especially as some Pacific LDCs like Samoa are scheduled to graduate from LDC status). They are looking at increased South-South cooperation, though as a complement rather than replacement of traditional partners. PICs are also joining the global debate on proposals for a financial transactions tax (dubbed the 'Robin Hood Tax') or taxes on maritime bunker and aviation fuel.[70]

2) Developing national trust funds

The Pacific region has long experience with trust funds as a development mechanism, although some have been better managed than others. As the Asian Development Bank has noted:

> 'Donors and development institutions are finding that where sound policy and governance structures are in place, trust funds can be an effective way to accumulate, preserve, grow, and mobilise capital for development.'[71]

The Kiribati Revenue Equalisation Reserve Fund (RERF), established in 1956, and the Tuvalu Trust Fund (TTF), established in 1987, are two of the earliest and most successful models for trust funds.

In the Pacific, there are a range of other examples, which have operated to varying degrees of efficiency and probity, including: the Compact of Free Association (COFA) Trust Funds between the United States and Palau, Federated States of Micronesia, and Marshall Islands; the Tonga Trust Fund and the Nauru Phosphate Royalties Trust (the latter a stark warning of potential mismanagement of resources). There are also sectoral funds, such as the Tuvalu Falekaupule Trust Fund (to support outer island councils), the Marshall Islands Nuclear Claims Fund (managing compensation to nuclear testing survivors), or the Vanuatu Skills Training Fund.

For climate financing, one important option is to investigate ways that environmental trust funds could be expanded to cover a range of adaptation initiatives. Since 1990, more than 50 environmental trust funds have been established throughout the world, and Pacific countries have already developed innovative funding mechanisms for conservation programs, which could be extended to fund a range of adaptation measures.

For example, in November 2009, the Republic of Palau introduced a 'Green Fee tax', included in the US$35 departure tax for non-Palauan passport holders. This has generated a fund with millions of dollars to help conservation efforts in Palau, protecting the very ecological assets that tourists are seeking. Community representatives can submit funding applications to a Fund governance board which includes representatives of environment groups and the Ministries of Environment, Tourism and Finance.

Well-managed trust funds provide the opportunity to aggregate funding support from a range of donors, reduce reporting and administrative burdens, and can contribute to predictability of funding.

3) Creating a Pacific Regional Climate Change Fund

Given the limited institutional capacity of some smaller Pacific nations, Pacific governments are also investigating the creation of a Pacific Regional Climate Change Fund, a region-wide financing mechanism to administer, manage and monitor the influx of adaptation and mitigation funding.

The idea was raised at the 2009 Pacific Climate Change Roundtable and the 2010 Small Islands States leaders meeting formally asked the Forum Secretariat and SPREP to facilitate the development of such a fund.

SPREP commissioned a report which recommended establishing a Pacific Regional Climate Change Fund .[72] Three institutional options were proposed: (1) A stand-alone new entity (2) A fund within an existing organisation; and (3) A fund coordinated at the regional level but operated at the national level. The consultants favoured the third option, but recommended that further national and regional consultations, including with donors, are necessary before a final choice was made. The draft report is being considered by Pacific governments and will come before the 2011 Forum leaders meeting, together with a paper from the Forum Secretariat on climate financing mechanisms.

Some donor governments have expressed reservations about creating a new regional fund that would involve high levels of administration, suggesting that more effort should be placed on strengthening institutional capacity and donor coordination at national level.[73] However there are a number of practical advantages for a regional funding mechanism:

- some of the smallest Pacific nations (such as Cook Islands, Tokelau, Niue and US and French Pacific territories) are not full members of the United Nations, the World Bank or other multilateral institutions, and face eligibility hurdles to access World Bank administered funds and programs
- a regional fund could assist with funding predictability. PICs could access funding from one set mechanism on a determined timeline rather than use a multiplicity of donor processes
- there are many existing national trust funds in the Pacific and lessons on well-governed funds provide a model for a broader regional initiative.

A key question is the governance of the fund, with PICs seeking greater control than exists with multilateral institutions like the World

Bank, even though fiduciary control could remain with a multilateral agency with the administrative and accountability mechanisms that donors would require. Both PICs and donors are arguing for administrative coordination, yet some island representatives are concerned that donors like Australia, Japan and the European Union will maintain their own bilateral initiatives for political, as well as developmental, reasons.

Australia and other donors should support the design and creation of a well-managed regional fund, developing standards of appropriate governance and fiduciary responsibility, as part of broader efforts to establish improved regional access to international climate funds.

4) Strengthening national institutions

International and regional coordination must be aimed at improving action at national and community level. Significant national resources and capacity are already required for climate change efforts and this will increase into the future. There are a number of areas where work is underway to ensure that PICs manage and effectively utilise increased allocations:

Developing national plans of action

In recent years, Pacific LDCs have been developing National Adaptation Programs of Action (NAPAs) to identify their priorities for adaptation funding. Samoa completed the first Pacific NAPA in 2005, followed by Kiribati (January 2007), Tuvalu (May 2007) and Vanuatu (2007) and Solomon Islands (November 2008).

There is potential to develop action plans like this for non-LDC Pacific countries, to set priorities for action (a major frustration expressed by donors is that in many cases Pacific governments are not clear about their national priorities, or have conflicting objectives).

Improving national collaboration on climate change

To varying degrees, Pacific governments have already begun to link central and line ministries, community organisations and other players through a variety of means.

- Developing climate task forces that bring together government officials (from coordination and line ministries) with environment groups, NGOs, private sector organisations and relevant community leaders
- Establishment of Climate Change Roundtables as a mechanism for informal exchanges and coordination
- Establishing and resourcing a Parliamentary Standing Committee for environment and climate change
- Organising community consultations to develop National Communications to the UNFCCC
- Incorporating mitigation and adaptation issues into national forestry, infrastructure and health policies
- Developing climate change portals and websites with information from different government ministries.

Improving capacity for reporting and monitoring

Under the Cancun Agreements, developing countries are expected to provide more frequent reporting on funding they have received. Pacific countries will require adequate Measurement, Reporting and Verification

(MRV) systems if they are to access further funding.

Linking disasters and climate change

In many smaller Pacific countries, staff involved in climate change work are often involved in disaster preparedness and response. To avoid duplication of effort and reporting to two separate regional processes (the *Pacific Islands Framework for Action on Climate Change* and the *Pacific Disaster Risk Reduction and Disaster Management Framework for Action)*, some countries have begun to integrate planning for the two sectors.

The first country to formally combine these two areas in policy is the Kingdom of Tonga. In July 2009 Cabinet gave approval for the Ministry of Environment and Climate Change to work with other ministries, NGOs, statutory boards and donors to develop the 'Joint National Action Plan on Climate Change Adaptation and Disaster Risk Management' (JNAP). The new plan was signed off by Cabinet in July 2010 with the aim of coordinating implementation of Tonga's commitments under regional and international agreements (from PIFACC and DRR to UNFCCC and IDRR).[74] Cook Islands has undertaken a similar process, with other countries to follow.[75]

Strengthening climate finance planning

Adaptation funding can be wasted without closer alignment of climate finance and National Sustainable Development Plans. Donors have consistently argued that until they see adaptation prioritised in the national development plans, then it is hard to justify increased spending in this area.

In many cases, environment ministries are the country focal point for international assistance on climate change, yet the issue affects all key government ministries. Governments need to strengthen and improve links between national budgets, aid coordination units and climate change funding, while climate change priorities should be incorporated into national and sectoral plans and budgets.

As detailed in the Solomon Islands case study, countries can apply directly to the Adaptation Fund for project grants if they have passed the rigorous process of accreditation as National Implementing Entities (NIE). However, only a few developing countries have yet achieved this status: for others, an MIE agency like UNDP must serve as their agent.

One area for support would be the coordination of workshops, training and mentoring of relevant staff on how to access the Kyoto Adaptation Fund and, in the future, the new Green Climate Fund. This could include technical support and exchanges to help vulnerable countries with accreditation as an NIE. Tuvalu's former Minister for Foreign Affairs Enele Sopoaga, who previously represented SIDS on the Adaptation Fund Board, has called for greater Board assistance with capacity building:

> 'In order for entities to be accredited as National Implementing Agencies they have to prove capacity for sound financial management and sound reporting practices among others – many of our small island countries don't have that capacity because of our limited human capacity, and also our limited infrastructure'[76]

This may also involve regional approaches to NIE: SPREP is currently applying for NIE status, and other regional or sub-regional bodies like the Secretariat of the Pacific Community (SPC) or the Melanesian Spearhead Group (MSG) could follow suit.

Documenting and sharing experiences with financing mechanisms

Case studies must be documented to draw out lessons learned on how to unlock climate finance, examining aspects such as the expertise used; skill requirements; the role of national and regional institutions; the role of legislation; and communications.

5) **Strengthening donor coordination**

Much of the literature on climate finance highlights the weak institutional capacity of Pacific island states and their lack of 'absorptive capacity' to manage and effectively utilise increased allocations of adaptation and development finance. Pacific governments readily acknowledge their capacity constraints and, as discussed above, are moving to develop new systems to address this weakness.

In turn, however, Pacific leaders and officials have highlighted that one of the region's biggest challenges is effective donor coordination. A core issue for small island states is their capacity to deal with the complex array of multilateral and bilateral climate initiatives, and the difficulty for donors to effectively coordinate their initiatives.

A central challenge for donors will be the accountability and transparency of their climate financing, with regular and accessible reporting. Donors must clearly state their definitions of 'new and additional', 'vulnerable' and 'fast start', to limit concerns that they are rebadging ODA funds.

Information sharing and (lack of) cooperation between the increasing number of players is a growing problem, with potential to exacerbate existing levels of duplication and waste amongst donors and development agencies. Pacific leaders argue that bilateral and multilateral donor engagement:

- Should be on the basis of island countries' own priorities and strategies
- Should be flexible and predictable
- Should use country systems for the delivery of resources wherever possible, to reduce administrative costs and increase predictability of resources (e.g. budget support, national trust funds etc.)

During interviews, government officials and community leaders repeatedly expressed concern that there will be extensive administrative and reporting requirements to access funding, which places burdens on SIDS who are already constrained in obtaining resources.

Less diplomatically, officials are often critical of the political agendas involved in climate funding, with competition between donor organisations and also intergovernmental organisations in the region. In an interview, one Pacific government official stated that there was 'a constant turf war between regional bureaucrats over who accessed the new pots of climate money.'[77]

In 2009, Forum leaders agreed on the Cairns Compact on Strengthening Development Coordination in the Pacific. The Cairns

Compact outlines actions designed to improve the coordination and use of development resources in the region and follows international principles developed in the Paris Declaration on Aid Effectiveness. The Compact is a central focus of Australian policy, implemented through the Forum Secretariat and bilateral agreements such as the Pacific Partnerships for Development. While there is overwhelming agreement on the need for increased aid effectiveness, some interviewees were less than enthusiastic about the results. One government official stated:

> 'Donor coordination is improving compared to the past, but in spite of all the talk by donors about the Paris Declaration, the Cairns Compact blah blah blah, donors are still bullying us to meet their agenda and timetables rather than our own.'

Interviewees and participants at the Pacific Climate Change Roundtable stressed the need for harmonised criteria between donors (e.g. on procurement or fiduciary standards). The burden created by funds arriving through different pathways was described by an interviewee:

> 'We get a lot of support from Australia, which is really welcome. But some of it comes direct through bilateral aid, some channelled through Australian NGOs, some through the World Bank regional program, other amounts from SPREP and SPC. Eventually, we'll probably get Australian money through the Adaptation Fund and the new Green [Climate] Fund. Each of these has different benchmarks, reporting timelines and so on, yet even though the money starts from one source, we have to do the paperwork because they can't develop common standards.'[78]

Many interviewees raised concern about staff turnover in donor agencies, arguing that sustainability of programming on climate change requires a long-term outlook, awareness of existing regional and local initiatives, and coordination with other agencies, based on personal contact as much as institutional mechanisms. For example, a 2009 review of AusAID found that that 'only 49 per cent of APS staff finished 2008 in the same section they began it in' and discovered 'a range of instances where high staff turnover has compromised the quality of Australia's program management.'[79]

Other interviewees stressed that new resources being allocated to climate adaptation programs do not always draw on the lessons from decades of development activity. A central principle must be that adaptation programs must be consistent with the values, needs and rights of affected communities. It is vital to *ask* local communities what support they require, rather than *tell* them. As discussed below, principles of gender mainstreaming, involvement of civil society organisations and best practice for community-based development should be essential components in designing climate adaptation projects.

Many NGO interviewees were concerned that significant funds were being spent on climate change consultancies and mainstreaming activities without much community engagement. One interviewee wryly noted:

> 'There's a need to find ways to get funding down to ground level through the rainforest canopy of bureaucrats and consultants.'[80]

Government officials in turn discussed the problem of raised expectations amongst NGOs or community partners in climate adaptation projects. Preparation of project proposals can take extensive consultation and raise hopes of action on the ground – expectations that are dashed when proposals are delayed or repeatedly revised to meet changing donor criteria. Some donors are aware of this concern: UNDP claims that they have halved the average turnaround time to access their adaptation financing since 2005, from 20 to 10 months.[81]

Many of these concerns can be addressed by strengthening existing inter-agency fora where coordination could be increased, such as:

Development Partners for Climate Change (DPCC)

This informal donors' working group was initiated by UNDP and ADB as a mechanism for Suva-based donors and CROP agencies to coordinate climate activities. Interviewees identified the DPCC as a valuable initial step for sharing information, but acknowledged that it had not yet led to coordination of programs at country level or inter-agency collaboration in programming to avoid duplication or competition, and that such coordination is less likely in countries that don't host a range of national and multilateral donors.[82]

Pacific Climate Change Roundtable (PCCR)

SPREP has coordinated three meetings of the Pacific Climate Change Roundtable (PCCR) since 2008, bringing together government, donor and community representatives to monitor and evaluate progress on implementation of the *Pacific Islands Framework for Action on Climate Change 2006 – 2015* (PIFACC).[83]

Interagency networking

The Council of Regional Organisations of the Pacific (CROP) now covers nine agencies and given this diversity of institutions, CROP executives agreed in 2010 to develop 'all-CROP' joint country strategies to avoid duplication of programs in member countries and territories – in October 2010, regional officials held the inaugural meeting of the CROP High Level Sub-Committee on Climate Change. There are a range of other sectoral working groups or coordinating initiatives at regional level (such as the Pacific Energy Donor Working Group). UN agencies in the region are attempting a similar 'One UN' strategy on climate change, with limited results thus far.[84]

Sectoral networking

As a way of reducing heavy dependence on international consultants, governments can seek to strengthen partnerships with regional agencies which offer technical and professional assistance. In consultations on the 2010 SPREP discussion paper on Mobilising Climate Resources, a proposal for a regional Technical Backstopping Mechanism won widespread interest, with the creation of a service that could provide information, mentoring and technical support tailored to the particular needs of small island states.[85]

Regional databases

SPREP is also moving to develop a Pacific Climate Change Portal as a database of all climate programming, as a tool for coordination and information sharing.

6) Action on the ground

Meeting in Niue in 2008, the Forum leaders' official communiqué stated that:

> 'The priority of Pacific SIDS is securing sustainable financing for immediate and effective implementation of concrete adaptation programmes on the ground.'[86]

Through the Pacific Adaptation to Climate Change Program (PACC) and a range of community-initiated projects, there is a growing body of community-based initiatives that are providing tangible benefits for communities, with improved water supply, forest management or reef protection.[87] These can be extended by new initiatives using a rights-based approach to development, which adhere to existing principles of aid effectiveness and Good Humanitarian Donorship.

Prioritising civil society and community initiatives

While climate change is currently conceptualised and programmed for mainly at the national level, it will be experienced locally. There is a crucial need to understand the changes in social, cultural and environmental context at close range. Much work at this community level is being conducted by non-government, community and church-affiliated organisations. It is often these groups that are directly working with the community members whose lives are being affected.

However, many climate financing mechanisms have focussed on government rather than community-based programs. For example, in the first three-year A$150 million tranche of Australia's ICCAI, only $2.7 million was directly allocated for NGO work. Even though Australian and Pacific NGOs and community groups formed consortia to undertake elaborate planning for projects, only three projects were chosen for funding from 44 submitted.

OECD policy on integrating climate change adaptation into development assistance outlines the multiple roles played by NGOs and recommends increased support to civil society.[88] AusAID officials acknowledge the need for greater involvement with the community sector, with increased funding allocated in the 2011-12 budget, and this should be reflected in the next round of ICCAI funding.[89] The Australian Council for International Development (ACFID) has called for a dedicated adaptation funding window for national NGOs and community-based organisations, arguing that 'at least 10 per cent of the Fast-Start-Finance program should be distributed through credible and accountable civil society modalities. Collaboration and learning should be an explicit part of this delivery and this should be resourced adequately.'

A crucial task is to create mechanisms to allow communication and decision-making between donors, governments and affected communities. Support for Pacific Climate Action Networks (NGO umbrella bodies for climate action which exist in six PICs) could enhance civil society coordination and provide a focal point for government-NGO engagement. At national level Climate Roundtables could create a regular meeting place to share information between key participants in national climate change work: from parliaments to local governments, civil society organisations to customary and chiefly institutions.

Sharing information on best practice on adaptation

There is a need to monitor, evaluate and document successful (and also unsuccessful) adaptation initiatives to start gathering baseline data for the future. Adaptation funding has often concentrated on university-based research (such as Australia's Pacific Climate Change Science Program) but a key task is to document and promote positive examples of community resilience initiatives. There is also a need to develop applied research on the use of traditional knowledge in response to the effects of climate change.[90]

With support from the EU Global Climate Change Alliance, the University of the South Pacific has begun a project on best practice on adaptation, with 40 communities in 15 countries to be selected as demonstration sites. The USP Pacific Centre for Environment and Sustainable Development is also developing a 'Global Knowledge Exchange Platform' to promote information sharing with overseas institutions.

Linking gender and climate finance

Decades of experience with aid programs have demonstrated that gender has to be integrated into all levels of development activities, with: gender mainstreaming; disaggregated statistics that take account of gender and age; gender analysis in project and program design; and systems of gender budgeting, monitoring and evaluation and auditing.

There is a danger, however, that these lessons are being ignored in the design of climate financing mechanisms in the Pacific. While there is a growing international literature on gender and climate change, relatively few studies examine the specific impacts for different community members and varying adaptive capacities of men and women in the Pacific.[91]

Donors and Pacific governments should be integrating gender analysis at the start, with research and specific programs to address the difficulties that Pacific women face in accessing resources for adaptation, as is occurring in other regions. Women will face particular problems in accessing climate finance based on historic limits on accessing development resources:

> 'These range from a lack of access to capital and markets, to women's unrecognised and uncompensated care contributions, to lacking legal protection and ownership rights to cultural and societal biases against women's engagement in learning, political participation and decision-making processes.'[92]

Another key gap in policy documents is the issue of children and how they are affected, even though children below 18 years make up more than 40 per cent of most Pacific island populations and should be a primary focus for adaptation initiatives.[93]

Conclusion

Projections of the Intergovernmental Panel on Climate Change (IPCC) and Australian scientific researchers have highlighted the current and long-term challenges of global warming, especially for vulnerable islands in Oceania.[94]

A central reason for early action in response to these environmental challenges is that adverse effects of climate change will impact on core areas for economic, social and human development: public health, agriculture, nutrition and the development of public infrastructure. Failure to act could set back efforts to achieve the Millennium Development Goals by 2015, due to the diversion of long-term development funding to disaster response and rebuilding. In contrast, early action on adaptation has practical benefits, as governments – both donors and recipients – could strengthen their capacity to implement larger-scale programs in the future.

There are a number of ways donor countries like Australia, New Zealand, Japan and the European Union can help strengthen Pacific access to climate finance and improve outcomes for vulnerable communities. These include international lobbying for special SIDS access in financial mechanisms; programs and structures to improve donor coordination and build the capacity of national government institutions; development of national climate trust funds and a Pacific Regional Climate Change Fund; and, above all, more targeted action on the ground to assist the most vulnerable communities with concrete adaptation programs.

With plans to increase global climate financing to US$100 billion a year by 2020, there is less than a decade to introduce innovative mechanisms to meet the often competing priorities of donors, recipient government and local communities.

This Analysis paper is also summarised in a Lowy Institute Policy Brief by the same author: Turning the tide: improving access to climate financing in the Pacific Islands (also published July 2011).

ANNEX 1: The evolving global architecture of climate financing

This annex provides a brief outline of a few key international climate funding mechanisms, but there are a range of multilateral, regional and bilateral mechanisms, with further details available on the web (as detailed below).

The Global Environment Facility (GEF)
The GEF is an independent institution that provides support for four different Conventions. On climate change, it serves as the operating entity for specialised funds operating under the Kyoto Protocol to the UNFCCC, including:

- The Special Climate Change Fund (SCCF), established under the Convention in 2001 to finance projects relating to: adaptation; technology transfer and capacity building; energy, transport, industry, agriculture, forestry and waste management; and economic diversification.
- The Least Developed Countries Fund (LDCF) was established to support Least Developed Countries (LDCs) carry out the preparation and implementation of national adaptation programmes of action (NAPAs).

In the first three phases of the GEF (1991-2006), Pacific countries only obtained US$86 million in GEF funding, the lowest amount for any world region. According to SPREP, Pacific countries have raised issues associated with GEF including 'access of resources and heavy procedural and reporting requirements, as well as the difficulty of involving civil society.'[95]

The GEF Council is dominated by donor countries, and there are extensive administrative and reporting requirements to access funding, which places great burdens on SIDS who lack resources needed to finalise timely GEF funding proposals. For example, the regional Pacific Adaptation to Climate Change (PACC) adaptation initiative, a US$13.12 million project which covers all Forum Island Countries except Kiribati, took three years to develop. Delays in approval by one country's government can delay a multi-country regional initiative, because of the GEF's procedural requirements.

Extensive criticism and lobbying over the lack of access to GEF funds has led to improvements with GEF 4, including the appointment of a GEF Advisor at SPREP and the creation of a special GEF Pacific Alliance for Sustainability (PAS), the only regional window in the world. A further US$102.2 million has been obtained for the Pacific under GEF4, with proposals for projects in biodiversity (US$37.3 million), adaptation (US$34.1 million), mitigation (US$14.7 million), Persistent Organic Pollutants (US$5.3 million) and international waters (US$10.7 million). The GEF operates a Pacific Small Grants Program, which has increased engagement by Small Island States. GEF 5 includes reforms to streamline project cycles and will run from 2011-14, but funds already allocated under GEF 3 and 4 are still slowly trickling into the Pacific.

The Kyoto Protocol Adaptation Fund (AF)
The Kyoto Protocol Adaptation Fund (AF) was established under the UNFCCC and became operational in 2009. The AF obtains most of its funding from a two per cent share of proceeds of all Certified Emission Reductions issued under the Kyoto Protocol's Clean Development Mechanism (CDM), although a number of

countries have started to make specific contributions to the fund. The Global Environment Facility provides secretariat services to the Adaptation Fund and the World Bank serves as its trustee, both on an interim basis.

The Adaptation Fund has defined two legal structures which can meet the accountability and fiduciary standards to directly access funds: the National Implementing Entities (NIE) and the Multilateral Implementing Entities (MIE). There are currently 15 accredited MIEs (including development banks like the ADB and World Bank; UN agencies like UNDP, UNEP and UNESCO; or the World Health Organisation and World Meteorological Organisation.)

At its March 2011 meeting, the Board decided to cap the maximum amount of funding per country at US$10 million. The total available amount in the Fund is currently US$168.5 million, expected to increase to US$334 million by the end of 2012 – though after a decision at COP17 in Cancun, the future of the fund is governed by forthcoming decisions on the GCF.

Multilateral development banks

Following the 2007 UNFCCC conference in Bali, the World Bank created special climate investment funds (CIFs) including the Strategic Climate Fund and the Clean Technology Fund for research, deployment and transfer of low-carbon technologies. The Strategic Climate Fund includes initiatives such as:

- Forest Investment Program for eight pilot countries (none in the Pacific) and the Forest Carbon Partnership Facility
- Scaling up Renewable Energy Program in Low Income Countries (SREP): in the region SREP will cover Solomon Islands, Timor-Leste and (through the ADB) Kiribati, Samoa, Tonga, Vanuatu, Tuvalu and Nauru
- Pilot Program for Climate Resilience (PPCR): in the Pacific, the ADB will manage the PPCR in three countries (PNG, Samoa and Tonga), with another pilot operating regionally. The PPCR will support mainstreaming adaptation programs into existing national development plans.

Bilateral climate initiatives

Bilateral funds available through national development partner arrangements to the Pacific, such as the European Union's Global Climate Change Alliance (GCCA), Japan's Hatoyama Initiative and Australia's International Climate Change Adaptation Initiative (ICCAI) and International Forest Carbon Initiative (IFCI). Other countries, including the United States, China, Germany, Denmark and France, contribute funding to the Pacific.

Proposed Green Climate Fund (GCF)

At the December 2010 Cancun meeting a significant decision was taken to establish a Green Climate Fund (GCF) that will function under the guidance of, and be accountable to the Conference of the Parties (COP). The Fund will serve as an operating entity of the financial mechanism of the UNFCCC and is to be governed by a Board with equal representation of developed and developing countries. The World Bank will act as the interim trustee for the first three years.

The Cancun conference also established a Transitional Committee to work on the structure, governance and processes of the new global fund, which will manage billions of dollars of funding by 2020. This Transitional Committee (co-chaired by Norway, Mexico and South Africa) has 40 members: 15 from OECD industrialised countries and 25 from developing countries. This latter group includes seven representatives from each of the Asian, African and Latin American blocs, with two further representatives from both the Least Developed Countries (LDC) and the Small Island Developing States (SIDS) groups.

Other development funds

Other multilateral funds which have a Climate Change component including the Global Facility for Disaster Reduction and Development, the Global Fund for Health, and the Climate Change window of UNDP's MDG Achievement Fund.

Carbon trading and innovative sources of climate financing

The November 2010 report of the UN's High-Level Advisory Group on Climate Change Financing (AGF) outlined a range of private or public/private partnerships, which might contribute funding in the future. These include: 'Robin Hood' taxes or Tobin taxes on financial transactions; taxes on maritime bunker and aviation fuel and REDD+ funding and carbon trading.

For more extensive information on climate financing, the following websites have a wealth of data and perspectives:

- The World Bank and UNDP have listed over forty funding institutions at their Climate Funding Options website.[96]

- The Fast Start Finance website lists information provided by contributing countries on sources and recipients of fast start funding for 2010-12.[97]

- Climate Funding Fundamentals are set out in briefing papers from the Heinrich Boll Stiftung.[98]

- The UNFCCC Adaptation Fund has an elaborate website with all project proposals and Board reports.[99]

- The World Bank has issued a series of briefs on Development, Climate and Finance Issues.[100]

- Independent reviews are available from Climate Funds Update[101] *or the World Resources Institute.*[102]

NOTES

[1] Apisai Ielemia, Prime Minister of Tuvalu, Statement to the UN Framework on Climate Change Conference of Parties, Poznan, Poland, 11 December 2008.

[2] Article 4(4), United Nations Framework Convention on Climate Change (UNFCCC), 1771 UNTS 107, opened for signature 9 May 1992, entered into force 24 March 1994.

[3] AOSIS links 43 countries and territories across the oceans of the world, and five Pacific AOSIS members are also LDCs (Tuvalu, Kiribati, Samoa, Solomon Islands and Vanuatu). These SIDS are amongst the smallest in the LDC group, with populations ranging from 10,000 to 500,000.

[4] Will McGoldrick, Financing adaptation in Pacific Island countries: prospects for the post-2012 climate change regime, *Australian International Law Journal*, Vol.14 2007.

[5] Details of both donors and recipients can be found at the Fast Start Finance website: http://www.faststartfinance.org/.

[6] Climate: Pershing and Hedegaard commit to close co-operation, US cable from Brussels embassy UNCLAS section, 17 February 2010, online at http://www.guardian.co.uk/world/us-embassy-cables-documents/249185. The diplomats are correct about the 'need for finding', but underestimate the AOSIS commitment to higher targets for reductions in greenhouse gas emissions, which has pitted them against both BASIC and OECD countries.

[7] *Report of the Secretary-General's High-level Advisory Group on Climate Change Financing*, UN, New York, November 2010. Bob McMullan, the former Parliamentary Secretary for International Development Assistance in the Rudd government, was an Australian representative in the High Level Advisory Group.

[8] Greg Combet, Minister for Climate Change and Energy Efficiency, Australia climate finance—strong support for the Pacific on climate change, Media release, 10 December 2010. Details of the package are outlined in Department of Climate Change, *Australia's fast-start finance progress report*, December 2010, updated in May 2011.

[9] Statement by Tuila'epa Sailele Malielegaoi, Prime Minister of Samoa, 65th Session of the UN General Assembly, New York, 27 September 2010.

[10] Interview with Ambassador Ali'ioaiga Feturi Elisaia, Alofi, Niue, March 2011.

[11] Statement by Anote Tong, President of the Republic of Kiribati, 65th Session of the UN General Assembly, 25 September 2010.

[12] Commonwealth Secretariat, *Frameworks and capacities for using climate finance: considerations for the Commonwealth*, background paper for the Commonwealth High-Level Meeting on Climate Finance, Wiston House, West Sussex, UK, 23–25 January 2011. Thanks to Sonia Koti, Aid Co-ordination Unit, Ministry of Planning, Solomon Islands for providing information on this meeting.

[13] Martin Parry et al, *Assessing the costs of adaptation to climate change – a review of the UNFCC and other recent estimates*, Grantham Institute for Climate Change, Imperial College, London, August 2009.

[14] For data and discussion, see World Resources Institute (WRI): *Summary of developed country 'fast-start' climate finance pledges*, updated 20 May 2011: http://www.wri.org/publication/summary-of-developed-country-fast-start-climate-finance-pledges.

[15] Interview with David Sheppard, Pacific Climate Change Roundtable, Alofi, Niue, March 2011.

[16] Final communiqué, Commonwealth High Level Meeting on Climate Financing, UK, January 2011.

[17] Oxfam International, *Righting two wrongs: making a new global climate fund work for poor people*. Oxfam Briefing Note, 6 October 2010.

[18] IIED, *Fast-start adaptation funding: keeping promises from Copenhagen*, IIED Briefing, November 2010.

[19] Final communiqué, Commonwealth High Level Meeting on Climate Financing, UK, January 2011.

[20] For data and comparisons, see *The impact of climate change on the development prospects of the Least Developed Countries and Small Island Developing States*, Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS), 2009, pp 12-13.

[21] Ross Garnaut, *Progress towards effective global action on climate change,* Garnaut Climate Change Review – Update Paper two: 2011.

[22] Makereta Komai, Samoa and Solomon Islands raise questions on fast track finance, *PACNEWS/Climate Pasifika Media*, Cancun, Mexico, 1 December 2010.

[23] World Resources Institute (WRI), *Summary of developed country 'fast-start' climate finance pledges*, updated 20 May 2011.

[24] For a useful summary, see Jessica Brown, Neil Bird and Liane Schalatek, *Climate finance additionality: emerging definitions and their implications*, Climate Finance Policy Brief No. 2, Heinrich Boll Stiftung, June 2010.

[25] Martin Stadelmann, J. Timmons Roberts and Axel Michaelowa, *Keeping a big promise: options for baselines to assess "new and additional" climate finance*, CIS Working Paper No. 66, Centre for Comparative and International Studies, University of Zurich, 18 November 2010.

[26] The April 2011 review of aid effectiveness notes that Australia's fast track pledge: 'will be entirely funded from the aid budget, and so will increase climate change spending to about five per cent of Australian ODA.' S. Hollway et al, *Independent Review of Aid Effectiveness,* Commonwealth of Australia, April 2011, p 158. In Australia's 2010-11 Budget, measures amounting to AUD$355 are defined as 'new and additional' and the remainder of Australia's fast-start package (totalling AUD$244) as 'existing'. Increased funds for multilateral climate mechanisms, the International Forest Carbon Initiative and the International Climate Change Adaptation Initiative are described as 'fully offset from the provision for expanded aid funding held in the Contingency Reserve'. Foreign Minister Stephen Smith, 2010-11 International Development Assistance Budget, Media release, 11 May 2010.

[27] Opposition proposes cuts in Australian climate adaptation aid, *Pacific Beat*, Radio Australia, 3 August 2010.

[28] S. Hollway et al, *Independent Review of Aid Effectiveness*, pp 158-9.

[29] Ibid, p 158.

[30] *An effective aid program for Australia: making a real difference, delivering real results,* Commonwealth of Australia, June 2011, pp 35-6.

[31] In 2010, ODA funding from members of the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) reached USD$128.7 billion

[32] Climate Minister Greg Combet has stated: 'The government will use every cent of revenue from a carbon price to assist families with household bills, to support jobs and help businesses adjust to a clean energy economy and to tackle climate change', in Combet clears way to introduce carbon tax, *The Australian*, 11 May 2011.

[33] Statement by Anote Tong, President of the Republic of Kiribati, 65th Session of the UN General Assembly, 25 September 2010.

[34] World Resources Institute (WRI), Summary of Developed Country 'Fast-Start' Climate Finance Pledges, updated 20 May 2011.

[35] Submission by Tuvalu on the scale of emissions reductions to be achieved by Annex I parties and allocation of corresponding mitigation effort, Ad

Hoc Working Group on further commitments for Annex I parties under the Kyoto Protocol, 25 March 2009, pp 10-14, found at: UNFCCC/KP/AWG/2009/Misc.1/Add.1.

[36] Mary Fifita and Fergus Hanson, *China in the Pacific: the new banker in town*, Lowy Institute Policy Brief, April 2011, p 10.

[37] Decisions adopted by the Conference of the Parties, Part Two: Action taken by the Conference of the Parties at its sixteenth session, *Report of the Conference of the Parties on its sixteenth session, held in Cancun from 29 November to 10 December 2010*, Section IVA, para 95.

[38] For one attempt to develop a comprehensive mathematical accounting of climate change vulnerability for 233 states, ranging in size from China to Tokelau, see David Wheeler, *Quantifying vulnerability to climate change: implications for adaptation assistance*, Working Paper 240, Centre for Global Development, January 2011.

[39] Interview with Espen Ronneberg, SPREP climate change adviser. See Pacific argues with world over climate vulnerability, *Pacific Beat*, Radio Australia, 3 December 2010.

[40] Interview with Ambassador Feturi Elisaia, Alofi, Niue, March 2011.

[41] Background paper, Forum Economic Ministers' Meeting, Alofi, Niue, 26-28 October 2010, PIFS(10) FEMM Background E.

[42] Jon Barnett, The effect of aid on capacity to adapt to climate change – insights from Niue, *Political Science*, Vol. 60, June 2008.

[43] Interview with Premier of Niue Toke Talagi, Alofi, Niue, March 2011.

[44] Personal communication, Mataio Tekinene, Environment Director of the Ministry of Natural Resources and Environment, Funafuti, Tuvalu, April 2011.

[45] This section is based on interviews with participants and presentations to the 2011 Pacific Climate Change Roundtable, held in Alofi, Niue in March 2011.

[46] For discussion of tensions between PNG and other PICs, see Samisoni Pareti, Environment: fears and hopes of the islands, *Islands Business*, February 2009.

[47] For a critique of the narrow focus on market-based mechanisms, see Australian Conservation Foundation (ACF), *Reducing emissions from deforestation and degradation in developing countries*, ACF Briefing Note, December 2007. See also Stephen Howes, Cheap but not easy: the reduction of greenhouse gas emissions from deforestation and forest degradation in Papua New Guinea, *Pacific Economic Bulletin*, Vol. 24 2009, pp 130–143.

[48] Sarah Dix, Hypothetical offsets: carbon trading and land rights in Papua New Guinea, in Transparency International, *Global corruption report - climate change,* Earthscan, 2011, pp 345-6. See also the Greenpeace report *PNG: not ready for REDD*, Greenpeace Australia-Pacific, 2010, which recommends that Papua New Guinea only receives REDD funding when it places a moratorium on all logging and deforestation, and introduces safeguards for biodiversity, indigenous and landowners' rights and ending corruption and illegal logging.

[49] See for example the critique by Tuvalu's chief climate negotiator Ian Fry, Reducing emissions from deforestation and forest degradation: opportunities and pitfalls in developing a new legal regime, *Review of European Community and International Environmental Law* Vol. 17 (2) 2008.

[50] This section is based on research in Solomon Islands in November 2008 and February 2011, and interviews with a range of government officials, donors, NGOs and community organisations.

[51] Data from the Secretariat of the Pacific Community (SPC) Population and Demography program – www.spc.int/sdp/

[52] See for example Ministry of Environment, Conservation and Meteorology, *Solomon Islands National Adaptation Programmes of Action*, November 2008; World Bank, *Reducing the risk of disasters and climate variability in the Pacific Islands - Solomon Islands Country Assessment*, World Bank / SOPAC 2010; Patrick D. Nunn, Responding to the challenges of climate change in the Pacific Islands: management and technological imperatives, *Climate Research*, Vol. 40 2009, pp 211–231.

[53] Cited in Enhancing resilience of communities in Solomon Islands to the adverse effects of climate change in agriculture and food security, Kyoto Adaptation Fund Board, project/program proposal PIMS 4451 Atlas IDs Proposal 00059792, Project 00074942, revised version January 2011.

[54] Ministry of Environment, Conservation and Meteorology, *Solomon Islands National Adaptation Programmes of Action*, pp 5-6

[55] Information drawn from interviews in Honiara, February 2011, and NAPA Project Identification Form consultation in Solomon Islands - constraints and challenges, Presentation at the Pacific Side Event, 2 December 2010, Cancun, Mexico.

[56] Interviews with government officials, Honiara, February 2011.

[57] International NGOs like Oxfam, World Vision, Live and Learn and Save the Children all have a climate component to their work in Solomon Islands; the Solomon Islands Red Cross has extensive climate and disaster response activity while local NGOs such as the Kastom Gaden Association have a major focus on food security and agricultural production.

[58] Interviews with AusAID and UNDP staff in Honiara, February 2010, and with AusAID in Canberra, April 2011.

[59] Enhancing resilience of communities in Solomon Islands to the adverse effects of climate change in agriculture and food securit, project proposal document, p 2.

[60] Interview with Ministry of Environment staff, Honiara, February 2011.

[61] These include: Pacific Adaptation on Climate Change 2009-2013 (UNDP-GEF); Capacity Building for Sustainable Land Management (SLM) (UNDP-GEF); Capacity Building for Disaster Risk Reduction (AusAID); Pacific Climate Change Science Program (AusAID: 2009 – 2011); Second National Communication project (GEF: 2008-2010); International Climate Change Adaptation Initiative (Government of Australia 2009-2011); Coral Triangle Initiative project (GEF, USAID, AusAID, World Bank).

[62] *Operational policies and guidelines for parties to access resources from the Adaptation Fund*, Kyoto Adaptation Fund Board, 2010.

[63] Interview with Franck Wickham, Honiara, February 2011.

[64] Solomon Islands National Agriculture and Livestock Sector Policy 2009-2014.

[65] With support from Terra Circle and funding from AusAID, Kastom Gaden Association has produced a series of important reports on food security in Guadalcanal, Malaita and Makira: *People on the edge* (A report of the 2005 Kastom Gaden Association assessment of the food security, livelihoods potential and energy resources of the Guadalcanal Weather Coast, Solomon Islands); *Extreme living, extreme need* (A report of the 2006 Kastom Gaden Association assessment of the food security and livelihood potential of the Weather Coast of Makira, Solomon Islands); *Unheard voices of the bush* (A report of the 2007 Kastom Gaden Association assessment of the food security and livelihood potential of East Kwaio and Central Kwara'ae regions of Malaita, Solomon Islands).

[66] Interview with UNDP staff in Honiara (February 2011) and Alofi (March 2011).

[67] The following comments are based in interviews with a range of government, NGO and UNDP staff involved in the project development, conducted in Honiara in February 2011.

[68] The project proposal document notes 'Programs and facilities promoting rural development such as the government Rural Constituency Development Fund, or the Rural Development Programme (financed by AusAID, EC and WB), projects promoting sustainable livelihoods (e.g. Cocoa Livelihood Program (CLIP) and the SI-Australia Rural Livelihood Program (financed by AusAID)) exist, but without systematically integrating climate risk and resilience, and without raising awareness amongst local communities on climate-induced changes exacerbating existing environmental and socio-economic problems.' Enhancing resilience of communities in Solomon Islands to the adverse effects of climate change in agriculture and food security, p 7.

[69] However, in spite of current reforms, interviewees continued to raise issues associated with GEF, including access of resources and heavy procedural and reporting requirements, as well as the difficulty of involving civil society.

[70] As Chair of the G-20 in 2011, France's President Nicolas Sarkozy has asked Bill Gates to examine options for innovative financing for development and report back to leaders at the G-20 Summit in November. Even at very low rates of 0.05% or less, this tax could raise hundreds of billions of dollars annually and calm excessive speculation, raising revenue for global and domestic public goods such as health, education and water, and to tackle the challenge of climate change.

[71] For discussion of best practice in managing Pacific trust funds, see Benjamin Graham, *Trust funds in the Pacific - their role and future,* Asian Development Bank, Manila, 2005.

[72] *Mobilising climate change funding in the Pacific Islands region* - A report to the Secretariat of the Pacific Regional Environment Program (SPREP), October 2010.

[73] The section reflects debates at the 2011 Pacific Climate Change Roundtable in Niue, and interviews with officials and government representatives in Honiara, Alofi and Canberra.

[74] For a detailed overview of the process see Lupe Matoto and Luisa Tuiafitu Malolo, Ministry of Environment and Climate Change (MECC), *Tonga's key achievements since the 2009 PCCR*, presentation online at http://www.sprep.org/climate_change/PCCR/documents/Tongapresentation.pptxfinal.pptx.

[75] On the Cook Islands JNAP, see the presentation by Pasha Carruthers, National Environment Services, http://www.sprep.org/climate_change/PCCR/documents/CookIslandsCCADRM.ppt.

[76] Cited in Stanley Simpson, Tuvalu urges Adaptation Fund Board to provide greater capacity building for islands, Climate Pasifika media team, Cancun, 5 December 2010. Interview with Enele Sopoaga, now opposition leader in Tuvalu's Parliament, May 2011.

[77] Interview with government official, Suva, Fiji, February 2010.

[78] Interview with Pacific government representative, Pacific Climate Change Roundtable, Alofi, Niue, March 2011.

[79] Australian National Audit Office (ANAO), *AusAID's management of the expanding Australian aid program*, The Auditor General Audit Report No.15, 2009–10 Performance Audit, pp 49-50.

[80] Interview, Suva, Fiji, February 2010.

[81] Interview with UNDP staff, Honiara, February 2011. See also *United Nations Development Program & Climate Change Adaptation - A Quarterly Update of Activities*, Issue No. 5, February 2011.

[82] Interviews with Annick Villarosa (EU); Thomas Lynge Jensen (UNDP); Ryan Medrana (AusAID), Suva, February 2010.

[83] Disaster response initiatives are also coordinated through the *Pacific Disaster Risk Reduction and Disaster Management Framework for Action 2005 – 2015*, and there is increasing effort to link climate change and disaster preparedness initiatives.

[84] Dr Willy John Morrell, *United Nations climate change scoping study - report on opportunities to scale up climate change support to Pacific Island countries*, 28 July 2009.

[85] *Mobilising climate change funding in the Pacific Islands*.

[86] Forum communiqué, Pacific Islands Forum, Niue, August 2008.

[87] For an overview of community-based initiatives, see Community Based Adaptation Exchange (http://community.eldis.org/.59b70e3d/), the Small Island States Policy and Practice website (http://sids-l.iisd.org/) or the Pacific Climate Change Virtual Library (http://pigcos.soest.hawaii.edu/piccp/joomla/).

[88] OECD, *Integrating climate change adaptation into development co-operation: policy guidance*. OECD, Paris, available at http://www.oecd.org/dataoecd/45/45/44887764.pdf.

[89] Interviews with AusAID and ACFID staff, Canberra, April 2011.

[90] One excellent example of this work is Penehuro Fatu Lefale, *Ua 'afa le Aso* - Stormy weather today: traditional ecological knowledge of weather and climate. The Samoa experience, *Climatic Change*, No. 100, 2010 pp 317–335. For other examples of mobilising traditional knowledge for disaster preparedness and adaptation, see Nic Maclellan, Preparing for storms – protecting the islands, *Islands Business*, January 2011.

[91] One positive regional initiative was the UNDP Pacific Centre's February 2008 workshop on the gendered dimensions of disaster risk management and adaptation to climate change. Cheryl Anderson et al, *The gendered dimensions of disaster risk management and adaptation to climate change – stories from the Pacific,* AusAID / UNDP Pacific Centre, Suva, 2008. For general information, see UNDP, *Resource guide on gender and climate change,* UNDP, 2009; UNISDR, *Gender perspectives: integrating disaster risk reduction into climate change adaptation - good practices and lessons learned,* United Nations International Strategy for Disaster Reduction, 2008.

[92] Liane Schalatek, *Gender and climate finance: double mainstreaming for sustainable development*, Heinrich Böll Foundation North America, May 2009, p 7.

[93] The author was the researcher for a 2010 study on this issue for UNICEF Pacific. See M. Urbano et al, *Children and climate change in the Pacific islands – report to UNICEF Pacific*, Nossal Institute for Public Health University of Melbourne, April 2010.

[94] For a summary of current science from Australian and regional perspectives, see: Australian Academy of Science, *The science of climate change – questions and answers,* AAS, August 2010, and Australian Government, *Pacific Climate Change Science Program Annual Report 2009-10.*

[95] David Sheppard, Director of SPREP, presentation to PCCR, Alofi, Niue, March 2011.

[96] http://www.climatefinanceoptions.org/cfo/FundingSourceBySource?tid=14.

[97] http://www.faststartfinance.org/.

[98] http://www.boell.de/ecology/climate/climate-energy-climate-finance-fundamentals-briefing-11183.html.

[99] http://www.adaptation-fund.org/.

[100] http://climatechange.worldbank.org/climatechange/content/development-climate-finance.

[101] http://www.climatefundsupdate.org/.

[102] http://www.wri.org/publication/summary-of-developed-country-fast-start-climate-finance-pledges.

ABOUT THE AUTHOR

Nic Maclellan works as a journalist and researcher in the Pacific islands. He is a regular contributor to *Islands Business* magazine (Fiji) and has worked as a broadcaster and journalist with Radio Australia and other regional media. Nic has travelled extensively throughout the islands region and lived in Fiji between 1997 and 2000, working with the Pacific Concerns Resource Centre (PCRC). He has participated in research projects on environment, development and labour mobility for UNICEF Pacific, Oxfam International, the World Bank, the Nautilus Institute and other organisations. He is co-author or editor of a number of books including: *La France dans le Pacifique – de Bougainville à Moruroa* (Editions La Découverte, Paris, 1992); *After Moruroa – France in the South Pacific* (Ocean Press, New York and Melbourne, 1998); *Kirisimasi* (PCRC, Suva, 1999); *Louise Michel* (Ocean Press, New York and Melbourne, 2004); *Louise Michel - Vidas Rebeldes* (Ocean Sur, Havana, 2006).

LOWY INSTITUTE

FOR INTERNATIONAL POLICY

WWW.LOWYINSTITUTE.ORG