



E-DISCUSSION REPORT – CONSOLIDATED REPLIES

The 1st Exchange Series on Climate Financing

Majuro Declaration for Climate Leadership - A Climate Financing Perspective



Dr. Peter King, Senior Policy Advisor, IGES Regional Centre, Adaptation Project Preparation and Finance Team Leader, USAID ADAPT Asia-Pacific, Bangkok, Thailand (Posted: 11 Sep 2013)

Dear ADAPT Asia-Pacific colleagues and friends,

My name is Peter King and as Team Leader, Adaptation Project Preparation and Finance for the USAID-funded ADAPT Asia-Pacific project, I have been closely following the issue of climate finance, particularly as it relates to the Pacific region and the recent conclusion of the 44th Pacific Islands Forum and related meetings in Majuro, the Republic of the Marshall Islands.

For the Pacific's Small Island Developing States, climate change is not a future issue—it is an imminent crisis. Forum Leaders emphasized this in the [2013 Forum Communique](#) and endorsed the Majuro Declaration for Climate Leadership. I hope this effort to “spark a new wave of climate leadership” can bring a greater sense of urgency in the current UN climate talks and reinvigorate the negotiations which seem to proceed at snail's pace.

Forum Economic Ministers stressed the urgent need for financing to effectively respond to climate change at the August 2013 Forum Economic Ministers Meeting (FEMM) in Tonga. Ministers urged the Pacific to strengthen access to, and management of, climate change finance, describing this as critical for vulnerable Pacific Island Countries.

One of the ways to do this is for development partners to simplify criteria and processes for accessing climate change financing, which Forum Leaders had urged. The other is for them to use the Pacific Island Countries' national systems to disburse climate change funds, as outlined in the 2013 Forum Communique and the Forum Economic Ministers [Action Plan](#).

As a former Director of the Pacific Region for the Asian Development Bank (ADB), I have had the privilege of meeting with many of the leaders in this region. They know that climate change is a survival issue for many of the low-lying atoll countries and potentially damaging for the bulk of the population living in the coastal zones and for food security as the coral reef ecosystems are damaged by increasing sea temperatures and ocean acidification.

They are frustrated that the rest of the world is not approaching the overwhelming need for additional climate finance with the urgency that they experience every day. So here are some of the questions we need to explore in helping the Pacific leaders to stand tall in global climate change negotiations and achieve lasting solutions for their threatened populations.

- 1. How should Pacific Island governments take even greater leadership and boost confidence among development partners?**
- 2. Are there any successes (or even failures) of leadership that we can learn from, as this is not the first crisis facing these countries?**

The 1st Exchange was raised by Dr. Peter King on 11 September 2013 to engage the climate change finance community in Asia and the Pacific. The Exchange period lasted two weeks (11-25 September 2013).

Dr. King is Senior Policy Advisor at the Institute for Global Environmental Strategies (IGES) Regional Centre based in Bangkok, Thailand. He is also the Adaptation Project Preparation and Finance Team Leader for the USAID funded ADAPT Asia-Pacific project.

Contributors from the Climate Change Finance Community to the 1st Exchange (11-25 September 2013):

1. [Lee Baker](#), Chief of Party, USAID ADAPT Asia-Pacific, Bangkok, Thailand (Posted: 16 Sep 2013)
2. [Victor Rory](#), Government of Vanuatu (Posted: 17 Sep 2013)
3. [Komkrit \(Joe\) Onsrithong](#), Project Manager, Asian Environmental Compliance and Enforcement Network (AECEN), IGES Regional Centre, Bangkok, Thailand (Posted: 18 Sep 2013)
4. [Ravinder Singh](#), India (Posted: 19 Sep 2013)
5. [Daisuke Sano](#), Director, IGES Regional Centre, and Knowledge Management Team Leader, USAID ADAPT Asia-Pacific, Bangkok, Thailand (Posted: 20 Sep 2013)
6. [Shom Teoh](#), Programme Manager, Sustainable Cities, IGES Regional Centre, Bangkok, Thailand (Posted: 23 Sep 2013)

Many thanks to all who have contributed and followed this Exchange!

3. In practical terms, what are the best ways for Pacific Island countries to increase “country readiness” to not only extract additional financial resources but to ensure that all funds received are used in an optimal manner?

I look forward to hearing your views.

Thank you.

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Lee Baker, Chief of Party, [USAID ADAPT Asia-Pacific](#), Bangkok, Thailand (Posted: 16 Sep 2013)

Dear Pacific colleagues,

As Chief of Party of the USAID ADAPT Asia-Pacific project, I would like to add to the questions Dr. King has raised in “The Exchange Series on Climate Financing” and underscore Leaders’ recognition in their 2013 Forum Communique of the need to strengthen national systems and modalities for channeling climate change finance.

I wish to share some key lessons learned and challenges that came out of parallel sessions at the recent PIFS/SPREP/USAID ADAPT Asia-Pacific “[Pacific Climate Change Resourcing Event Week](#)” in Nadi, Fiji. The parallel sessions highlighted on-ground experiences from Asian and Pacific countries, regional organizations, and civil society representatives regarding three principal climate financing modalities, as follows:

National/regional trust funds and development banks

Lessons Learned

- Trust fund model must fit the purpose
- All stakeholders must strive for prudent and sound financial management of the fund
- There must be strong ownership of the fund
- There must be a strong relationship with the fund’s development partners in management of the fund
- Fund should be built slowly
- Engagement with CSOs is key to the success of community-based fund activities
- Government interference should be minimized, to the extent possible.

Challenges

- Capacity needed to identify and prepare bankable projects
- Importance of taking into consideration the fund’s political role/government leadership/ministerial rivalries
- Importance of operational rules and regulations
- Need to develop capacity, including setting up internal controls, results-based management systems, enterprise resource planning, and augmenting staff
- Align fund standards with small-scale nature of projects often being funded
- Lack of absorptive capacity in the implementing partners, who should not be diverted from their primary, on-ground activities
- Difficulty of dealing with varying procedures and requirements of different funding sources, which are often complicated, cumbersome and conflicting
- Funding processes are often not collaborative and often lack a coherent understanding of regional realities.

Direct budget support

Lessons Learned/Challenges

- Place emphasis on identifying country's priority sectors to facilitate leveraging of funds from development partners
- Bring together development partners to finance priority sectors
- Good coordination required among finance, planning and line ministries
- Strong public financial management systems required
- Appropriate mechanism to align and disburse national budgets in accordance with local needs and national priorities
- Need for national/sectoral climate change policies to be aligned with national priorities
- Provides opportunities to strengthen CSO-government linkages.

NIE/RIE/MIE

Lessons Learned/Challenges

- Countries need a clear understanding of a fund's fiduciary standards and requirements
- Accreditation process is beneficial for a country not only for gaining NIE status and direct access, but also to strengthen national reporting and M&E systems
- Getting buy-in of country's political directorate is essential for selection of the NIE candidate
- Internal audit function, procedures to ensure transactions can be tracked, and a transparent procurement system are key elements of accreditation
- Manage expectations of accreditation process
- External assistance and advice valuable during accreditation process
- Experience required in implementing large projects.

As an immediate outcome of the country requests that came out of the jointly-sponsored Pacific Climate Change Resourcing Week, USAID ADAPT Asia-Pacific has already agreed to:

- Advise the Government of the Cook Islands with its application for accreditation to the Adaptation Fund
- Partner with PIFS in undertaking a climate change finance case study for the Republic of the Marshall Islands
- Partner with UNDP in implementing recommendations that come out of its ongoing Vanuatu risk governance project
- Explore cooperating with the Government of Nauru to support implementation of the recently launched Nauru case study action plan in developing a tool to track climate change expenditures.

ADAPT Asia-Pacific looks forward to working with other Pacific Island Countries in strengthening national systems and modalities to improve the channeling of climate change finance.

Sincerely,
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[Back to Top](#)

Victor Rory, Government of Vanuatu (Posted: 17 Sep 2013)

Dear Sir,

Thank you for updating us on ADAPT Asia-Pacific programme. While I take note of the questions you have raised below, I would like to make a general response to your

address. It is my humble view that to rightly assist the Pacific Island Countries, we can say that we have two options:

- 1) One, to assist them (the countries) through the Pacific Island Forum or
- 2) Two, to assist them (the countries) through the South Pacific Commission or
- 3) Three, to assist them (the countries) through their sub regional organisation (for instance, PNG, Solomon, New Caledonia/Kanaky, Vanuatu and West Papua sub regional headquarter which is called MSG and based in Vanuatu) or
- 4) Four, to assist them (the countries) on a bilateral level through bilateral programs

With the above, to increase financial contribution in terms of Climate Change Financing, this one must be integrate in each of the above 4 scenarios development plan as a priority.

Regards,

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[Back to Top](#)

Komkrit (Joe) Onsrithong, Project Manager, [Asian Environmental Compliance and Enforcement Network \(AECEN\)](#), IGES Regional Centre, Bangkok, Thailand (Posted: 18 Sep 2013)

Dear colleagues in Asia and the Pacific,

My name is Komkrit (Joe) Onsrithong. In August 2013, I joined Institute for Global Environmental Strategies (IGES) after almost 2 years at Thailand's Climate Change Office.

During my tenure with the Royal Government of Thailand, I was part of the delegations to Climate Change Conferences since COP17 in Durban where I followed issues related to adaptation and finance. I am also involved in early discussion regarding accreditation of Thailand's National Implementing Entity to the Adaptation Fund.

I would like to respond to the first question posted by Dr. Peter King – **How should Pacific Island governments take even greater leadership and boost confidence among development partners?**

Please allow me to be candid. Climate finance is on everyone's minds, especially those of us in developing countries. With the end of fast-start finance last year and the goal of mobilizing USD 100 billion per year by 2020, COP18 in Warsaw is expected by many to be a "Finance COP" where breakthroughs will be achieved on GCF operationalization and mid-term finance between 2013 and 2020.

Apart from scale and sources, access is a much discussed issue of climate finance. Direct access modality adopted by Adaptation Fund and, to some extent, Global Environmental Facility has drawn many praises, but some challenges remains.

The modality, where designated national entity of a country can access financial resources while bypassing a financial intermediary such as multilateral development banks and other external implementing agencies, can offer many advantages. It can provide opportunities to enhance ownership of recipient country which allows funded actions to better correspond to country priorities and needs, and to better engage domestic stakeholders.

Direct access modality also presents many challenges. Identification of potential national

implementing entities for accreditation remains a significant hurdle. To be accredited, domestic entities must prove that they meet stipulated fiduciary standards, and that they have capacities and experience to ensure successful implementation of projects/programme/sector-wide approach.

(I am not advocating for lowering of accreditation standards, though I believe simplification, flexibilities, and assistance in setting up and/or strengthening of national systems and institutions to channel climate finance are critical for successful direct access modality, especially if it is to be adopted by the Green Climate Fund. It is my conviction that it is not only fair but wise that we all adhere to universally accepted norms of aid effectiveness, management integrity, financial prudence, and transparency. With limited financial resources, we need to make every dime count.)

Challenges call for leadership. If developing countries wish to take full advantage of direct access modality, we have to prepare appropriate access infrastructure. The first step is accreditation of national implementing entities.

We need to identify the most suitable organization candidates, and start approaching them. Satisfaction of accreditation requirements alone will be pointless unless the organizations are willing and committed to go through the rigorous accreditation process and effectively serve as NIEs.

Possible starting point is to map national climate change institutional arrangement and initiate multi-stakeholder dialogue to increase knowledge of Adaptation Fund and NIEs. This process might be difficult where national climate change team lack financial expertise. However, the very definition of leadership is to traverse the uncharted and convince people to your cause.

After you gain an alliance, it is time to build and/or strengthen its systems and capacities for monitoring and evaluation, internal controls, result-based management, risk management, environmental and social safeguards, resource planning and fulfillment of fiduciary standards. Then, after extensive preparation and groundwork, your fellowship will be ready to face Accreditation Board together.

Following a successful accreditation, leadership still remains in high demand. In concurrence with Mr. Lee Baker, you need to further develop absorptive capacities of implementing partners, identify country's priority sectors, establish good coordination with finance, planning and other line ministries, and strengthen linkages with civil society, private sector and other domestic stakeholders. This is to realize credible, robust and sustainable pipeline of funding opportunities.

While there is much talk about GCF providing resources to support direct access and its potential flexibility toward binary approach of accreditation, developing countries including Pacific Islands can assert even greater leadership by establishing and capably operating access infrastructure to uphold the integrity of direct access modality and heighten confidence among development partners.

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[Back to Top](#)

Ravinder Singh, India (Posted: 19 Sep 2013)

Dr. King has suggested that one of the ways to raise funds for handling climate change is that development partners simplify criteria and processes for accessing climate

change financing.

In this connection with the recent developments at GCF and the likelihood of it getting operationalized in 2014, it is essential to highlight through various fora/interactions the need for GCF to establish a window for Small Grants for small entities/countries which do not have capacities and experience to handle large grants/projects. The requirements for the Small Grants window would obviously need to consist of simple criteria and processes for accessing funds. This would also be in line with the need for simple criteria and processes, which has been highlighted by Dr. King in his note.

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[Back to Top](#)

Daisuke Sano, Director, IGES Regional Centre, and Knowledge Management Team Leader, USAID ADAPT Asia-Pacific, Bangkok, Thailand (Posted: 20 Sep 2013)

I would like to share a few thoughts of mine below:

1. How should Pacific Island governments take even greater leadership and boost confidence among development partners?

As already widely recognized, human resources in the Pacific are very thin. Some challenges seem to be stemming from this particular constraint not only at the policy making level (e.g. national focal climate point is assigned with multiple tasks but cannot attend all the business) but also at the implementation level on the ground (not enough local experts, and there may be potentially persisting dependency on international consultants).

However, this could be turned into chances. If the small number of Pacific governments officials in charge of development and/or climate change can come up with clearer national needs and priorities (a package of what they really need), some donors may be ready to consider providing more programmatic/budgetary support. Although there is a bit of chicken-and -egg problem in this, the following may be one of the critical entry points:

1. Pacific government's considering integrating CCA, DRR and development agenda;
2. Pacific government's willingness to improve their own financial capability and transparency;
3. Pacific government's appointing the right person/agency to task with coordinating and decision making roles; and
4. Pacific government's willing to spend/allocate national budget to an appropriate degree.

(1) is slowly but already happening at the regional level. From resource efficiency's point of view, this makes a lot of sense. Integration may occur faster at the national level than international/UN levels. If developing country insisted on 'additionality,' a country may lose some opportunity. It is a nation's choice. (2) and (3) should be handled domestically, but some external assistance from development agencies may be available. (4) would show the commitment of the government to development agencies.

2. Are there any successes (or even failures) of leadership that we can learn from, as this is not the first crisis facing these countries?

I do not know any relevant stories on this matter.

3. In practical terms, what are the best ways for Pacific Island countries to increase “country readiness” to not only extract additional financial resources but to ensure that all funds received are used in an optimal manner?

A few preliminary ideas include:

- Setting up a committee or special body to oversee the international cooperation activities, and create a fast-track development aid scheme to pilot.
- More Training of Trainers (ToT) than training the limited number of elite federal government officials. There may be local leaders who can talk better and take the issues in the local context.
- Use peer pressure from neighboring countries or sub-national/provinces.

Thank you.

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[Back to Top](#)

Shom Teoh, Programme Manager, [Sustainable Cities](#), IGES Regional Centre, Bangkok, Thailand (Posted: 23 Sep 2013)

Dear Peter and colleagues,

As Programme Manager, Sustainable Cities at IGES, I would like to contribute some ideas to this discussion from the perspective of multi-level governance and the importance of supporting demonstrative ‘bottom-up’ measures to complement the ‘top-down’ approaches.

It is undeniable that establishing national policies, strategies and mechanisms – led by national governments – are key to achieving the broad-based actions and systemic changes required for an urgent and complex issue like climate change adaptation financing – a particularly pressing issue for Pacific island country members. Donors and development agencies have rightly focused their attention and resources on supporting national governments and actors. Yet, national adaptation planning and frameworks are highly susceptible to weaknesses and obstacles, such as:

- i) tendency to be biased and fragmented by traditional ministry sectors and lines, as well as disconnected with ‘ground realities’;
- ii) inter-region or inter-ministry conflicts/competition; and
- iii) lesser priority compared to the more well-established mitigation agenda (perhaps this may not be as relevant in Pacific countries).

Climate change threats are more readily perceived at the local level, and impacts are felt in the daily lives of citizens. Hence, local governments and people in highly vulnerable areas may be more motivated to act and utilise financing assistance and other forms of support, if given the chance. Globally, there is a growing trend for local governments to assume greater willingness in responding to climate change and to be independent policy innovators, especially where national actions have been weak or slow.

National adaptation strategies will ultimately need to be down-scaled to lower levels of government and be driven by local leadership, knowledge and resources. Furthermore, planning and implementation will need to be tailored to respect unique local conditions

– what works in one area/town, does not necessarily work in another, even if they are in the same country.

Considering the above, the following practical actions are suggested:

- Ensure the meaningful involvement of local governments and actors (especially civil society organisations) in the planning and strategy design process so that the final outputs are realistic, pragmatic and backed by the ownership of local actors to facilitate implementation.
- If national governments have statutory powers over local government's institutional structure, encourage or mandate the creation of official climate change focal points in local governments and support this with national budgets, via national-to-local fiscal transfers. (For example, setting up a climate change department/office, or appointing a climate change officer.)
- Build readiness at multiple levels. While helping to develop national capacity and institutions, consider also extending equal opportunities for direct financing and capacity building to support local governments and local-level adaptation.
- With the support of national governments, harness the relative 'nimbleness' of local government and actors to experiment and showcase pilot initiatives. This may offer yield useful insights and lessons to inform the design and enhancement of national strategies and policies. (This approach is illustrated by the Rockefeller Foundation's 100 Resilient Cities Centennial Challenge <http://100resilientcities.rockefellerfoundation.org/pages/for-cities>, which supports the creation of a Chief Resilience Officer in selected municipalities and provides relevant technical and financial support city-based adaptation.)

Best regards,

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[Back to Top](#)

Dr. Peter King, Senior Policy Advisor, [IGES Regional Centre](#), [Adaptation Project Preparation and Finance Team Leader](#), [USAID ADAPT Asia-Pacific](#), Bangkok, Thailand (Posted: 30 Sep 2013)

Dear ADAPT Asia-Pacific colleagues and friends,

Many thanks to all who have followed, deliberated, and contributed to the 1st Exchange Series on Climate Financing: Majuro Declaration for Climate Leadership – A Climate Financing Perspective.

What began as my initial thoughts on the outcomes of the [44th Pacific Islands Forum](#) prompted some good discussions on this platform as they relate to financing critical climate change projects and needs. I hope this conversation carries forward beyond this space and into your line ministries, development agencies, and other learning communities. Indeed it is by moving from conversation to discussion, from discussion to deliberation, and from deliberation to action, that we begin to “spark a new wave of climate leadership” – as Pacific Leaders have urged us earlier this month – to find lasting solutions for our threatened environment.

In this 1st Exchange, [Victor Rory](#) from the Government of Vanuatu reiterated the importance of collaboration with multilateral, bilateral, and regional partners, including [PIFS](#) and the South Pacific Commission. [Ravinder Singh](#) from India, who was also speaker and resource person at the [ADAPT Asia-Pacific Second Annual Meeting](#) in Nadi, Fiji, emphasized the need for the [Green Climate Fund \(GCF\)](#) to establish a

window for small grants for small countries.

[Lee Baker](#) who is Chief of Party of the USAID ADAPT Asia-Pacific project also chimed in, sharing key lessons and challenges that came out of the PIFS/SPREP/USAID ADAPT Asia-Pacific “[Pacific Climate Change Resourcing Event Week](#).” He also highlighted the current activities ADAPT Asia-Pacific is working on together with UNDP and the Government of Nauru, among others.

[Daisuke Sano](#) and [Shom Teoh](#) shared their thoughts on domestic climate change governance and challenges, and [Komkrit Joe Onstrithong](#) discussed his experience in accessing climate financing at Thailand’s Climate Change Office.

These are the tacit knowledge and experiences that we are trying to capture with this Exchange. While we gather and present the information, I hope you have found the exercise to reflect, deliberate and share useful for your personal and professional goals. Through this Exchange, we envision fostering and growing a dedicated group of climate finance practitioners to expand and share knowledge that will benefit our collective community.

Once again, thank you for your contributions – and until the next Exchange, I wish you all the best.

Dr. Peter N. King
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[Back to Top](#)

The Exchange Series on Climate Financing is a facilitated knowledge exchange platform that supports the ADAPT Asia-Pacific family (i.e. Forum/meeting alumni) and others interested in climate finance. The ADAPT Asia-Pacific Knowledge Management Team moderates the exchanges and ensures that members receive a maximum of one email a day. Messages posted reflect the personal views of the contributors and not the positions of their organizations.

If you have any additional information related to the topic that you would like to share, or any other inputs, including suggestions to improve this Exchange, please email them to: the-exchange@adapt-asia.org

If you would like to opt-out of the Exchange at any time, please contact Augustine Kwan, Knowledge and Outreach Manager for USAID ADAPT Asia-Pacific at kwan@iges.or.jp

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The USAID funded [ADAPT Asia-Pacific](#) is an integrated knowledge transfer, capacity building and technical assistance program that links climate funding organizations with eligible Asia-Pacific countries and helps prepare projects that increase resilience to the negative impact of climate change.