



# Access to Climate Finance in Pacific Islands Countries

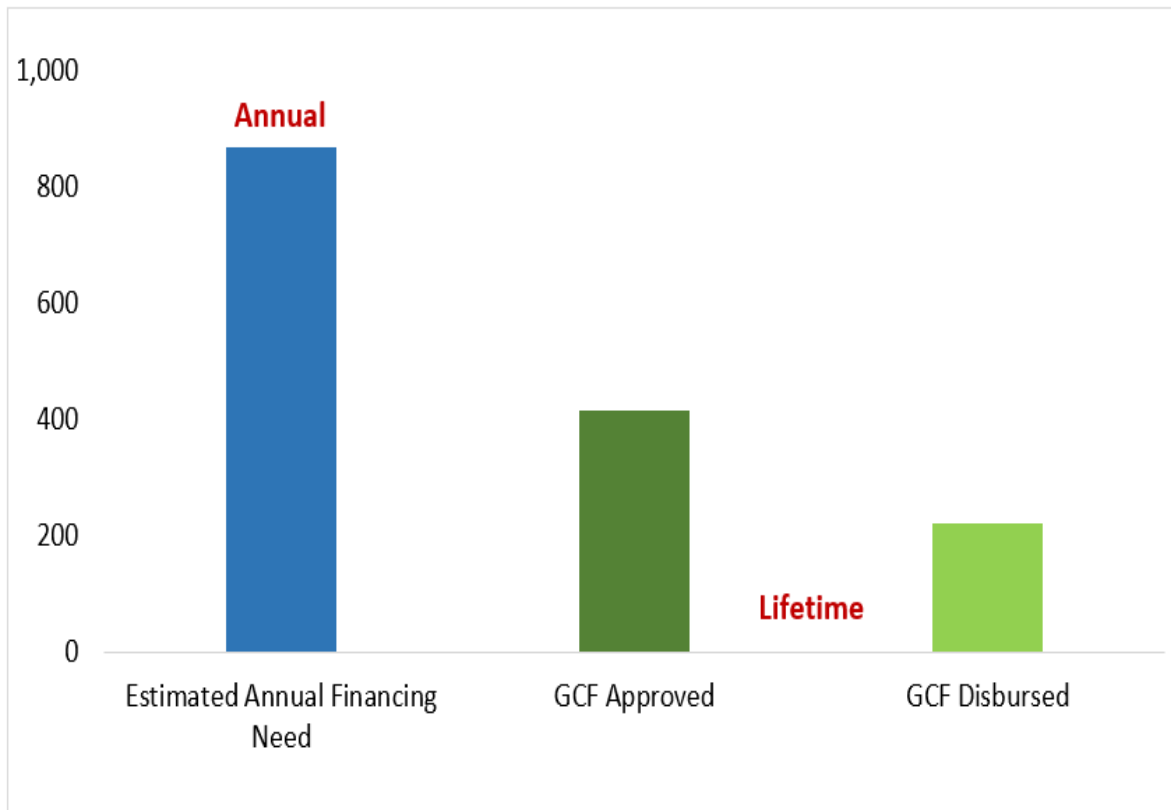
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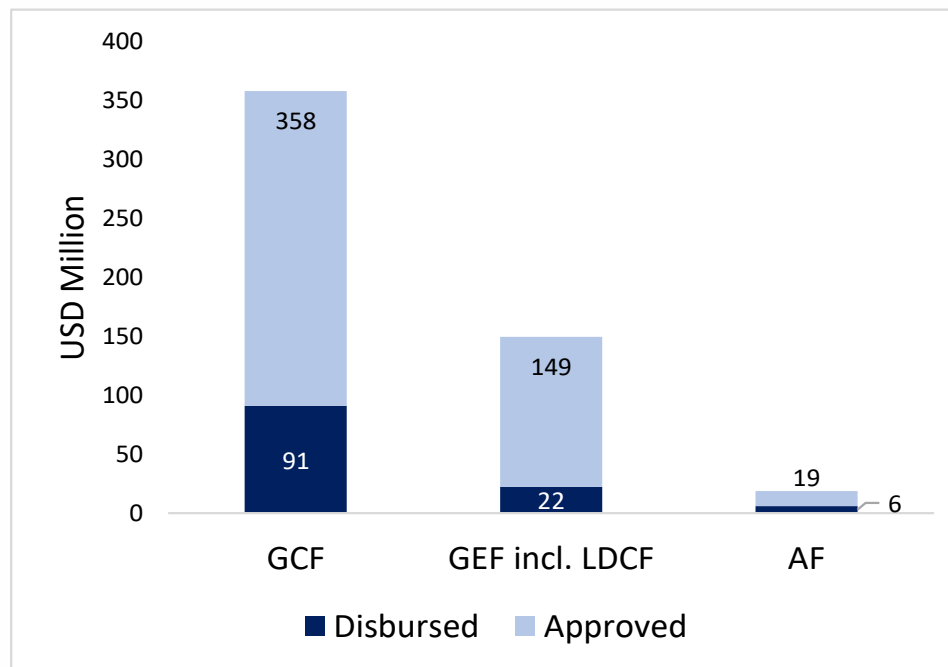
# The Pacific islands have a large climate finance gap...



→ Increasing Pacific Islands access to grants and concessional loans is a critical macroeconomic issue in the coming decade.

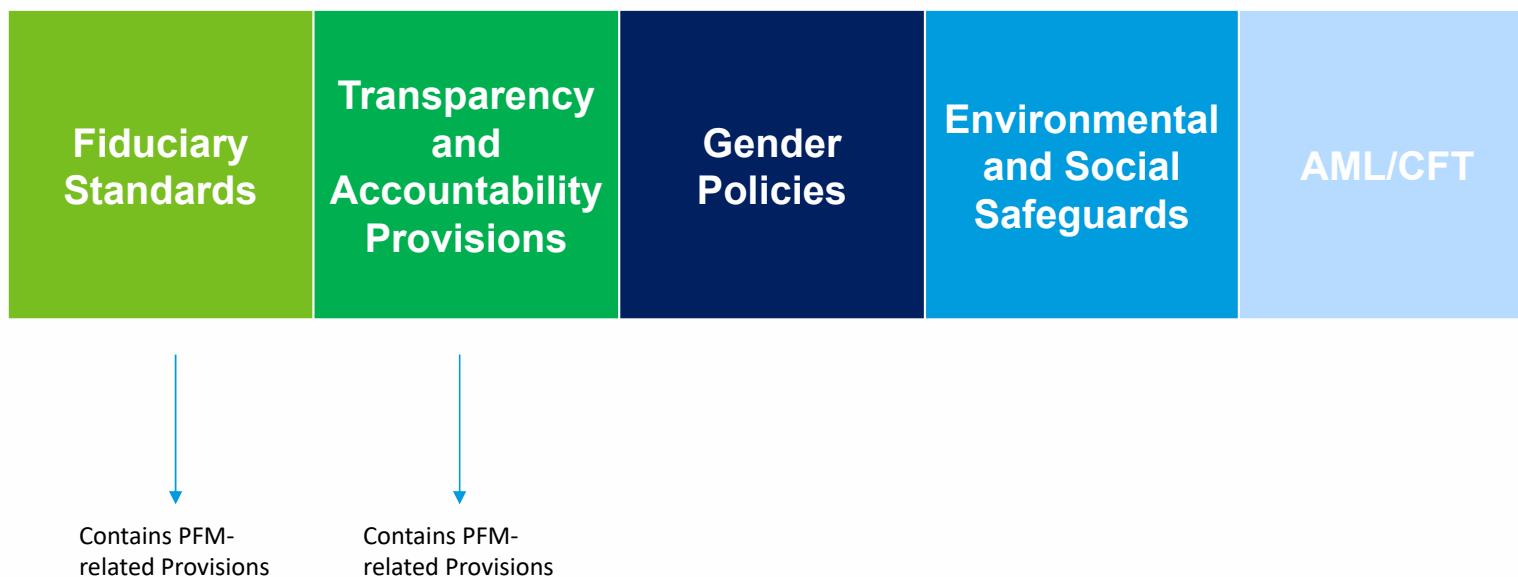
# And a large gap between funds committed and disbursed.

*Funding approved and disbursed to PICs 2014-2019*

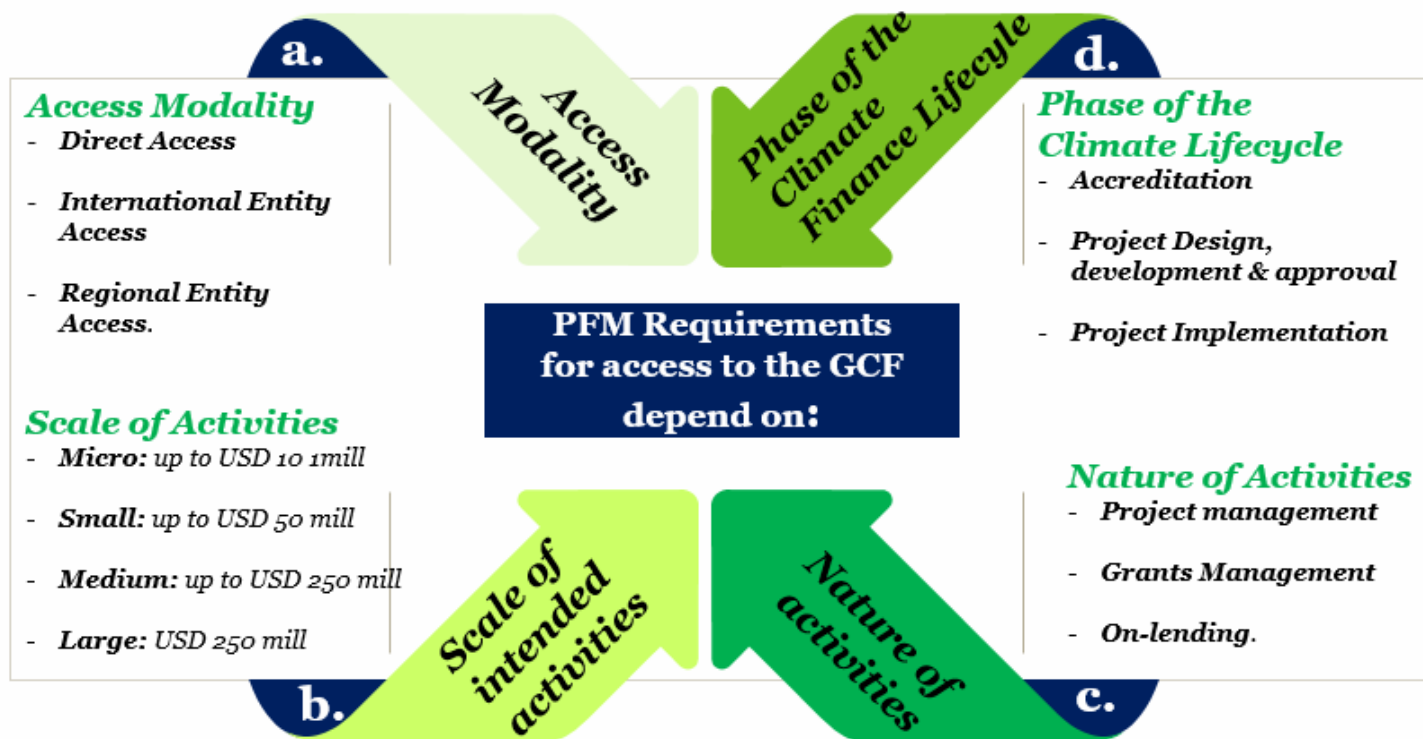


# Requirements for accessing Climate Finance span multiple areas – PFM is but one

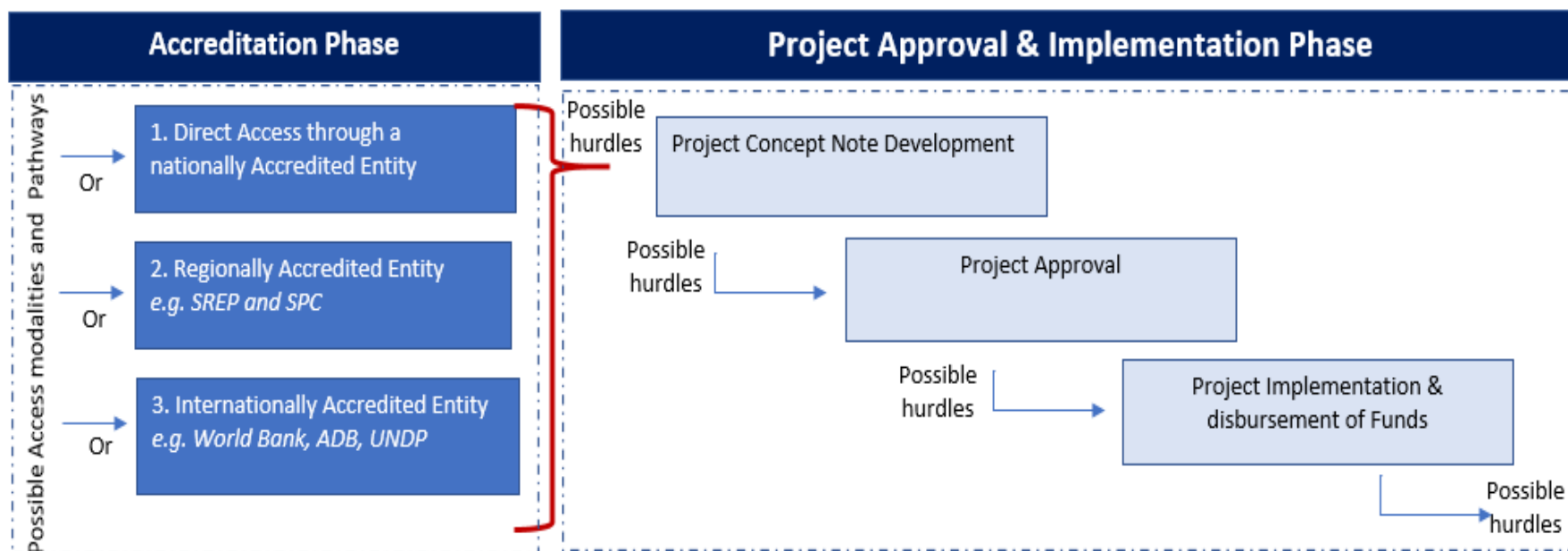
## Accreditation:



# Rigor and type of PFM-related GCF requirements depend on:



# Access hurdles occur across the Climate Finance Lifecycle



# PIC Successes and Challenges: Accreditation

## Accreditation Phase

### Direct Access

#### Challenges:

- ✓ Complexity of requirements.
- ✓ Lengthy process; re-accreditation needed every 5 years.
- ✓ Requires significant resources where capacity is already thin.

#### Successes:

- ✓ Reciprocal recognition allowing for "fast tracking" (although still lengthy process).
- ✓ Readiness funding usefully deployed.
- ✓ Gaps assessment helpful.

### Regional Access

#### Challenges:

- ✓ Demand for support is too high; not all requests can be supported.
- ✓ Can only support small-to-medium size projects.

#### Successes:

- ✓ Offer crucial support for GCF readiness grants.

### International Access

#### Challenges:

- ✓ Demand for support is too high; not all requests can be supported.
- ✓ Misalignment of priorities can constrain support.

#### Successes:

- ✓ Large amounts of funding can be available even for low capacity countries.
- ✓ Implementation can begin earlier than with direct access.
- ✓ Re-accreditation done by international entity.

# PIC Successes and Challenges: Post-accreditation

## Project Approval & Implementation

### Challenges:

- ✓ Insufficient human resources and technical skills to develop projects.
- ✓ Disbursement delays.
- ✓ Harder to get funding for adaptation projects.

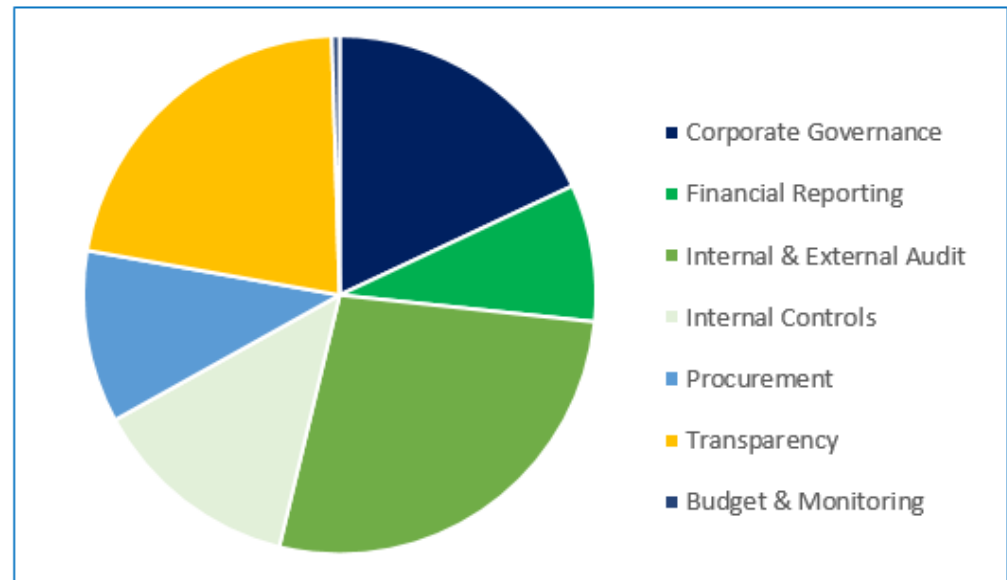
### Successes:

- ✓ Steps towards better monitoring of climate flows (climate budget tagging).
- ✓ Introduction of climate units to coordinate climate finance activities.



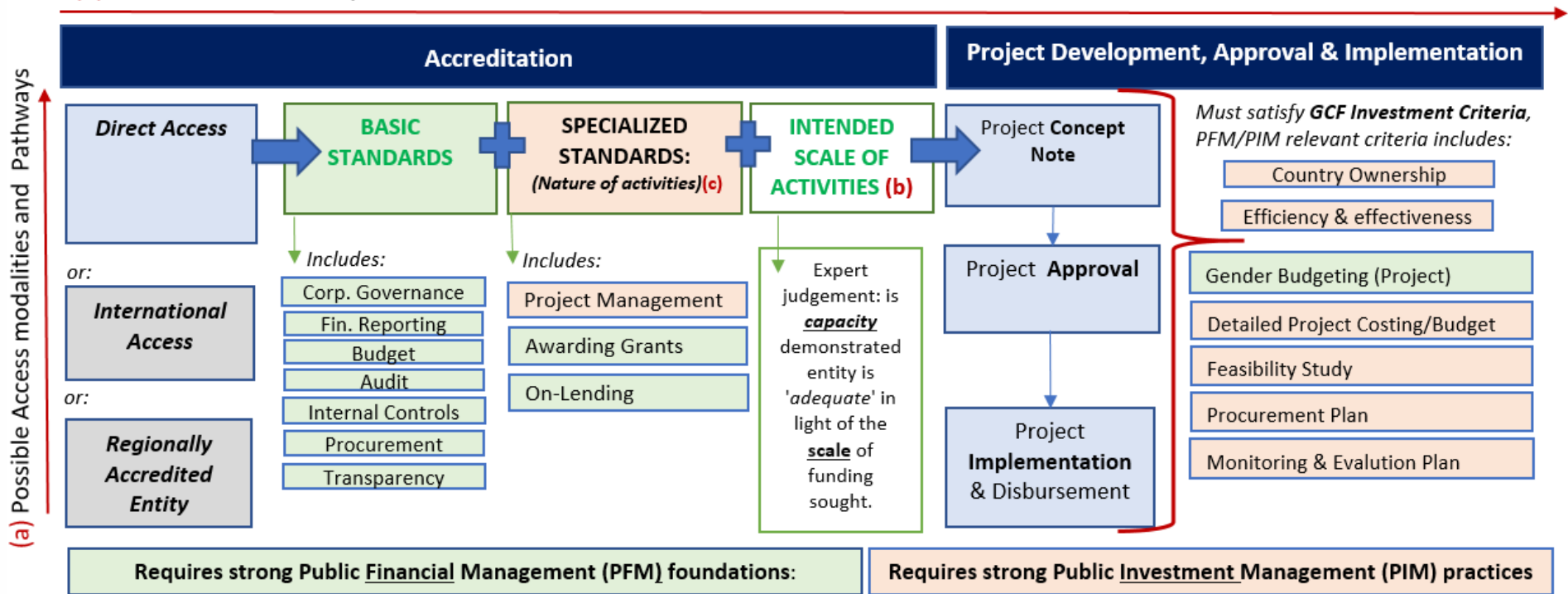
# What are the PFM-related requirements specifically?

- The GCF 'basic' PFM-related accreditation requirements are categorized across seven core areas of PFM capability.
- Focus is on strong control frameworks and accountability mechanisms.
- Entities must prove policies exist, have a track record of implementation, and the review panel must deem that practices are 'adequate'.

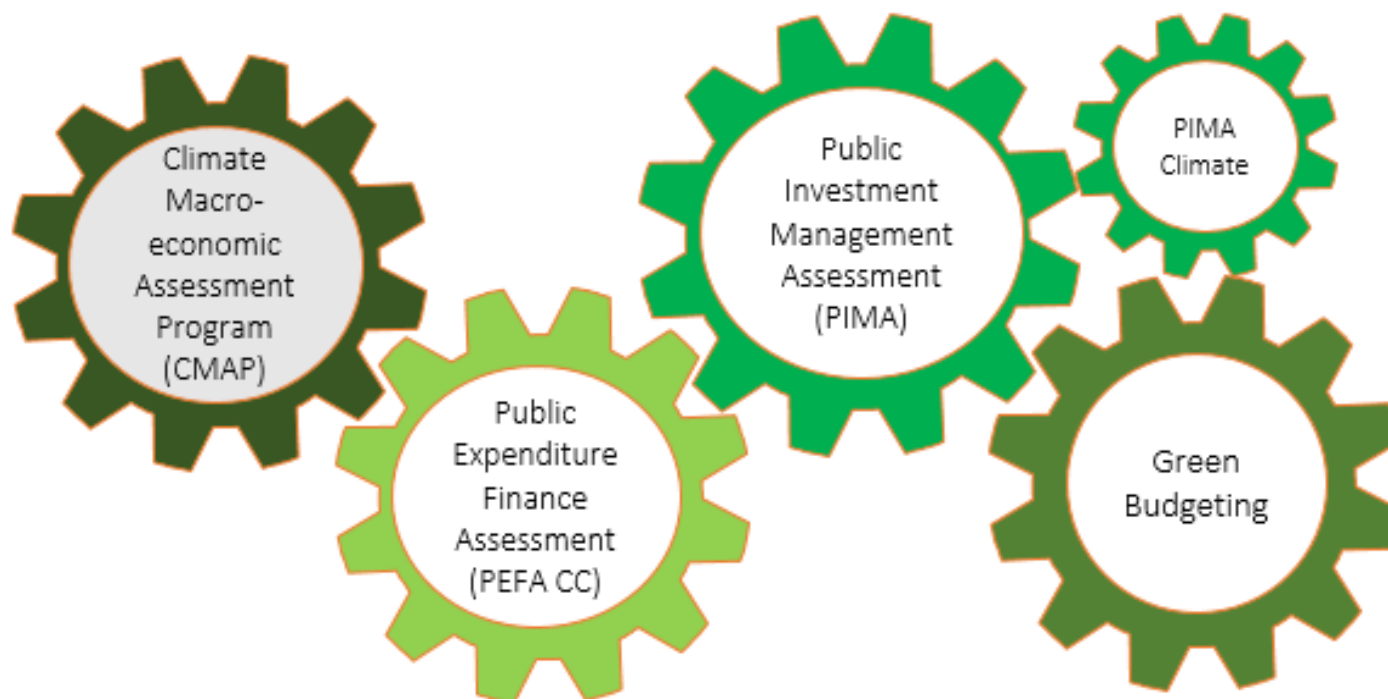


# PFM Requirements span the GCF Climate Finance Lifecycle

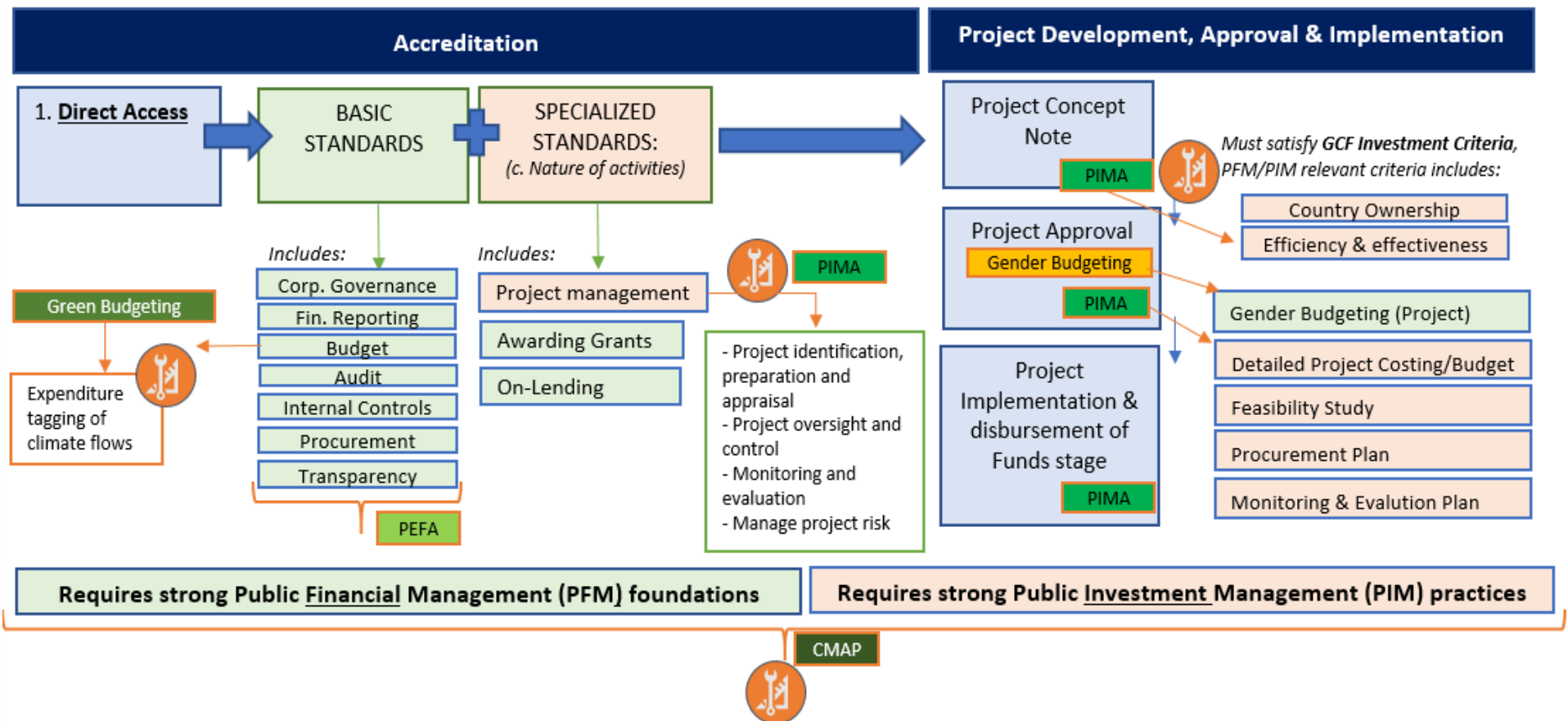
(d). Phase in climate Lifecycle



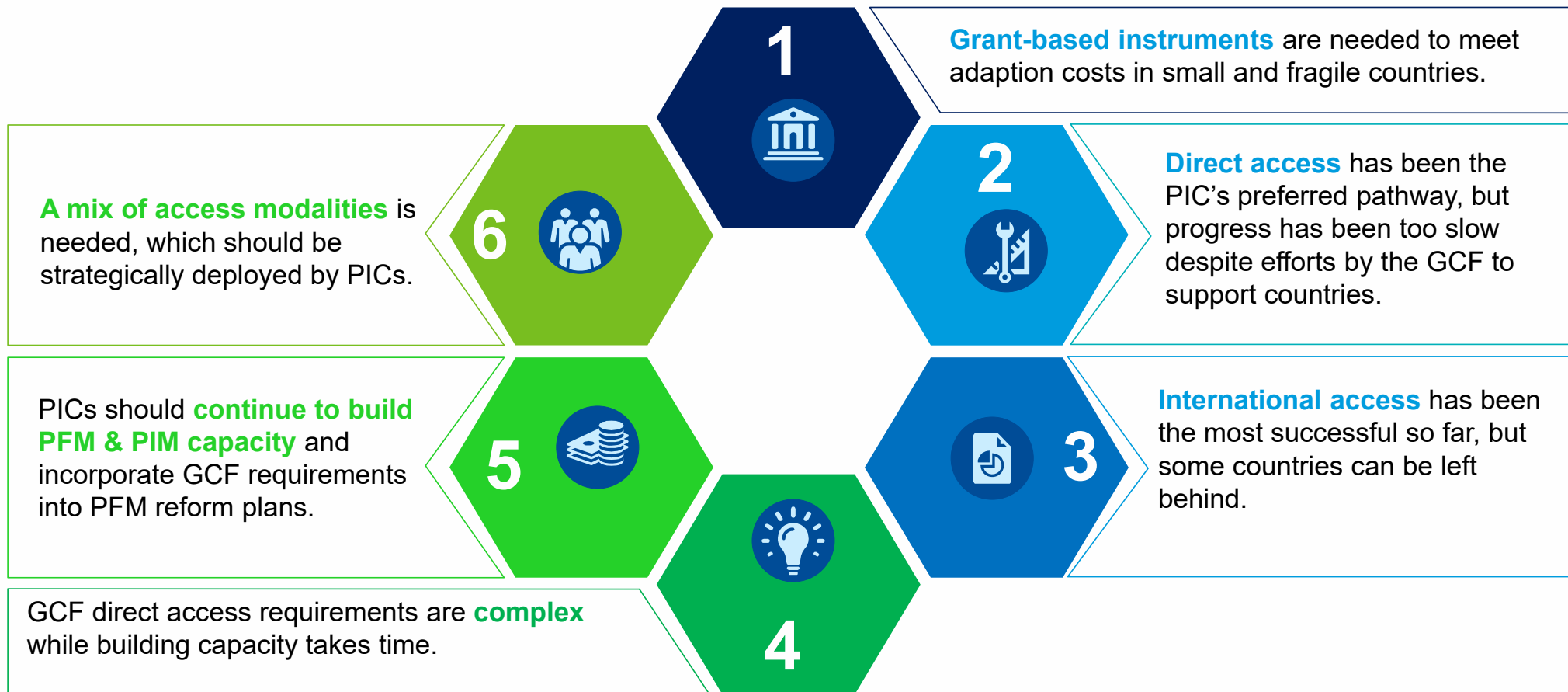
# IMF Diagnostic Tools Supporting Climate Finance Requirements



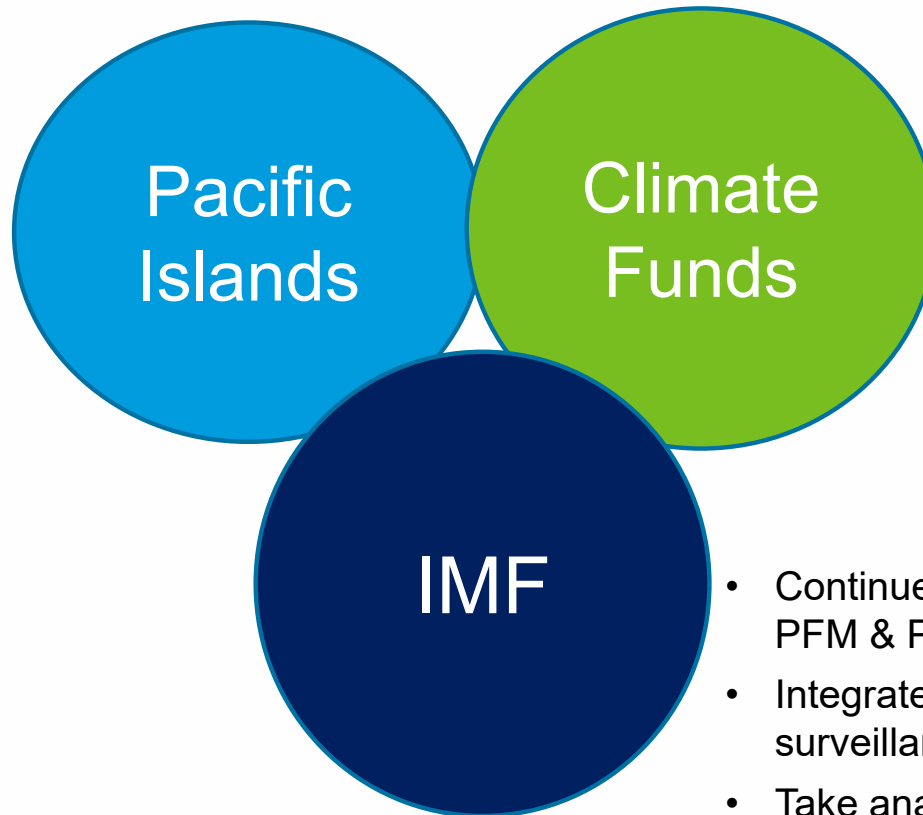
# Where can PFM tools help to strengthen capacity?



# Key Conclusions



# The way forward...



- Continue to Build PFM capacity
- Be strategic in matching climate project proposals with potential funding sources
- Establish dedicated climate finance units

- Consider further streamlining & prioritization of access requirements
- Consider greater focus on ex-post rather than all ex-ante requirements
- Seek other innovative ways to reduce the accreditation burden, beyond fast tracking.

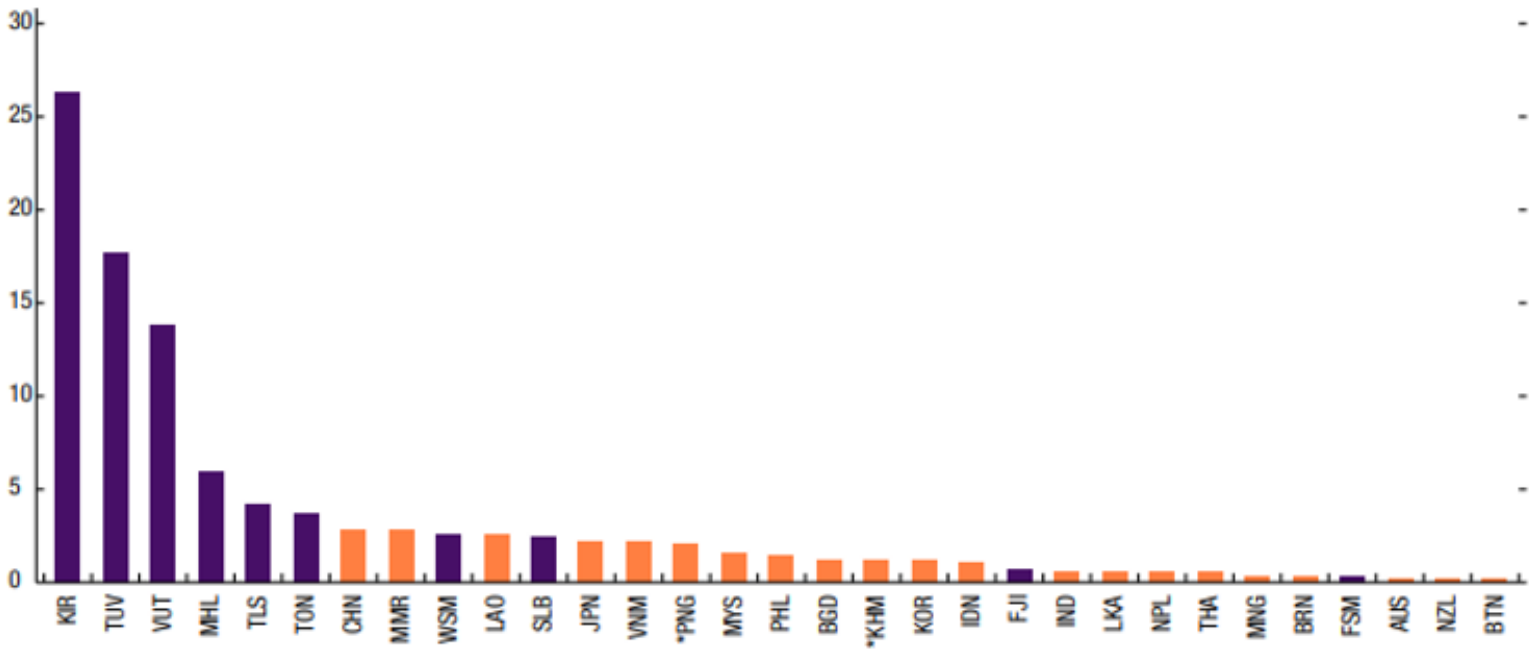
- Continue with capacity development in core PFM & PIM
- Integrate climate challenges into macro surveillance
- Take analytical approach
- Use convening power



**Thank you!**



# Costs of Adaption are high, fiscal space is scarce and risk of debt distress is already high in many countries



Source: IMF 2021 (Fiscal Policies to Address Climate Change in the Pacific).



# The Pacific Experience and the GCF: A mixed picture

Direct Access	Regional Access	International Access
<ul style="list-style-type: none"><li>• Almost <u>all</u> PICs seeking Direct Access</li><li>• Only <u>2</u> entities accredited (low value projects).</li><li>• <u>1</u> Project approved</li><li>• <u>0</u> Disbursements thus far</li></ul>	<ul style="list-style-type: none"><li>• <u>3</u> Regionally Accredited entities</li><li>• <u>2</u> approved projects, totaling US\$32 million,</li><li>• <u>US\$5</u> million disbursed.</li></ul>	<ul style="list-style-type: none"><li>• <u>13</u> projects, totaling US\$435 million approved.</li><li>• Disbursements <u>51%</u>.</li><li>• Mix of instruments, grants concessional loans.</li></ul>

# PFM Capacity based on PEFA assessments

Good	Substantial	Medium	Low or Insufficient
A	B+ & B	C+ & C	D+, D, D* & NR

Summarised GCF PFM Requirement		PEFA Dimension (2016 FW)	Fiji 2020	Tonga 2020	Cook Is. 2015	Sol.Is. 2012	Samoa 2014	Vanuatu 2013	Tuvalu 2011	RMI 2012	Recent PEFA Self-assessments & Unpublished PEFA scores (Nauru, PNG, FSM, Palau, Kiribati)			
Classification of GCF PFM-related requirements														
Basic PFM-related criteria	1. Corporate Governance													
	2. Financial Reporting:	Completeness of annual financial reports	A	B+	B	B+	C+	A	B+	C+	B	B	B	C+
		Submission of reports for external audit	C+	B+	C+	B+	A	B+	B+	B+	B+	B+	B+	B+
		Accounting standards	A	C+	B+	B+	C+	B+	C+	A	B+	C+	B+	C+
	3. Budget Credibility:	Budget calendar	A	C+	B+	B+	B+	B+	B+	C+	B+	B+	C+	C+
		Guidance on budget preparation	C+	B+	C+	B+	A	A	B+	B+	B+	B+	B+	C+
		In-year budget reports	B+	C+	C+	C+	C+	B+	C+	C+	B+	B+	C+	C+
	4. Internal & External Audit	Internal audit	A	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+
		External audit	C+	C+	C+	C+	C+	C+	B+	C+	C+	C+	C+	C+
	5. Robust Internal Controls:	Payroll Controls	B+	C+	B+	C+	C+	C+	C+	C+	C+	C+	C+	C+
		Internal controls on nonsalary expenditure	A	B+	C+	C+	C+	C+	C+	C+	B+	B+	A	C+
	6. Procurement:	Procurement	B+	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+
	7. Transparency and accountability	Public access to fiscal information	B+	C+	B+	B+	C+	C+	C+	C+	B+	C+	B+	C+

**End**