

Pacific Climate Change Finance Assessment

Nauru Case Study

FINAL REPORT

May 2013



PACIFIC ISLANDS FORUM SECRETARIAT



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Executive Summary

Funding to support developing countries take action on climate change is projected to increase dramatically in the coming years. However, this increase in opportunities is being matched by an equally dramatic increase in complexity. This range of sources, each with their own set of rules and regulations, is often difficult to navigate, confusing and requires significant investment of a country's limited resources to access and manage.

The purpose of this national climate change finance assessment (the Nauru Case Study) is to assist the Government of Nauru (GoN) make informed decisions on measures to improve access to and management of climate change resources. It has been undertaken in response to a request from the GoN, following recent decisions made by Leaders and Economic Ministers on climate change financing.

The Nauru Case Study is based on review of readily available information on the policies, programs and approaches of Nauru and key development partners, and consultations with Government Officials, community and private sector representatives, donors and other development partners. It draws together a variety of previous studies, including policy reviews and analyses focussing on specific sector or thematic issues.

The Pacific Climate Change Financing Assessment Framework (PCCFAF) provided the overarching framework for this assessment. The cross-cutting nature of climate change requires national responses, which can bring together efforts which focus on specific sectors or issues and enable a renewed look at the effectiveness of overall development efforts. The PCCFAF assesses a country's ability to access and manage climate change resources against six interrelated dimensions: 1) Funding sources 2) Policies and plans; 3) Institutions; 4) Public financial management and expenditure; 5) Human capacity; and 6) Development effectiveness.

Climate change has been recognised in Nauru's National Sustainable Development Strategy and the GoN is in the process of developing a climate change policy statement, and a Joint National Action Plan on Climate Change Adaptation and Disaster Risk Management. Climate change has not, however, been fully integrated into national, sectoral or thematic strategies and associated GoN systems and processes.

Review of the institutional structure to support delivery of Nauru's climate change program indicated that the flow of climate change related information between key line ministries was limited and several parts of Government had insufficient capacity to undertake their climate change related responsibilities. There was also a lack of clarity of roles and responsibilities with respect to climate change.

It is difficult to accurately quantify the extent of external financing for climate change being made available and to separate it from existing development assistance that has been repackaged as climate change finance. This information is not adequately recorded either at source or at the recipient level. Attempts to monitor the flow of climate change resources have been made at both the global and regional levels; however, it has been widely acknowledged that while useful, these databases contain gaps and inconsistencies. The lack of an internationally recognised definition of 'climate change financing' further adds to this complexity.

This debate will no doubt continue to play out under the UNFCCC and global ODA discussions. For all practical purposes however, the most meaningful definition of what constitutes climate change finance for any developing country should be based on its own climate change needs, and draw from all sources of funding available – be they global, bilateral or domestic – to adequately address these priorities. Indeed tracking this basket of resources through national expenditure analysis will help countries decipher where the contribution of external sources is supporting their growing climate change needs. Ultimately this will help to inform negotiations on the need for increased external climate change finance sources, and where domestic resources might best be leveraged.

Thirty two projects were identified as being part of Nauru's climate change program since 2005, with an estimated total value of AUD19 million. Review of annual climate change related expenditure over the three

years to 2012-13 indicates that expenditure is increasing both in absolute terms and as a proportion of total GoN expenditure. Key sources of climate change related assistance to date include Australia, the European Union, Japan and GEF and United Nations Agencies. While recent increases in assistance have been welcome, climate change related support has largely been delivered through projects and not been delivered using the flexible modalities, such as budget support, utilised in other areas.

Key recommendations to improve Nauru's access to and management of climate change resources are summarised below.

Funding Sources

- The majority of climate change related assistance for Nauru to date has been sourced from bilateral partners and this trend is likely to continue. Regional and global sources will continue to be important, and may increase in the longer term if current trends continue.
 - In the short to medium term, the GoN should focus limited resources on maintaining and strengthening its engagement with key bilateral partners to improve delivery of programs and increase access to support.
 - An efficient and targeted approach should be taken to engagement with regional and global partners and fora, particularly through strengthening engagement with existing mechanisms and relationships (e.g. SPC and SPREP annual meetings, or CIF board meetings). Working with like-minded countries and using Pacific representatives and agencies with greater capacity to focus on and influence global funds on behalf of Nauru should be supported to push for improved delivery of climate change resources.
 - Delegation of tasks to external partners may be an effective approach to engagement where GoN capacity is limited (e.g. accessing support through the Regional Technical Support Mechanism).
- Development partners should use lessons learnt from existing aid effectiveness to deliver more efficient and predictable resources to Nauru for its response efforts in climate change. The fast start period is now over and many lessons have been learnt by donors and partner countries in trying to disperse and access these resources which in themselves have been difficult to define.
- To better understand and manage future assistance:
 - It is important that climate change financing and broader development assistance be differentiated where ever possible, given the call for climate change assistance to be “new and additional”, although both should be delivered in a harmonised and streamlined way.
 - Regional and global organisations should clearly identify what support is available to specific countries and regions where possible.

Policies and Plans

- Climate change priorities for Nauru over the short, medium and long term should be updated to inform relevant national policies, plans and associated budgetary processes. This work is underway through revision of Nauru's climate change action plan and development of a climate change policy statement.
- Climate change focal points, particularly the Climate Change Unit (CCU) within the Department of Commerce, Industry and Environment, should engage in the upcoming review of the National Sustainable Development Strategy to improve how climate change is integrated into the document.
- The CCU should provide technical support to line agencies responsible for development, review and implementation of sectoral policies and plans, to ensure that climate change is integrated within these documents.
 - Support should be provided to the Department of Finance and Sustainable Development given their key role in overseeing climate change related expenditure, development and monitoring of national policies, and development partner coordination.
 - Integration of climate change into policies and plans will have significant implications on the sources and modalities of access/delivery available for climate change funding into the future.

Institutions

- Clearly define all climate change roles and responsibilities, particularly given recent changes to Government oversight arrangements.
- Improve the institutional links between key line agencies to ensure provision of timely and relevant climate change information across Government and to private sector and community groups.
 - The proposed establishment of a High Level Climate Change Steering Committee should assist in these efforts.
 - The CCU should work closely with key line agencies and state owned enterprises on a day-to-day basis.
 - Efforts to engage with the community on climate change through training workshops and outreach should continue.
 - More targeted approaches to engage with the private sector are required.
- Climate change should be integrated into work being undertaken by all line agencies and state owned enterprises to ensure the most efficient use of the limited resources available to manage and implement Nauru's climate change program.
- The absence of resident representation from development partners makes it challenging for the GoN to maintain close and consistent engagement. To address this, greater use of Nauru's diplomatic missions to improve engagement with development partners without resident representation.
- The GoN should take an efficient and selective approach to engagement with relevant regional and global organisations or fora. Opportunities should be sought to engage potentially through delegated representation using existing mechanisms and relationships. This includes annual meetings or through Pacific representatives on global fund boards.

Public Financial Management and Expenditure

- The 2009 PEFA assessment indicates that the GoN does not have a well-functioning, basic PFM system. Significant work has been undertaken to strengthen these processes and continued efforts will also support more efficient climate change finance efforts.
 - Climate change focal points should engage in the upcoming review of the PFM action plan to ensure actions most relevant to climate change are considered.
- The GoN's relatively narrow interpretation or definition of what climate change finance is has implications on how funds available to address Nauru's climate change needs are tracked and sourced and how roles and responsibilities and resources are allocated internally. A broader definition of climate change should be adopted, to assist the GoN identify additional opportunities for engagement on the issue and to more accurately reflect the total resources being applied to climate change relevant activities in Nauru.
- Mechanisms to more effectively track climate change expenditure (at source and within country systems) should be developed by the GoN and its development partners.
- Measures to consider sectoral policies and plans, including those related to climate change, as part of national budget processes should be strengthened.

Human Capacity

- The workforce planning project currently underway in Nauru is a critical step to strengthening the capacity of the Nauru public service. The GoN should ensure capacity to undertake all aspects of Nauru's climate change program are strengthened and/or supplemented where appropriate. This includes finance, planning and aid management functions as well as technical areas related to climate change.
- Provision of day-to-day support to key line ministries by the Department of Commerce, Industry and Environment may help to improve delivery of climate change programs. This may include short term secondments to undertake key tasks such as development and review of Annual Operating Plans.
- The GoN and its development partners should ensure sufficient management resources are included as part of support for implementation of Nauru's climate change program.
- Capacity supplementation may assist the GoN effectively complete specific tasks where capacity is limited. This includes accessing support through mechanisms such as the Regional Technical Support Mechanism. Identifying where Nauru's future capacity needs might be shared with other Forum Island Countries could assist in guiding strengthened regional approaches to climate change support.
- Innovative financing arrangements to sustainably develop and retain human capacity should be explored further following the workforce planning project. Examples such as student loan schemes that are written off for equivalent years of service back in Nauru could be considered, amongst others.

Development Effectiveness

- Strengthened national systems including policy, budgetary allocation and expenditure, capacity and monitoring and evaluation underpins maximising resilient development pathways. Effectively responding to climate change including the necessary resources applied to this (be they external or domestic) must be considered intertwined within these national systems and processes. This will ultimately facilitate the channelling and harmonisation of external funding sources more effectively through national systems, where appropriate.
- Efforts to strengthen delivery of overall development assistance are critical to strengthening delivery of Nauru's climate change program, particularly in the context of increasing funding for climate change. Climate change focal points should continue their engagement in these efforts to ensure climate change related issues are considered.
- The GoN should engage with development partners to ensure donor funded programs are aligned with national priorities.
- To improve monitoring and evaluation of Nauru's climate change program, the GoN should prepare a bi-annual climate change report. This would also be a useful tool to assist in provision of information to key stakeholders.

Modalities

- Trends in overall development assistance to Nauru indicate that the level of support is increasing and more of this is being delivered through Government systems. While climate change related assistance has also increased, support continues to be delivered through projects. While projects can be an effective way to deliver support for some activities, this modality can reduce flexibility, increase administration costs, limit capacity building and foster unsustainable efforts. Climate change focal points should work with development partners to utilise more flexible modalities for delivery of climate change programs where appropriate.

- Different types of modalities of accessing or delivering climate change finance need to be considered in context of the specific need or activity being addressed as well as the strength of systems available to support its effective operations.
- Development partners currently deliver assistance to Nauru through a range of modalities and this is likely to continue. The greatest returns for the GoN are likely to come from working with partners who have or are planning to utilise more flexible modalities. Others, who may have less flexible approaches, and smaller funding agencies, can be brought into common arrangements as they develop.
- Several donors currently provide Nauru with assistance in the form of budget support, which indicates that differences in eligibility criteria and donor capacity to engage are key factors that determine the use of this modality. The GoN should continue to engage with donors to increase the volume of support provided through this modality. In the short term, efforts should focus on Australia, given the current use of this modality, and the European Union given their expressed intention to make greater use of this modality and the support available to prepare for this.
- An application for accreditation as a National Implementing Entity for the Adaptation Fund is unlikely to be successful at this time. However, efforts to gain this accreditation in the coming years are consistent with broader efforts to strengthen GoN systems and may put Nauru in a good position to directly access emerging global mechanisms such as the Green Climate Fund.
- Nauru's previous experience with trust fund has been negative which, in general, has made stakeholders cautious of establishing new trust funds of any sort. Recent proposals to establish new trust funds have not been successful. Prior to consideration of establishment of any National Climate Fund, sufficient resources should be allocated to clearly set out the rationale, objectives and management arrangements for such a fund. Estimates suggest that design of an NCF could take at least two years to complete. Issues relating to economies of scale and reduced transaction costs through adoption of a sub-regional or regional approach, or potential outsourcing of fund management functions should be considered.

Conclusions

The GoN has taken significant steps to address climate change over recent years, across all dimensions of climate change financing. The GoN has developed policies and plans to address key climate change challenges, amended institutional arrangements to facilitate decision making and implement their programs, and accessed millions of dollars to deliver on-ground support to communities. Nauru has also played a significant role in global climate change discussions on behalf of the region and played a pioneering role in the Pacific region's efforts to improve development effectiveness. Despite this progress, more work is still required to meet Nauru's climate change needs. The Climate Change Finance Action Plan presented in Table 10 provides a guide to implementing the recommendations presented in this case study. It provides an indication of the timeframe, outputs, and roles and responsibilities for implementation of the recommendations under each dimension of climate change financing. This action plan serves as a guide to assist GoN decision makers, donors and development partners, to improve Nauru's access to and management of climate change resources.

Table of Contents

| | |
|--|------|
| Acknowledgements | ii |
| Executive Summary | iii |
| Table of Contents..... | viii |
| Acronyms | x |
| 1 Purpose and Scope | 1 |
| 2 Approach | 1 |
| 3 Background..... | 2 |
| 3.1 Nauru’s Definition of Climate Change Financing | 3 |
| 4 Funding Source Analysis | 6 |
| 5 Policy and Planning Analysis..... | 11 |
| 5.1 National Strategies..... | 11 |
| 5.2 Sector and Thematic Strategies | 13 |
| 5.3 International and Regional Engagement | 15 |
| 6 Institutional Analysis..... | 15 |
| 6.1 Government Institutions..... | 15 |
| 6.1.1 National Government | 15 |
| 6.1.2 Coordination Mechanisms | 19 |
| 6.1.3 Sub-National Government | 21 |
| 6.2 Private Sector and Civil Society Institutions | 21 |
| 6.3 International Institutions | 22 |
| 6.3.1 Bilateral Development Partners | 23 |
| 6.3.2 Regional Development Partners | 24 |
| 6.3.3 Global Development Partners..... | 25 |
| 7 Public Financial Management Analysis..... | 26 |
| 8 Expenditure Analysis | 27 |
| 8.1 Total Expenditure..... | 29 |

| | | |
|--------------|--|----|
| 8.2 | Treasury Fund Expenditure..... | 31 |
| 8.3 | Development Assistance..... | 33 |
| 8.3.1 | Total Development Assistance..... | 33 |
| 8.3.2 | Modalities Utilised | 34 |
| 8.3.3 | Key Sources to Date | 35 |
| 8.4 | Areas of Focus..... | 37 |
| 8.4.1 | Adaptation and Mitigation Expenditure | 37 |
| 8.4.2 | Sectoral Climate Change Related Expenditure | 37 |
| 9 | Human Capacity Analysis..... | 38 |
| 10 | Development Effectiveness Analysis | 43 |
| 10.1 | Ownership and leadership..... | 44 |
| 10.2 | Alignment and harmonisation | 46 |
| 10.3 | Managing for Results and Mutual Accountability | 48 |
| 11 | Assessment of Options | 49 |
| 11.1 | General and Sector Budget Support | 52 |
| 11.2 | Direct Access..... | 55 |
| 11.2.1 | Adaptation Fund | 56 |
| 11.2.2 | Green Climate Fund | 60 |
| 11.3 | National Climate Funds..... | 61 |
| 12 | Conclusions..... | 65 |
| | References | 70 |
| Appendix 1 | Consultation List | 73 |
| Appendix 2 | Methods and Assumptions | 75 |
| Appendix 3 | National Sustainable Development Strategy..... | 78 |
| Appendix 4 | Climate Change Activities in Nauru | 80 |
| Attachment 1 | Pacific Climate Change Finance Assessment Framework Preliminary Report | 87 |

Acronyms

| | | | |
|--------|--|--------|--|
| ADB | Asian Development Bank | NCSA | National Capacity Self Assessments |
| AF | Adaptation Fund | NDBP | National Development Bank of Palau |
| AOP | Annual Operational Plans | NDC | National Development Committee |
| AOSIS | Alliance of Small Island States | NEISIP | Nauru Economic Infrastructure Strategy and Investment Plan |
| ARM | Atmospheric Radiation Measurement | NGO | Non-Government Organisation |
| AusAID | Australian Agency for International Development | NIANGO | Nauru Island Association of NGOs |
| BoMA | Bureau of Meteorology Australia | NIE | National Implementing Entity |
| CCU | Climate Change Unit | NIC | Nauru Island Council |
| CDDE | Capacity Development for Development Effectiveness Facility for Asia and Pacific | NLGC | Nauru Local Government Council |
| CEO | Chief Executive Officer | NPBSO | Nauru Private Sector Business Organisation |
| CROP | Council of Regional Organisations in the Pacific | NPRT | Nauru Phosphate Royalties Trust |
| CPEIR | Climate Public Expenditure and Institutional Review | NSDS | National Sustainable Development Strategy |
| DAC | Development Assistance Committee | NUC | Nauru Utilities Corporation |
| DE | Director Environment | ODA | Official Development Assistance |
| DFA | Department of Foreign Affairs | OECD | Organisation for Economic Cooperation and Development |
| DFSD | Department of Finance and Sustainable Development | PACC | Pacific Adaptation to Climate Change Project |
| DI | Director International | PAD | Planning and Aid Division |
| DS | Deputy Secretary | PEC | Pacific Environment Community |
| DCIE | Department of Commerce, Industry and Environment | PCCFAF | Pacific Climate Change Finance Assessment Framework |
| EU | European Union | PEFA | Public Expenditure and Financial Accountability |
| FAO | Food and Agriculture Organisation | PFM | Public Financial Management |
| FFA | Forum Fisheries Agency | PIFS | Pacific Islands Forum Secretariat |
| FIC | Forum Island Country | PIFACC | Pacific Islands Framework for Action on Climate Change |

| | | | |
|--------|--|----------|--|
| FMIS | Financial Management Information System | PFM | Public Financial Management |
| GA | Geoscience Australia | PPA | Pacific Power Association |
| GCCA | Global Climate Change Alliance | PSC | Project Steering Committee |
| GCF | Green Climate Fund | PCCR | Pacific Climate Change Roundtable |
| GEF | Global Environment Facility | PPCR | Pilot Program for Climate Resilience |
| GGP | Grant Assistance for Grassroots Human Security Project | PSIS | Pacific Small Island States |
| GIZ | Gesellschaft für Internationale Zusammenarbeit | REDD | Reducing emissions from deforestation and forest degradation |
| GoN | Government of Nauru | RIE | Regional Implementing Entity |
| HLCCSC | High Level Climate Change Steering Committee | ROC | Republic of China |
| ICCAI | International Climate Change Adaptation Initiative | RoN | Republic of Nauru |
| IWRM | Integrated Water Resources Management | RONADAPT | Republic of Nauru Framework for Climate Change Adaptation |
| JICA | Japan International Cooperation Agency | RTSM | Regional Technical Support Mechanism |
| JNAP | Joint National Action Plan on Climate Change Adaptation and Disaster Risk Management | SC | Secretary to Cabinet |
| KPI | Key Performance Indicator | SCIE | Secretary for Commerce, Industry and Environment |
| MCC | Minister for Climate Change | SFA | Secretary for Foreign Affairs |
| MCIE | Minister for Commerce, Industry and Environment | SIDS | Small Island Developing States |
| MFA | Minister for Foreign Affairs | SOE | State Owned Enterprise |
| MFSD | Minister for Finance and Sustainable Development | SPC | Secretariat of the Pacific Community |
| MIE | Multilateral Implementing Entity | SPREP | Secretariat for the Pacific Regional Environment Program |
| MRV | Monitoring, Reporting and Verification | SPTO | South Pacific Tourism Organisation |
| NAPA | National Adaptation Program of Action | UN | United Nations |
| NBSAP | National Biodiversity Strategy and Action Plan | UNDP | United Nations Development Program |
| NCBO | Nauru Community Based Organisation | UNEP | United Nations Environment Program |

NCF

National Climate Fund

UNESCAP

United Nations Economic and Social
Commission for Asia and Pacific

UNFCCC

United Nations Framework
Convention on Climate Change

USP

University of the South Pacific

1 Purpose and Scope

The purpose of this report is to assist the Government of Nauru (GoN) to make informed decisions on measures to improve access to and management of climate change resources. This national climate change finance assessment (henceforth referred to as the Nauru Case Study) has been undertaken in response to a request from the GoN, following recent decisions made by Leaders and Economic Ministers on climate change financing.

2 Approach

The Nauru Case Study is based on review of readily available information on the policies, programs and approaches of Nauru and key development partners, and consultations with Government Officials, community and private sector representatives, donors and other development partners. It draws together a variety of previous studies, including policy reviews and analyses focussing on specific sector or thematic issues. In particular, the Nauru Case Study has drawn from the Forum Compact Peer Review (PIFS 2010) and its Follow Up (PIFS 2012a), and the Public Expenditure and Financial Accountability Assessment (Leonardo 2010).

Assessment teams, led by the Pacific Islands Forum Secretariat (PIFS), undertook missions to Nauru in May and November 2012 to gather information and undertake consultations with Nauru-based stakeholders. The second mission included participation from the UNDP. Meetings were held with GoN ministries, community and private sector organisations, donors and other development partners. Missions were held jointly with teams from SPC, SPREP and GIZ working on related activities, to ensure coordination between programs and to minimise the administrative burden on the GoN. A full list of stakeholders consulted is included as Appendix 1.

The Pacific Climate Change Financing Assessment Framework (PCCFAF) provided the overarching framework for this assessment (see Table 1 and Attachment 1). The PCCFAF sets out a comprehensive method to assess issues relating to climate change finances and select the most appropriate approaches to addressing these issues. The PCCFAF assesses a country's ability to access and manage climate change resources against six interrelated dimensions:

1. Funding sources;
2. Policies and plans;
3. Institutions;
4. Public financial management and expenditure;
5. Human capacity; and
6. Development effectiveness.

The PCCFAF focuses on efforts to meet the challenges of climate change; however, these dimensions are intricately linked to and provide the opportunity to take a renewed look at the effectiveness of overall development efforts. The cross-cutting nature of climate change requires national responses, which can bring together efforts focussing on specific sectors or issues.

The general approach outlined by the PCCFAF has been tailored to meet the needs of Nauru and discussions with development partners. Key modifications include:

- Analysis of projected rather than actual expenditure due to data limitations; and
- Completion of a National Implementing Entity (NIE) Assessment to enable greater focus on issues related to direct access of global funding sources.

These modifications are discussed in further detail in the Expenditure Analysis (Section 8), discussion on direct access (Section 11.2), and discussion on methods and assumptions (Appendix 2).

3 Background

Current pledges of climate change financing equate to USD 100 billion per year globally by 2020¹. For comparison, normal ODA is projected to total USD 117 billion in the same timeframe (OECD 2010). This funding was envisaged to come from a wide variety of sources - public and private, bilateral and multilateral, including alternative sources of finance – offering countries new resources to take action on climate change. This dramatic increase in funding opportunities has been matched by an equally dramatic increase in complexity. The UNDP estimate there are already more than 50 international public funds, 45 carbon markets and 6000 private equity funds providing climate change finance (Flynn 2011). This range of sources, each with their own set of rules and regulations, is often difficult to navigate, confusing and requires significant investment of a country's limited resources to access and manage. Some of the common challenges faced by Forum Island Countries (FICs), including Nauru, are discussed in Box 1.

In recognition of these challenges, FICs requested Pacific Regional Organisations to assist in evaluating options to improve access to and management of climate change resources. This has included an assessment of regional financing options undertaken by the Secretariat of the Pacific Regional Environment Program (SPREP) in 2011 (Carbon Market Solutions 2011) and a general assessment of national, regional and international options undertaken by PIFS in 2011 (PIFS 2011c).

Following consideration of these studies, Pacific Leaders and Economic Ministers recognised the need for more specific, tailored analyses to assess how the various options, or combinations of options, could work in practice and guide country-level decision making.

¹ At the 2009 United Nations Climate Change Conference, developed countries committed to providing “new and additional resources” approaching USD 30 billion for the period 2010 to 2012 with balanced allocation between adaptation and mitigation. For the longer term, developed countries committed to jointly mobilising USD 100 billion dollars a year by 2020, to address the needs of developing countries.

Box 1 Common Challenges in Accessing and Managing Climate Change Resources

Access to international financing: The Global funding structure and architecture is messy, complex and requires specialist knowledge and capacity to access. The OECD DAC suggests that only 10% of available global funding was drawn down in 2010. Other recent studies confirm that this system is not working well for most developing countries, and is all the more difficult for the smallest among them.

Improving development effectiveness and donor harmonisation: Donor fragmentation is high in the region and presents significant difficulties for FICs to effectively plan, implement and strengthen their own national priorities, systems and capacity. Navigating the demands of many different donors engaged in the region is complicated and requires significant dedicated human and institutional capacity.

Enabling environment – policy and institutional: There are differing levels of national capacity and strength of national systems in the Pacific to deal with climate change. While all have made the commitment to effectively mainstreaming climate change into their national plans and budgets, for many this has proven considerably more complex in practice and requires ongoing national political support. Some good practices are emerging in the region supported by technical agencies and Partners.

Capacity constraints in FICs: Capacity issues facing FICs include internal capacity constraints, capacity constraints of the many bilateral donors and regional organisations engaged in the region as well as in the global funding architecture to accommodate better support for SIDS. Capacity supplementation and shared technical capacity should be considered more seriously for FICs. Building and sustaining capacity can only be done with predictable resources and a good idea of the work that needs to be addressed. This requires a combination of predictable long term and flexible resources as well as clear understanding of the challenges ahead. These resources should be responsive to FICs' capacity constraints be they institutional, individual or systemic.

Maximising mitigation and adaptation efforts: Mitigation efforts and resources offer clear co-benefits in key development areas such as reduced fossil fuel dependency. Capturing the co-benefits from climate change mitigation and adaptation for existing ODA, national, and community programs can present a low cost bonus. These can only be captured when a good knowledge of climate change is institutionalised across all the relevant sectors of government.

Source: PIFS 2011c

The Nauru Case Study is one of several initiatives being coordinated and/or supported by PIFS in response to direction provided by Leaders and Economic Ministers in 2011 and 2012. These initiatives broadly include: development of the PCCFAF and piloting this methodology in Nauru; regular documenting and dissemination of practical experiences in different financing modalities relevant to climate change; development of a Regional Technical Support Mechanism (RTSM); and ongoing support to engage in international climate change processes. Complimentary to this work, a range of other key initiatives are being led by various partners in the region on improving climate financing to FICs. These efforts are coordinated and used to inform all activities in the region relating to climate change financing.

3.1 Nauru's Definition of Climate Change Financing

There is no internationally recognised definition of 'climate change financing' and therefore no clear framework when considering issues related to defining, tracking or accessing and managing these resources. Different organisations have developed definitions for various purposes, however, these definitions do not necessarily align, which makes it difficult to compare information across sources.

Definitional issues have implications on both the supply and demand side of climate change financing. On the supply side, potential funding sources may have specific requirements regarding what does and does not qualify as a 'climate change' activity or may have specific requirements relating to how alignment with this definition is demonstrated. The differentiation between mitigation activities and adaptation activities also impacts the way donors allocate and deliver resources. On the demand side, country-specific definitions of 'climate change' will affect how the issue is addressed in policies and plans, how roles and responsibilities are allocated and how funds are sourced and tracked (PIFS 2012b).

A common understanding of climate change financing is that it refers to financial flows for 'mitigation' and 'adaptation' related activities. Consultations with Government Officials indicate that the definitions presented in Box 2, developed by the OECD (2011), are consistent with their interpretation of 'climate change'.

Box 2 OECD Definitions of Climate Change Adaptation and Mitigation

Climate Change Mitigation

An activity should be classified as climate change mitigation related if it contributes to the objective of stabilisation of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit greenhouse gas emissions or to enhance greenhouse gas sequestration.

Climate Change Adaptation

An activity should be classified as climate change adaptation related if it intends to reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience.

This encompasses a range of activities from information and knowledge generation, to capacity development, planning and the implementation of climate change adaptation actions.

Analysis of expenditure and discussions with GoN Officials indicate that the GoN have taken a relatively narrow interpretation of this definition to date. Bird et al (2012) build on the OECD definitions and provide a more detailed, subjective classification of activities based on their relevance to climate change as presented in Appendix 2 Table 11. When these classifications were applied to national budget documents, a wider range of climate change related activities were captured than were identified in initial discussions. Applying this broader interpretation will assist the GoN identify additional opportunities for engagement on climate change. This includes considering aspects of institutions, policies and programs that may contribute to achievement of climate change goals, as well as programming of funds specifically allocated to addressing climate change.

Observations

- **The GoN have identified climate change related activities using relatively narrow interpretations of the term 'climate change'. This in turn narrows the scope of resources considered as potential sources of climate change funding, and the scope of policies, plans and programs considered as part of Nauru's response to climate change.**

Recommendations

- **Climate change focal points², particularly the CCU, and GoN Officials responsible for engagement with donors and other development partners, should utilise a broader interpretation of the term 'climate change', to enable identification of additional opportunities to improve access to and management of climate change resources.**
 - **To assist in this effort, the CCU should review the definitions and interpretations utilised in this study in consultation with other line agencies.**
 - **This definition should be documented in policies and action plans such as the RONADAPT and climate change policy statement.**

² This term has been used in this report when referring to GoN Officials with specific responsibilities related to climate change. In particular, this includes the President, SCIE, SC, CCU and Environment and Natural Resources Adviser.

Table 1 Pacific Climate Change Finance Assessment – Nauru

| Dimensions of Climate Change Financing | | | | | | |
|--|--|--|--|---|---|---|
| | Funding Sources | Policies and Plans | Institutions | Public Financial Management and Expenditure | Human Capacity | Development Effectiveness |
| Issues Considered | <ul style="list-style-type: none"> • Scope of the fundin source <ul style="list-style-type: none"> ○ Climate change finance ○ General development assistance • Volume of funds available • Access requirements • Management requirements (including monitoring and reporting) • Modalities utilised • Flexibility of the funding source • Capacity of donors to engage bilaterally or regionally. • Climate Funds Update • PIFS Options Paper (PIFS 2011c) • Donors for Climate Change Adaptation in the Pacific (SPREP 2012) | <ul style="list-style-type: none"> • Articulated needs and priorities <ul style="list-style-type: none"> ○ Including climate change integration • Mix of policies, strategies and action plans <ul style="list-style-type: none"> ○ National and subnational ○ General and sector specific ○ Linkages between policies • Policy development processes • Processes for review of policies • Processes for monitoring and evaluation of policy implementation • Engagement in global processes | <ul style="list-style-type: none"> • Central and line agencies • Sub-national government organisations • Private sector organisations • Civil society organisations <ul style="list-style-type: none"> ○ Community awareness, support and engagement • Academic and research organisations • Development partners • Organisational structures and processes <ul style="list-style-type: none"> ○ Political, legal and cultural frameworks • Coordination and collaboration between stakeholders <ul style="list-style-type: none"> ○ Internal and external coordination mechanisms • Roles and responsibilities • Infrastructure (e.g. financial management information systems) | <ul style="list-style-type: none"> • Public financial management <ul style="list-style-type: none"> ○ Credibility of the budget ○ Comprehensiveness and transparency ○ Policy-based budgeting ○ Predictability and control in budget execution ○ Accounting, recording and reporting ○ External scrutiny and audit • Expenditure <ul style="list-style-type: none"> ○ Sources ○ Sectors ○ Modalities ○ Climate change and climate change related expenditure ○ Alignment with policies and plans ○ Tracking mechanisms • Procurement processes | <ul style="list-style-type: none"> • Technical skills and knowledge • Participation, attitudes and behaviours • Volume and allocation of human resources • Human resources development • Performance management • Capacity building and supplementation | <ul style="list-style-type: none"> • Ownership and leadership • Alignment and harmonisation • Managing for results and mutual accountability • Coordination <ul style="list-style-type: none"> ○ Development coordination ○ Aid coordination ○ Development partner coordination |
| Previous Studies | <ul style="list-style-type: none"> • Climate Funds Update • PIFS Options Paper (PIFS 2011c) • Donors for Climate Change Adaptation in the Pacific (SPREP 2012) | <ul style="list-style-type: none"> • National Communications • Forum Compact Peer Review and its Follow Up | <ul style="list-style-type: none"> • PEFA Assessment • Forum Compact Peer Review and Follow Up | <ul style="list-style-type: none"> • PEFA Assessment • Forum Compact Peer Review and Follow Up | <ul style="list-style-type: none"> • Forum Compact Peer Review and Follow Up | <ul style="list-style-type: none"> • Forum Compact Peer Reviews • Paris Declaration Monitoring surveys • Tracking the Effectiveness of Development Efforts in the Pacific Reports |

4 Funding Source Analysis

Funding to support developing countries take action on climate change is projected to increase significantly over the coming years. Current pledges of climate change financing equate to USD 100 billion per year globally by 2020¹, compared with normal ODA which is projected to total about USD 117 billion per year in the same timeframe (OECD 2010). This increase in opportunities is being matched by an equally dramatic increase in complexity. It is difficult to quantify the extent of external financing available to address climate change and to separate it from existing ODA that has been repackaged as climate change finance. It is simply not adequately recorded either at source or at the recipient level (PIFS 2011c and OECD 2011). In addition, the range of sources, each with their own set of rules and regulations, is often difficult to navigate, confusing and requires significant investment of a country's limited resources to access and manage.

The debate about new and additional climate change financing and/or repackaged ODA and how these are differentiated at source will continue no doubt under the UNFCCC and global ODA discussions. For all practical purposes however, the most meaningful definition of what constitutes climate change finance must be determined at country level. In this instance, this should be based on Nauru's own climate change needs/priorities, and drawn from all sources of funding available – be they global, bilateral or domestic in source – to adequately address these priorities. Indeed tracking this basket of resources through national systems will help countries decipher where the contribution of external sources is supporting their growing climate change needs. Ultimately this will help to inform negotiations on the need for increased external climate change finance sources (new and additional or otherwise), and where domestic resources might best be leveraged to support resilient development pathways.

While acknowledging these challenges, this Funding Source Analysis aims to provide an understanding of the climate change finance landscape for Nauru. Considered with the expenditure analysis it will assist the GoN determine how much and what type of support is available. It is a critical step to determining how to target efforts to improve access to and manage climate change resources. The method used for this analysis is discussed further in Attachment 1 Section 5.1.

Climate Funds Update – a joint initiative of the Heinrich Böll Foundation and the Overseas Development Institute – is one attempt to monitor dedicated climate change funds from the stage when donors pledge funding, through to the actual disbursement of financing for projects, in an effort to increase the transparency of climate finance flows. Data collected by this initiative indicates that to March 2013, approximately USD 35 billion has been pledged globally but only USD 2.2 billion has been disbursed for project implementation, primarily for climate change mitigation related projects (see Figure 1). This data is summarised in Table 2.

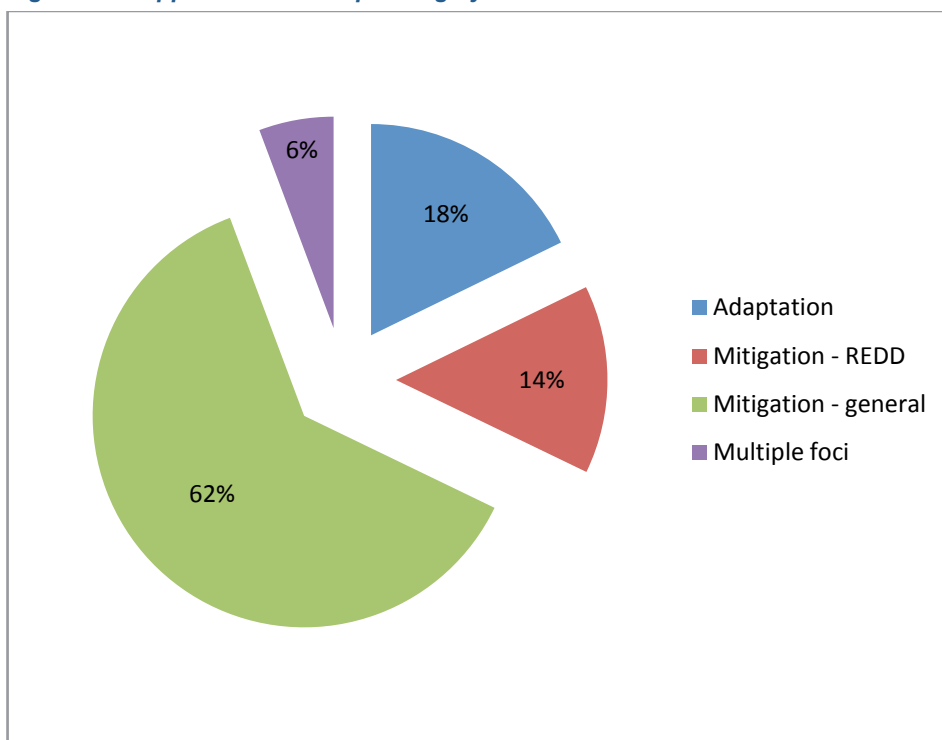
Table 2 Status of Global Climate Change Funds to March 2013 (USD millions)

| Fund | Pledged | Deposited | Income | Approved | Disbursed |
|---|---------|-----------|--------|----------|-----------|
| Adaptation Fund | 152 | 135 | 190 | 179 | 54 |
| Amazon Fund | 1033 | 129 | 0 | 227 | 72 |
| Australia's International Forest Carbon Initiative | 216 | 67 | 0 | 126 | 32 |
| Clean Technology Fund | 4936 | 4073 | 0 | 2315 | 136 |
| Congo Basin Forest Fund | 165 | 165 | 0 | 95 | 26 |
| Forest Carbon Partnership Facility - Carbon Fund | 219 | 219 | 0 | 1 | 0 |
| Forest Carbon Partnership Facility - Readiness Fund | 240 | 240 | 0 | 30 | 12 |
| Forest Investment Program | 611 | 490 | 0 | 66 | 1 |

| | | | | | |
|--|--------------|--------------|------------|-------------|-------------|
| GEF Trust Fund (GEF 4) | 754 | 754 | 329 | 982 | 957 |
| GEF Trust Fund (GEF 5) | 1077 | 572 | 0 | 369 | 42 |
| Germany's International Climate Initiative | 1082 | 1082 | 0 | 896 | 0 |
| Global Climate Change Alliance | 385 | 385 | 0 | 331 | 150 |
| Global Energy Efficiency and Renewable Energy Fund | 170 | 66 | 0 | 77 | 0 |
| Green Climate Fund | 6 | 3 | 0 | 0 | 0 |
| Indonesia Climate Change Trust Fund | 21 | 11 | 0 | 8 | 5 |
| Japan's Fast Start Finance | 15000 | 12500 | 0 | 1599 | 0 |
| Least Developed Countries Fund | 606 | 586 | 0 | 376 | 133 |
| MDG Achievement Fund | 90 | 90 | 0 | 90 | 89 |
| Norway's International Climate and Forest Initiative | 1608 | 1608 | 0 | 305 | 284 |
| Pilot Program for Climate Resilience | 1155 | 919 | 0 | 374 | 8 |
| Scaling Up Renewable Energy Program | 480 | 450 | 0 | 57 | 0 |
| Special Climate Change Fund | 259 | 240 | 0 | 170 | 111 |
| UK's International Climate Fund | 4640 | 1318 | 0 | 78 | 0 |
| UN-REDD | 171 | 166 | 2 | 165 | 120 |
| Total | 35074 | 26265 | 522 | 8915 | 2232 |
| Total (Pacific) | | | | 143 | 34 |

Source: *Climate Funds Update (2013)*

Figure 1 Approved Global Spending by Focus



Source: *Climate Funds Update (2013)*

Not all climate change funds shown in Table 2 are relevant or accessible to the Pacific region (e.g. the Indonesia Climate Change Trust Fund). Excluding these funds, the pledged total falls to approximately USD 34 billion. It is difficult to determine how much funding is available specifically for FICs, as allocations

may change depending on country and development partner priorities, the potential for successful program implementation and the quality of proposals received.

For the Pacific region, the Climate Funds Update database indicates that only USD 0.03 billion has been disbursed and that no funding from these sources has been provided to Nauru. The Expenditure Analysis (Section 8), however, indicates that this is incorrect as Nauru has received climate change funding, including support from funds listed in Table 2. For example, Nauru has received support from the Special Climate Change Fund through the UNDP and SPREP led Pacific Adaptation to Climate Change Project. The Expenditure Analysis also indicates that Nauru has received climate change funding from sources that have not been captured by the database but are considered part of fast start financing commitments (e.g. support through Australia's International Climate Change Adaptation Initiative).

The most recent significant attempt to consolidate information on climate change activities in the Pacific was made in 2009, when SPREP commissioned an assessment of implementation of the PIFACC (Hay 2009). This study attempted to consolidate data from various databases, and information provided by FICs, donors and other sources. Hay identified approximately 500 climate change related activities being implemented in the Pacific between 1991 and 2009, with an estimated total value of USD 1.9 billion. The report also found inconsistencies and gaps in the information available, despite the wide range of data sources considered.

SPREP, PIFS, SPC and other stakeholders have continued their efforts to improve the information available on climate change funding for the Pacific. The Pacific Climate Change Projects Database has been established on the Pacific Climate Change Portal³ to store information on climate change related activities being implemented in the region. Information currently available on this database is limited, but efforts are being made to improve the quality of the data. The Matrix of Climate Change Related Projects for Nauru, developed as part of this case study (Table 14), has been designed to enable these activities to be uploaded onto the SRPEP database.

SPREP is also finalising the "Donors for Climate Change Adaptation in the Pacific" database (draft distributed for comment in October 2012⁴). This database, which will also be made available through the Pacific Climate Change Portal³, attempts to provide a broad overview of funding available for climate change adaptation in FICs. The database includes summaries of bilateral and multilateral initiatives, estimates of the volume of funds available and application procedures. This database is still in draft form so has not been included as an attachment to this case study.

Efforts made by initiatives such as Climate Funds Update, SPREP and others are critical to inform decision making around climate change financing; however, the inaccuracies in the data for Nauru also highlight the challenges discussed earlier in this section. In this context, efforts underway in the UNFCCC to develop effective standardised Monitoring, Reporting and Verification (MRV) systems will be critical for both donor and recipient countries.

³ <http://www.pacificclimatechange.net/>

⁴ The draft "Donors for Climate Change Adaptation in the Pacific" database was distributed to FICs and other participants for comment at the Pacific Climate Change and Finance Workshop. This workshop was convened by SPREP and the Asia Pacific Adaptation Network in October 2012 in Apia, Samoa.

Observations

- It is difficult to quantify the extent of external financing for climate change being received and to separate it from existing development assistance that has been repackaged as climate change finance.
- The Donors for Climate Change Adaptation in the Pacific database will be a useful reference for GoN Officials seeking funding for climate change adaptation projects.
- It is also difficult to quantify how much domestic finances and resources are being used to address climate change without clearer country established definitions of what constitutes a climate change activity.

Recommendations

- SPREP and partners should ensure the Donors for Climate Change Adaptation in the Pacific database is updated regularly to ensure information remains timely and relevant.
- The Donors for Climate Change Adaptation in the Pacific database will be a useful reference for FICs and should be expanded to include sources of funding for climate change mitigation activities.
- FICs, donors and development partners should ensure complete and accurate information on their climate change related funding and activities is provided through information sources such as Climate Funds Update and the Pacific Climate Change Portal.
- Donors should indicate from source what they account for as climate change finance versus normal ODA.
- Nauru needs to refine how it defines resources allocated to climate change related activities and effectively track this through their expenditure system.

Analysis of Nauru's national climate change program between 2005 and the present (Section 8) estimated that 86% of total climate change expenditure was provided by bilateral sources, with the remainder through multilateral sources.

In terms of expenditure, the key sources of climate change assistance to Nauru have been Australia, EU, Japan and GEF and UN Agencies (see Table 5). Delivery of large pledges of support at international climate change meetings, in terms of both volume and delivery mechanism, remains unclear, particularly in the context of ongoing economic instability around the world. However, it could be expected that existing sources of assistance will remain important in the short to medium term.

As noted in the Expenditure Analysis, a significant volume of development assistance is also delivered to FICs through regional organisations. However, much of this support is delivered to countries as in-kind support and it is difficult to accurately determine the level of support being provided to specific countries, including Nauru.

Bilateral sources, as discussed in Section 6.3, are often able to utilise more flexible modalities, including general and sector budget support. Support through any specific modality is generally determined in consultation with the GoN. Decisions are typically based on issues such as:

- The existing relationship between the GoN and the development partner, including the broader program of support;
- Specific requirements of the development partner;
- The capacity of both the GoN and the development partner (e.g. organisations with resident representation will engage differently to those without);
- The rationale for utilising any specific modality; and
- Demonstration that assistance will be delivered efficiently and effectively.

Bilateral development partners have a range of approaches to engagement with Nauru. Australia, for example, maintains an in-country presence and support the GoN across a range of sectors. Other donors have minimal day-to-day engagement and deliver support through regional and global organisations. Bilateral

development partners may also provide support for program development. For example, Australia provided support to FICs to develop project proposals and other documentation to assist with delivery of its International Climate Change Adaptation Initiative.

It is likely that bilateral donors will continue to provide the majority of climate change related assistance to Nauru.

The GEF and UN Agencies have also made a significant contribution to efforts to address climate change in Nauru. Support to date has been delivered primarily as in-kind support but funding from global sources is also available as grants, loans and other financial instruments. Accessing global climate change funds to date has only been possible through multilateral organisations. SPREP is currently seeking accreditation as an RIE, which could assist FICs access funding from global sources. Nauru may also be eligible for NIE accreditation following strengthening of existing systems.

Additional assistance to access and manage climate change related assistance will be available through the RTSM, which is currently under development.

On the basis of Nauru's existing limited access to global climate change funds (an estimated 14% of assistance to Nauru), development of new global funds such as the Green Climate Fund should ideally provide important future sources of climate change assistance to Nauru. However, access to these sources will continue to be difficult for countries like Nauru unless they change or are developed to account for their capacity constraints. In addition, uncertainty around future funding for the AF and Green Climate Funds (GCF) could constrain access to these sources in the short term.

There are ongoing discussions at global climate change forums that recognise the value of direct access to global funds, and the role for innovative financial instruments. Maintaining engagement in these discussions and being responsive to changes in the global climate change architecture is a key challenge for Nauru. Pacific representatives on fund boards as well as CROP Agencies, Multilateral Implementing Entities and bilateral donors can continue to ensure that the interests of Nauru and other FICs are represented in the ongoing reforms of global funding architecture.

Observations

- *In terms of expenditure, the key sources of climate change assistance to Nauru to date have been Australia, EU, Japan and GEF and UN Agencies. These sources are likely to continue to be important for Nauru in the short to medium term.*
- *The majority of climate change related assistance to Nauru is provided through bilateral sources, which provide an estimated 86% of funding.*
- *It is not clear from these bilateral sources whether increase in their allocations are as a result of climate change pledges, or whether traditional ODA is being diverted to cover climate change activities in Nauru.*
- *Bilateral development partners are typically more flexible than regional or global partners.*
- *Multilateral funding sources account for only 14% of Nauru's climate change expenditure. As a future source of funding this is likely to increase but this depends heavily on access modalities and procedures. Competition for resources with developing countries with greater capacity will continue to remain difficult for FICs.*
- *Support provided through regional organisations could not be accurately determined as country-specific data was not available.*

Recommendations

- *In the short to medium term, the GoN should focus its limited resources on maintaining and strengthening its relationships with key bilateral development partners. In particular, the GoN should engage with bilateral partners to increase use of more flexible modalities where appropriate and ensure donor funded programs are aligned with national priorities.*

- *Other partners, who may have less flexible approaches, and smaller funding agencies, can be brought into common arrangements as they develop*
- *The GoN should take an efficient and targeted approach to engagement with regional and international organisations.*
 - *Delegation of key tasks to external partners (e.g. seeking assistance for proposal development) may be an effective approach to engagement where GoN capacity is limited.*
 - *Opportunities to provide feedback more effectively through existing mechanisms (e.g. annual meetings) and relationships (e.g. through bilateral partners or as Chair of AOSIS) should be sought.*
- *To better understand and manage future assistance:*
 - *Bilateral development partners should be asked to differentiate climate change resources from traditional ODA.*
 - *Regional organisations should be asked to clearly identify what support is available to specific countries through regional programs.*
- *Augmenting global funding sources to enable better access for countries such as Nauru is a common need across the region. Improvements to the structure and management of these sources could be more effectively negotiated with increased support to Pacific representatives on the boards of these funding mechanisms, and regional organisations tasked to support this work (e.g. SPREP and PIFS). As Chair of AOSIS Nauru is a good position to monitor the overall progress of this work. Strengthened links with and support to Nauru's Ambassador to the UN in New York is important in this context.*

5 Policy and Planning Analysis

The policy environment is critical to effectively accessing and managing climate change resources. It should ideally outline the key priorities of the government in effectively responding to climate change adaptation and mitigation, and over what timeframes these efforts should be deployed and thus resourced. This Policy and Planning Analysis provides an understanding of the mix of policies and plans that guide Nauru's climate change work program. The analysis considers the strength of the existing policy mix, and processes for development, review and implementation of these documents.

5.1 National Strategies

This Policy and Planning Analysis provides an understanding of the mix of policies and plans that guide Nauru's response to climate change. It considers the strength of the existing policy mix, and processes for development, review and implementation of these policies and plans.

Nauru's National Sustainable Development Strategy (NSDS) 2005–2025 outlines Nauru's overall development vision – *a future where individual, community, business and government partnerships contribute to a sustainable quality of life for all Nauruans*. The NSDS articulates five overarching goals:

1. Stable, trustworthy, fiscally responsible government
2. Provision of enhanced social, infrastructure and utilities services
3. Development of an economy based on multiple sources of revenue
4. Rehabilitation of mined out lands for livelihood sustainability
5. Development of domestic food production

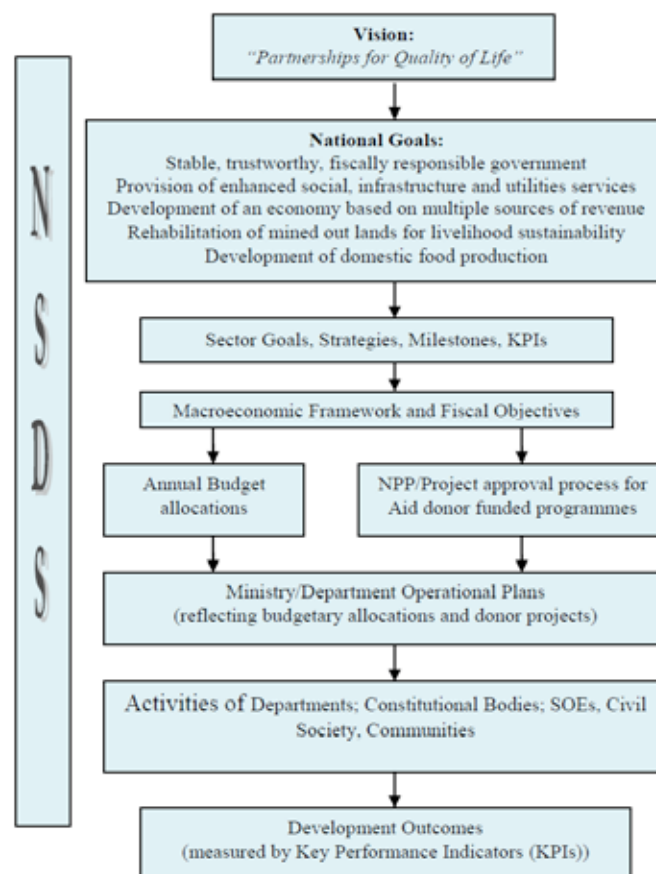
The NSDS also outlines the Sector Goals, Strategies, Milestones and Key Performance Indicators (KPIs) that line agencies and State Owned Enterprises (SOE) are expected to achieve. Sector Goals are presented in Appendix 3 Box 4. Based on budget allocations and donor assistance, each line agency and SOE submits an Annual Operational Plan (AOP) to show what activities will be carried out in the budget year to implement the NSDS. Detailed policies and plans developed for individual sectors or themes support the NSDS and provide further guidance on specific interventions. Figure 2, taken from the NSDS, presents how the GoN translates the NSDS into action on the ground.

A major review of the NSDS was undertaken in 2009, to assess progress, adjust goals and objectives, and fill gaps. The review also focused on improving performance indicators to enable better monitoring and evaluation. The review was reported to have been a useful process and another is scheduled for 2013.

Climate change was not included in the original, 2005 version of the NSDS but was incorporated into the 2009 revision. In his foreword to the revised NSDS, then President Stephen recognised the potential adverse impacts of climate change and the need for Nauru to respond. He also recognised the region’s efforts to achieve a strong agreement at international climate change negotiations. Consistent with these comments, climate change has been considered as a cross cutting issue under the environment goal of the NSDS, with a focus on climate change adaptation. These components are presented in Appendix 3 Table 12. While not specifically linked with climate change adaptation in the NSDS, goals and strategies outlined for other sectors such as water, fisheries, and transport would also assist Nauru adapt to potential adverse impacts of climate change.

The NSDS does recognise that initiatives to mitigate the causes of climate change are needed under the environment goal; however, actions on climate change mitigation are not included in the milestones specified. Actions on renewable energy and energy efficiency have been included under the infrastructure sector goals but these have not been explicitly linked to climate change. Climate change considerations in the NSDS are summarised in Appendix 3 Table 12.

Figure 2 Nauru’s Policy Development and Implementation Framework



Source: GoN 2009

Observations

- While climate change has been considered in the 2009 revision of the NSDS, it has not been fully integrated into the document and hence is not comprehensively considered in GoN decision making processes.
- Improving integration of climate change into the NSDS would facilitate allocation of climate change resources to action in sectors likely to be impacted by climate change or that would assist Nauru reduce greenhouse gas emissions.

Recommendations

- Climate change focal points should engage in the 2013 NSDS review to improve how climate change is integrated into the NSDS. Issues to consider include:
 - Incorporating climate change into any general or thematic background discussions
 - Considering potential climate change impacts and opportunities in priority sectors such as infrastructure (including energy, water and sanitation, transport and buildings), fisheries, health and agriculture. Climate change related policies and plans that are currently under development, such as the RONADAPT and Energy Roadmap, may be useful tools to guide discussion on these issues.
 - Strengthening climate change specific elements of the NSDS currently included under the environment sector goals by including mitigation milestones and broadening adaptation milestones.

5.2 Sector and Thematic Strategies

The GoN also prepares detailed policies and plans for individual sectors or themes to support the NSDS and provide further guidance on specific interventions. For example, the Nauru Economic Infrastructure Strategy and Investment Plan (NEISIP) (GoN 2011) sets out a prioritized investment plan for economic infrastructure.

Climate change has been considered in some sectoral strategies, however this has not been done in all cases. The NEISIP, for example, does not explicitly recognise the need to ensure infrastructure is designed in consideration of the changing climate. The NEISIP also explicitly excludes specific infrastructure that may assist Nauru adapt to climate change.

Similarly, climate change has not been considered in all AOPs, despite the requirement to discuss climate change adaptation being included in the AOP template. While it is recognised that not all line agencies will have activities that are directly related to climate change, several key agencies have not considered this issue.

Observations

- While the GoN has made some progress in integrating climate change into sectoral policies and plans and AOPs this has not been done in all cases.
- Improved science on the impacts of climate change will help to inform better policy and planning.

Recommendations

- The CCU should provide technical support to line agencies responsible for development and review of sectoral policies and plans to ensure that climate change is integrated within these documents.
 - Climate change specific policies/plans should be seen as an interim measure. Ultimately, climate change should be fully integrated into the NSDS and all sectoral policies and plans.
 - Up to date information on the potential impacts of climate change and measures to reduce greenhouse gas emissions should be distributed to relevant line agencies and SOEs to inform decision making processes.
 - The CCU should keep track of plans to develop or review policies and plans to ensure they can provide input into these processes.
- The CCU should provide technical support to line agencies and PAD to improve how climate change is considered in AOPs.
- The CCU should provide technical support to line agencies responsible for implementation of sectoral policies and plans to ensure climate change is integrated within projects and programs implemented in line with these documents.

With regard to climate change, Nauru has outlined its climate change priorities in its first national communication (FNC) prepared under the United Nations Framework Convention on Climate Change

(UNFCCC) in 1999. The vulnerability and adaptation statement included in the FNC highlighted the priorities listed below. Nauru's Second National Communication is still under preparation.

1. Water supplies
2. Agriculture and fisheries
3. Fire
4. Health
5. Environment
6. National economy

Nauru is revising its climate change adaptation priorities through development of the Republic of Nauru Framework for Climate Change Adaptation (RONADAPT), Nauru's equivalent of documents such as the National Adaptation Program of Action (NAPA) and Joint National Action Plan on Climate Change Adaptation and Disaster Risk Management (JNAP). The RONADAPT was first drafted in 2010 and is currently being revised to take into consideration recent improvements in climate change science (Australian Bureau of Meteorology and CSIRO 2011) and better integrate disaster risk management issues. The current draft (2010) provides a list of priority adaptation activities in the water, health, agriculture, fisheries, coastal and disaster management sectors, and also has priority activities related to mainstreaming and climate change financing.

Several sectoral policies and plans remain in draft form; some of which have been awaiting approval for several years. This includes the RONADAPT, Nauru Energy Efficiency Action Plan, Nauru Climate Change and Health Action Plan and Agriculture Strategic Plan. Other key documents are currently under preparation, including the climate change policy statement, revised RONADAPT and Energy Roadmap. Several draft policies also appear to have been superseded before they had been approved and implemented. While it is necessary for the GoN to respond to emerging issues and maintain a relevant and up to date policy mix, care should be taken to prevent fragmentation of efforts and implementation delays. Duplication of policy may result in uncertainty in decision making, reduced ownership of policies and diversion of already limited human resources. Ensuring that policies progress through the approvals process also ensures realisation of the benefits from investment in the policy development process.

Observations

- **Some sectoral strategies, including several related to climate change, are awaiting approval or are under development.**

Recommendations

- **The CCU should engage with senior management to ensure key policies and plans, particularly the RONADAPT and climate change policy statement, are finalised and approved in a timely manner so implementation can commence. Providing updates to the DCIE PSC and NDC could help to facilitate this process.**
- **Climate change focal points should ensure the mix of policies related to climate change remains up to date and relevant. New policies should only be developed where a clear need has been identified.**
- **The RONADAPT will outline climate change actions for vulnerable sectors and should be used by climate change focal points and line agencies as a tool to assist in development, review and implementation of sectoral policies and plans.**

Action on climate change in Nauru is also guided by the overarching regional policy for climate change in the region – Pacific Islands Framework for Action on Climate Change (PIFACC). The GoN attends meetings of the Pacific Climate Change Roundtable (PCCR), the primary coordination mechanism for the PIFACC, and has provided updates on PIFACC implementation to these meetings.

5.3 International and Regional Engagement

Nauru ratified the UNFCCC in November 1993 and ratified the Kyoto Protocol in August 2001. The GoN has taken concrete steps to ensure compliance with obligations under these international conventions. Nauru submitted its First National Communication Report in October 1999 and is currently preparing its Second National Communication Report.

Nauru has been an active member of the Alliance of Small Island States (AOSIS) and is currently serving as chair of this group. AOSIS is a coalition of small island and low-lying coastal countries that share similar development challenges and concerns about the environment, especially their vulnerability to the adverse effects of global climate change. It functions primarily as an ad hoc lobby and negotiating voice for small island developing States (SIDS) within the United Nations system (AOSIS 2012). As current chair of AOSIS, represented by Ambassador Marlene Moses, Permanent Representative to the United Nations, Nauru is in an ideal position to use the knowledge and experience gained from development and implementation of its own climate change program over several years, to inform international climate change negotiations.

Nauru has also joined with other FICs in recent calls for action on climate change, particularly through meetings of Pacific Islands Forum Leaders and Economic Ministers. Nauru also participates in regional climate change meetings, including meetings of the Pacific Climate Change Roundtable which monitors implementation of the Pacific Islands Framework for Action on Climate Change (PIFACC). The PIFACC is the overarching policy document on climate change for the Pacific region. The GoN has provided updates on progress of its climate change program to these meetings.

Observations

- **As Chair of AOSIS, Nauru is in an ideal position to influence international climate change negotiations.**

Recommendations

- **Climate change focal points and relevant regional partners, including CROP Agencies, should ensure timely and relevant information is provided to Nauru's Ambassador to New York, who is serving as Chair of AOSIS.**
- **Climate change focal points should engage with the Ministry of Foreign Affairs to ensure climate change issues are considered in Nauru's international engagement.**

6 Institutional Analysis

The purpose of the Institutional Analysis is to assess the institutional arrangements for addressing climate change in Nauru. The analysis focuses on overall organisational performance and functional capacities, as well as the ability of organisations to adapt to change.

Action on climate change in Nauru is coordinated by the GoN, with donors, regional organisations and global organisations also playing key roles. Civil society and the private sector have some engagement on climate change issues; however, their involvement is minimal, reflecting their limited capacity to engage in development issues more broadly.

6.1 Government Institutions

6.1.1 National Government

Nauru has had a volatile political history, with over 36 changes of government since independence in 1968, and 17 changes of administration between 1989 and 2003.

Responsibility for the GoN's climate change program is spread across different agencies. This is a reflection of the cross-cutting nature of climate change issues and is a challenge shared by other governments in the region and internationally. Government responsibilities for climate change have been in a transition period since a

Cabinet reshuffle in July 2012. As part of this reshuffle, a Ministry for Climate Change was created and allocated to the President. The Secretary to Cabinet provides support to the President in his role as Minister for Climate Change, facilitating provision of advice from relevant line agencies. Institutional and management arrangements to support the President in this new role are still evolving and Nauru's climate change program continues to be implemented largely under pre-July 2012 arrangements. Arrangements as of November 2012 are presented diagrammatically in Figure 3 and summarised in Table 3. Figure 3 presents both formal reporting arrangements and informal lines of communication. Responsibilities of key departments are discussed in further detail in the sections below.

As roles and responsibilities on climate change may be reallocated in future, this report uses the term "climate change focal points" when referring to those with primary responsibility for climate change. Specific references to positions or parts of Government are made where possible.

Observations

- **Following the Cabinet reshuffle and appointment of a Minister for Climate Change, arrangements for oversight of climate change issues have become uncertain.**

Recommendations

- **Interim arrangements for oversight of Nauru's climate change program should be made clear while permanent arrangements are determined, to prevent delays. This is particularly important in volatile political environments such as Nauru. The Secretary to Cabinet and DCIE should prepare a submission to the President for consideration, which outlines interim arrangements and the process for establishing new arrangements.**
- **New oversight arrangements should clearly define all climate change roles and responsibilities and all relevant staff should be made aware of arrangements. Climate change focal points should prepare a submission for consideration by the President, which outlines new oversight arrangements for Nauru's climate change program.**

Department of Commerce, Industry and Environment

Primary responsibility for operational oversight of Nauru's climate change program has been with the Department of Commerce, Industry and Environment (DCIE), with other agencies responsible for implementation of climate change related activities in their areas of responsibility. DCIE has responsibility for developing and monitoring key policy and planning documents related to climate change, providing input into development of related national and sectoral policies and plans, reporting on international climate change agreements, and providing advice on climate change issues. DCIE also has responsibility for implementation of climate change related activities in the water, energy and environment sectors.

A Climate Change Unit (CCU) made up of three staff (see Table 6), was established within DCIE in late 2011 to coordinate and drive action on climate change in Nauru from a technical perspective. Formally, the CCU reports to the Secretary for Commerce, Industry and Environment (SCIE) through the Director for Environment (DE). Several project staff, including an Environmental Resource Adviser and Project Coordinators are also located within DCIE. These relationships are shown in Figure 3.

In practice however, as shown by the informal lines of communication on Figure 3, the GoN's climate change program centres around the SCIE. The DE generally focuses on other aspects of DCIE's environment portfolio, and climate change staff report directly to the SCIE. Other line agencies, State Owned Enterprises (SOEs), and development partners also use SCIE as their primary point of contact on climate change issues.

Observations

- **Management of the GoN's climate change program is heavily dependent on SCIE.**

Recommendations

- **The SCIE should be provided with sufficient resources to support management of the GoN's climate change program. The establishment of a CCU and recruitment of an Environmental Resources Adviser are welcome initiatives in this context**

- The role and responsibilities of Director level resources in DCIE should be reviewed. Increasing the number of climate change staff reporting to a Director rather than directly to the SCIE may be a more efficient and effective use of senior human resources.

Figure 3 GoN's Institutional Structure for Climate Change

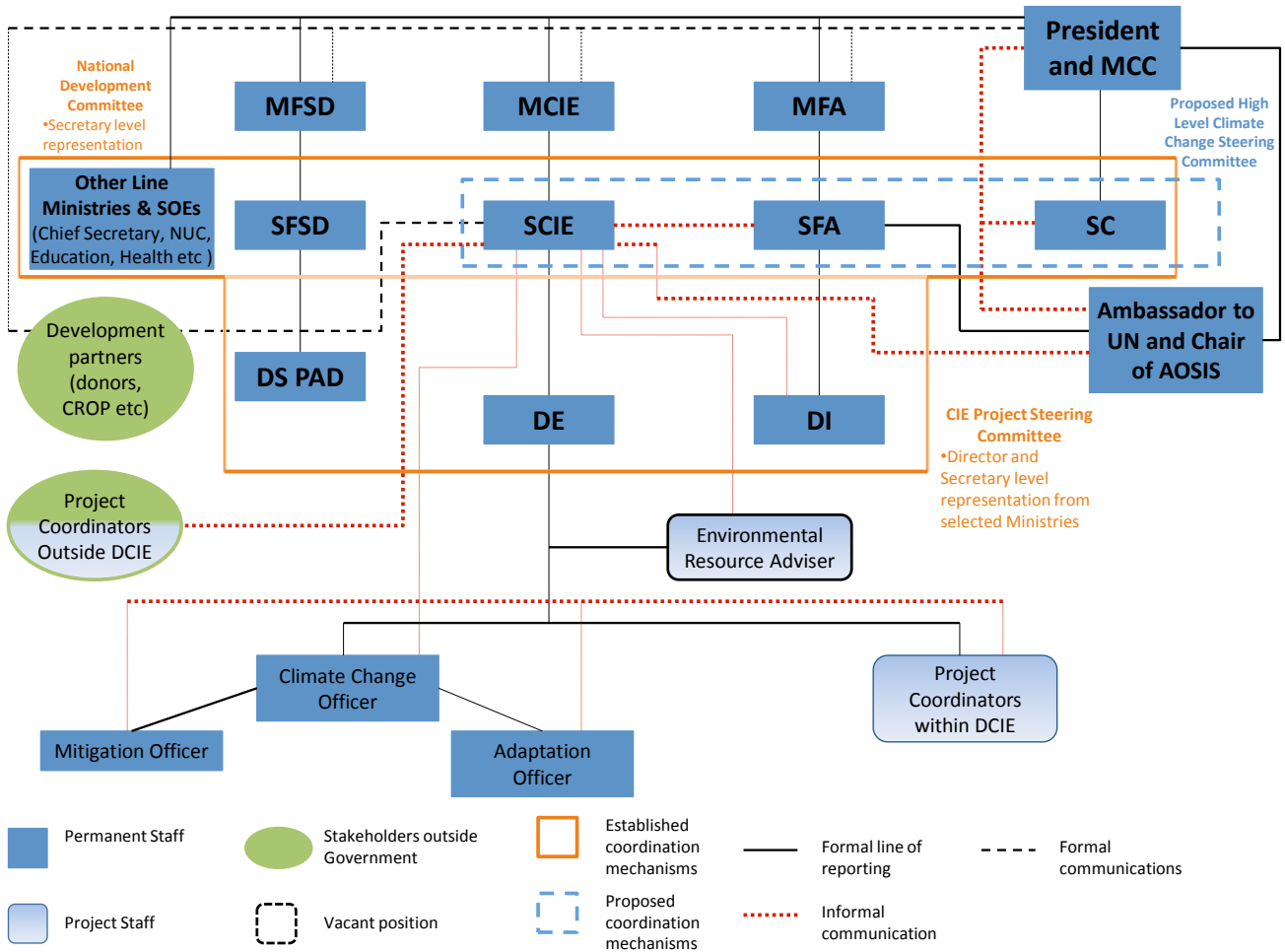


Table 3 GoN's Institutional and Management Structure for Climate Change

| Entity/Agency | Climate Change Responsibilities |
|----------------------------|--|
| Office of the President | <p>The President, as Minister for Climate Change, has primary responsibility for climate change issues in Nauru.</p> <p>The Secretary to Cabinet provides support to the President in his role as Minister for Climate Change through facilitating provision of technical advice from line agencies.</p> |
| Department Foreign Affairs | <p>Political focal point</p> <ul style="list-style-type: none"> Coordination of reporting and communication on relevant international agreements, including the UNFCCC. |

| | |
|---|---|
| Department of Commerce, Industry and Environment | Operational focal point <ul style="list-style-type: none"> • Development and oversight of climate change policies and plans • Provision of technical support on climate change issues to Cabinet • Provision of technical support on climate change issues to other line agencies (including mainstreaming of climate change) • Implementation of activities related to energy, water, environment and climate change. • International reporting on climate change |
| Department of Finance and Sustainable Development | Financial and planning focal point <ul style="list-style-type: none"> • Preparation and oversight of national budget • Oversight of NSDS • Focal point for development assistance (including aid coordination) |
| Other line agencies | Sectoral focal points <ul style="list-style-type: none"> • Provide technical support for sector-specific issues • Development and oversight of sectoral policies and plans • Implementation of climate change related activities in specific sectors • Integration of climate change into sectoral policies, plans and activities. |
| National Development Committee | The NDC functions as the policy and advisory arm of Cabinet on national and sectoral development, including climate change issues. The NDC is also responsible for reporting to Cabinet on progress in implementation of the Nauru National Sustainable Development Strategy. |
| DCIE Project Steering Committee | Established to improve consultation on development, oversight and implementation of policies and programs related to environment, water, sanitation, energy, waste management and climate change. This committee provides advice to the NDC. This committee is chaired by Secretary DCIE and is generally made up of representatives at Secretary and Director level. The committee also includes representation from the community and private sectors. |
| Sector Groups | Groups established to improve coordination and knowledge sharing in specific sectors (e.g. Water Technical Committee coordinated by DCIE). |
| Project Steering Committees | Groups established to enable consultation with various stakeholders and facilitate decision making on project-specific issues (e.g. GEF Small Grants Program Committee) |

Department of Foreign Affairs

The Department of Foreign Affairs (DFA) is the political focal point for climate change in Nauru, with responsibility for coordination and reporting on relevant international agreements, including the UNFCCC. While DFA is the focal point for international agreements, reports are prepared by DCIE.

Nauru's Permanent Representative to the United Nations in New York, Ambassador Moses, has a key role in Nauru's engagement in international climate change negotiations and reports to the Secretary for Foreign Affairs (SFA). As discussed in Section 5.3, Ambassador Moses is also current Chair of AOSIS. In this role Ambassador Moses reports directly to the President. Discussions with GoN Officials indicate the flow of information between climate change focal points and Ambassador Moses should be improved.

DFA has had a good working relationship with DCIE. Discussions with SFA and Director International (DI) indicate that staff have a clear understanding of their roles and responsibilities regarding management of Nauru's engagement in international and regional climate change issues and work closely with DCIE staff on technical matters.

Observations

- **The flow of information between climate change focal points and Nauru's Permanent Representative to the United Nations and Chair of AOSIS should be improved.**

Recommendations

- **Improve the flow of information between climate change focal points and Nauru's Permanent Representative to the United Nations and Chair of AOSIS. Where appropriate, this may include:**
 - **Provision of information to Ambassador Moses through the President;**

- Direct discussions between Nauru's climate change focal points and Ambassador Moses;
- Submission of regular written climate change briefs to Ambassador Moses; and/or
- Provision of relevant national and regional climate change documents to Ambassador Moses as they are prepared.

Department of Finance and Sustainable Development

The Department of Finance and Sustainable Development (DFSD) assists Government across a wide range of policy areas to ensure its outcomes are met, particularly with regard to expenditure and financial management. This includes supporting the delivery of the GoN Budget. DFSD provides policy advice, managerial and technical expertise and support to drive financial and economic reforms that promote economic development in Nauru. DFSD supports the Minister of Finance and Sustainable Development in the development and implementation of the GoN's annual budget and management of the GoN's finances. DFSD is also responsible for overseeing reporting on budget outcomes and for preparing the national accounts. DFSD supports coordination and development of national policy and development planning, as well as the coordination of donor assistance. Its divisions include the Nauru Bureau of Statistics, the Planning and Aid Division (PAD) and the Treasury.

PAD is also responsible for review and approval of Annual Operational Plans (AOPs), which are submitted by line agencies and SOEs (GoN 2012). AOPs:

- Set out the organisation's goals and targets for the financial year towards achieving NSDS goals, and the outcomes in the organisation's Strategic Plan;
- Enable full accountability and transparency in Government operations; and
- Form the basis for costing the organisation's activities and accompanies the budget submission.

AOPs require organisations to specify how climate change adaptation has been considered, which should assist in mainstreaming climate change considerations across sectors.

DFSD is Department Head for a significant portion of climate change related projects, which means they have ultimate responsibility for oversight and reporting on expenditure of these funds. In the 2012-13 Budget, for example, DFSD were specified as Department Head for 34% of climate change related projects, compared with DCIE with 53% (see Figure 16a).

While PAD have significant climate change responsibilities, they do not have staff with skills and knowledge of climate change and do not have strong institutional links with climate change focal points, particularly DCIE.

Observations

- **PAD have significant climate change responsibilities but do not have staff with skills and knowledge in climate change and do not have strong institutional links with climate change focal points.**

Recommendations

- **The institutional links between DCIE and DFSD should be strengthened.**
 - **Given the limited capacity of PAD, the GoN should consider short term secondments from DCIE to PAD to assist with climate change related tasks (e.g. review of AOPs) as required.**
 - **Regular informal meetings between SCIE and Secretary DFSD, and DCIE and PAD staff may assist in sharing of knowledge and improve decision making on climate change.**
- **The Secretary for Finance and Sustainable Development should participate in the High Level Climate Change Steering Committee given their significant responsibilities related to climate change.**

6.1.2 Coordination Mechanisms

High level oversight of the NSDS is provided by the recently re-established NDC, which functions as the policy and advisory arm of Cabinet on national and sectoral development. It is also responsible for reporting to Cabinet on progress in implementation of the NSDS. It is chaired by the Secretary of Finance with

membership of all Heads of Departments. PAD serves as the Secretariat to the NDC. The NDC is scheduled to meet monthly and has formal processes that guide its operation. Indications from the Secretary of Finance and the Heads of Departments during the Peer Review Follow Up (see Section 10) was that it had been working well, and was serving as a good coordinating mechanism for policy coherence within government allowing for cross sectoral policy, programmatic discussions and coordination (PIFS 2012a). Discussions with Heads of Departments during consultations for this study, however, suggest that the frequency of NDC meetings was inconsistent, with no NDC meetings being held in the previous two months. PAD Officials indicate that a review of the NDC is being planned, to strengthen its performance.

Discussions with the Secretary to Cabinet indicate that the GoN is planning to establish a High Level Climate Change Steering Committee (HLCCSC), consisting of the Secretaries of CIE, Foreign Affairs and Cabinet. The purpose of this committee would be to provide information and advice to the President on climate change related issues. This mechanism could strengthen links between key climate change focal points and ensure relevant and timely information is provided to the President.

Operational level oversight of climate change, environment, water, energy and waste management issues is provided by the DCIE Project Steering Committee (PSC). This committee is chaired by SCIE and provides advice to the NDC. Its membership includes Heads of Department and CEOs or their delegates. The committee also includes representation from the community and private sectors. Discussions with Government and community stakeholders indicate there is strong ownership of this committee by the majority of stakeholders, including the NDC, viewing it as a useful mechanism for consultation and deliberation. The private sector; however has not attended NDC meetings despite receiving invitations. This is reflective of the limited engagement of the majority of private sector actors in Government decision making, as discussed in Section 6.2.

Sector groups, such as the Water Technical Committee, and project steering committees, such as the GEF Small Grants Program committee also play a role in Nauru's climate change program, enabling consultation on sector or project specific issues. There is no sector group focussing on climate change; however, establishment of such a group was raised in documents that established the CCU.

Despite the presence of these coordination mechanisms, consultations with Government Officials indicated that awareness of Nauru's climate change policies and programs across line agencies and SOEs is limited. Officials were not aware of the range of climate change related activities being implemented and saw climate change policies as documents that only DCIE needed to be concerned with.

Establishment of coordination and decision making mechanisms dedicated to climate change has been a strategy used by some FICs to improve coordination. While this could be a successful approach in some cases, establishment of such mechanisms may be unnecessary for small administrations. For example, Samoa's National Climate Change Country Team was formed to oversee preparation of Samoa's National Climate Policy and act as a steering group for the NAPA. This team is chaired by the Ministry for Natural Resources and Environment and is made up of representatives from key government agencies, academic institutions and CSOs. The team has not met in the last two years, which is partly a reflection of the small size of the Samoan civil service and the large demands placed on the time of key policy makers in member institutions. This also reflects the feeling that policy guidance on climate change is being adequately provided by other mechanisms, including national, sector and corporate planning processes (ODI 2012).

Observations

- **Systems and processes to provide the necessary information and advice on climate change issues to the President are insufficient. Establishment of a HLCCSC could assist the President as Minister for Climate Change.**
- **Awareness of climate change policies and programs across the GoN is limited.**

- Given the size of Nauru’s public service, dedicated climate change technical committees – apart from project specific mechanisms or temporary mechanisms established for a specific purpose – may be of limited value and place further administrative burdens on already limited resources.

Recommendations

- Objectives and management arrangements for the HLCCSC should be documented to ensure effective operation of this mechanism. The TORs for the DCIE PSC may offer a useful guide.
- A climate change technical committee, as envisaged during formation of the CCU, appears unnecessary at this time. Other mechanisms such as the DCIE PSC, sectoral groups and project steering committees, provide sufficient opportunities to discuss climate change issues.
 - Temporary mechanisms established for a specific purpose, such as development or review of a specific policy, may be useful.
- Given the limited resources available for management of Nauru’s climate change program, it is critical that climate change be integrated into work undertaken by all line agencies.
 - The CCU should increase its focus on engaging with line agencies and SOEs to improve awareness of climate change policies and programs, and mainstream climate change across Government operations. This includes provision of day-to-day support and engagement in relevant cross-government mechanisms (including sector groups).
 - Establishment of knowledge sharing mechanisms such as a climate change page within the GoN website (www.naurugov.nr) or social media (e.g. Facebook) may assist in raising awareness of the GoN’s climate change program among internal and external stakeholders.

6.1.3 Sub-National Government

The Nauru Local Government Council (NLGC) was dissolved in 1992 and the Nauru Island Council (NIC) was a short-lived successor as an advisory body to the national government on local matters. The NIC no longer exists, and there is no formal system of local government. There are fourteen districts, which are grouped into eight electoral constituencies. Most districts have elected community committees, but these are informal structures for local purposes (such as fund-raising, district clean-ups, vegetable growing etc.) (PIPP 2011).

6.2 Private Sector and Civil Society Institutions

Aid-financed public expenditure is the main source of economic stimulus, with very little in terms of private sector activity and growth. Construction, agriculture, tourism and fishing remain underdeveloped and the country’s formal finance and insurance sectors remain absent (PIPP 2011). Private sector representatives have engaged in consultations on development issues, such as the Peer Review (PIFS 2010); however, engagement on climate change issues has been minimal. Large private sector organisations tend to engage directly with Government rather than through the Nauru Private Business Sector Organisation. DCIE have made attempts to encourage private sector representation at DCIE PSC meetings; however, these efforts have been unsuccessful to date.

The GoN is making efforts to improve its overall engagement with the private sector. The Peer Review Follow up indicated that the GoN were in discussion with AusAID to provide technical assistance to support the GoN work more closely with private sector organisations at the national and regional level and draft a Private Sector Development Implementation Strategy (PIFS 2012a).

Observations

- Private sector engagement on climate change issues to date has been limited, despite efforts by DCIE.

Recommendations

- The CCU should continue efforts to engage with the private sector. More focused engagement, such as targeted climate change training and awareness raising, may be necessary in the short term. This engagement should focus on potential impacts and opportunities created by climate change that are directly relevant to Nauru’s private sector.

- **The CCU should provide input into development of the Private Sector Development Implementation Strategy. This could identify further opportunities to improve engagement with the private sector and ensures the document highlights the importance of climate change issues where appropriate.**

Civil society organisations have been active in discussions on development issues. For example, community groups were consulted as part of the 2009 review of the NSDS and the Peer Review and Peer Review Follow Up (PIFS 2010 and 2012a), and as part of the Nauru Case Study. Community leaders and non-governmental organisations have generally commented that consultations should be more consistent and include greater focus on how communities and non-government organisations could play a role in implementing the NSDS. In general, non-government organisations in Nauru have weaknesses in their governance arrangements and in their ability to develop proposals for funds which may be available from development partners (PIFS 2010). Capacity to implement projects is also limited, further restricted by the lack of formal banking services in country.

On climate change, the GoN has had some success in engaging the community sector on policy and program issues. DCIE maintains close engagement with the Nauru Community Based Organisation (NCBO), an organisation made up of leaders from each of Nauru's 15 communities. NCBO participates in DCIE PSC meetings and has been engaged in project discussions, such as those to identify priorities for a recent Australian-funded rainwater harvesting project. During consultations for the Nauru Case Study, DCIE and NCBO representatives commented on their positive relationship.

Observations

- **The GoN has had some success in engaging with the community on climate change issues to date. However, there is still limited capacity within community groups and non-government organisations to develop funding proposals and deliver projects.**

Recommendations

- **The GoN should continue efforts to build community level capacity to engage in climate change discussions, and access and manage climate change resources.**
 - **The CCU should participate in broader efforts to improve community capacity, as highlighted in the Peer Review.**
 - **The CCU should continue their close engagement with community groups through the DCIE PSC and on project-specific issues.**

6.3 International Institutions

Aid to Nauru has grown rapidly in recent years. Development Assistance Committee (DAC) statistics show Official Development Assistance (ODA)⁷ rising from USD17 million in 2006 to USD28 million in 2010 (OECD 2012). 27 agencies are recorded in Nauru's Donor Sector Matrix, which summarises development partner activity in Nauru (PIFS 2010). Not all development partners require close engagement; however, this is still a considerable burden for a small administration.

In small aid dependent economies with fluctuating non-aid incomes there are real difficulties in implementing a national strategy in a measured way against medium term targets. Even small amounts of revenue shortfall can derail important social and economic outcomes. The predictability and sustainability of development partner support, the consistent focus of external support on Nauru's priorities, and development partner commitment to mutual accountability for outcomes, become especially important. Development partners in such circumstances have an important role in helping the GoN by making future allocations transparent and delivering them. This would encourage confidence within the public service in the achievability of medium term targets (PIFS 2010).

The GoN's engagement with development partners is restricted as only two development partners – Australia and Taiwan – have resident representation. The UN recently had a Joint Presence Office in Nauru; however, this office was unstaffed at the time of this study. Formal arrangements for coordination are also ad hoc.

Resident representations have occasional meetings, and there are meetings with other development partners when representatives visit Nauru.

The GoN's Aid Management Policy guides engagement with development partners. Aid coordination is the responsibility of PAD; however, PAD have been unable to devote sufficient resources to effectively undertake this role. To improve coordination, the Peer Review (PIFS 2010) indicated that coordination should also happen in small groups and at more regular intervals. The Donor Sector Matrix is a useful tool to improve coordination; however, this matrix has not been updated since 2010 and information recorded in the matrix is limited.

Each development partner has separate arrangements for regular partnership consultations and arrangements for regular joint missions or shared analytical activities are few and ad hoc. PAD have estimated that there is at least one development partner mission to Nauru every week. There is no mechanism to oversee this engagement or ensure that PAD is consulted as part of these missions (PIFS 2010).

Observations

- *The absence of resident representation from development partners makes it challenging for the GoN to maintain close and consistent engagement.*
- *PAD remains critically understaffed, which is limiting the capacity of the GoN to move forward with its development and aid management agenda.*

Recommendations

- *Climate change focal points should consider convening development partner roundtable meetings in Suva, when key staff are travelling through Fiji on other business. The bi-monthly Suva-based Development Partners for Climate Change Roundtable meeting provides an established mechanism to engage with.*
- *The GoN should consider making greater use of Nauru's diplomatic missions, particularly in Fiji, to improve engagement with development partners without representation in Nauru.*
- *Climate change focal points should engage in ongoing efforts to strengthen coordination of development partners.*

6.3.1 Bilateral Development Partners

Despite the large number of development partners, in practice Australia, Republic of China (Taiwan), New Zealand, Russia, the EU and Japan provide the core of Nauru's development assistance. International funds such as the Global Environment Fund, UN agencies and CROP Agencies⁵ contribute a much smaller proportion of support. As discussed in Section 8.3.3, an estimated 86% of climate change related funding has been provided through bilateral sources, primarily EU, Japan and Australia.

Bilateral development partners provide support to Nauru in a range of areas and through several modalities. Ongoing support ranges from governance and public sector reforms, capacity development and capacity supplementation, to delivery of specific on-ground assistance. Bilateral partners deliver assistance directly to the GoN and also work through regional and global organisations. Priorities for assistance and modalities are generally determined following consultations between the GoN and the bilateral partner. Australia, New Zealand and the EU, for example, have long term agreements covering their aid to Nauru.

In general, bilateral partners are able to utilise more flexible modalities, including general and sector budget support. This flexibility extends to development of management and reporting arrangements. In Nauru, bilateral partners have different approaches to engagement. Australia is the primary donor to Nauru and maintains a high level of engagement with multi-year agreements supported by annual partnership discussions, in-line Advisers to supplement and build GoN capacity, and delivery of assistance through GoN systems and using a range of modalities including general budget support. Other donors have limited direct engagement with the GoN, delivering support solely through regional and global mechanisms.

Providing feedback on the performance of regional and global mechanisms to donors, provides Nauru with another means to improve the design and performance of these mechanisms. Similarly, engaging with regional and global organisations provides mechanisms for Nauru to access donor funding that the Government may not be able to access directly.

Further discussion on recent progress made in alignment and harmonisation of development programs is included in Section 10.2.

Observations

- *The majority of development assistance to Nauru is provided through bilateral sources. This extends to climate change related assistance, where an estimated 86% of funding has been provided through bilateral sources.*
- *Bilateral development partners can be more flexible in how they deliver and manage assistance than regional or global partners.*

Recommendations

- *The GoN should focus limited resources on maintaining and strengthening its relationships with key bilateral development partners. In particular, the GoN should engage with partners to increase use of more flexible modalities where appropriate and ensure donor funded programs are appropriately targeted to national priorities.*
- *As more development partners are moving into the region with climate change assistance, it is crucial for the GoN to ensure assistance aligns with national policies and is properly coordinated.*
- *The GoN should manage the projected increase in climate change related assistance by encouraging development partners to support fewer, larger projects. This will help to reduce administrative costs.*
- *The GoN should ensure line agencies that manage relationships with key bilateral development partners have the necessary level of climate change capacity.*

6.3.2 Regional Development Partners

The unique challenges of capacity in the Pacific Region have led to the development of a supportive regional environment. Regional interventions and regional organisations play a critical role in supporting FICs' ability to effectively address development challenges in a number of areas. Multilateral organisations are generally seen as offering an appropriate vehicle for tackling regional and global issues. This is in part because of their political legitimacy, but also because regional organisations have a broader technical base than individual bilateral donors, and allow for economies of scale (OECD 2012).

Pacific Islands Forum Leaders developed the Pacific Plan as a framework for strengthening regional cooperation and integration. Nine CROP Agencies⁵ constitute the regional architecture through which many of the Pacific Plan priorities are implemented, including climate change. Climate change is a key priority under the Pacific Plan and has featured prominently in the Forum Leaders' annual communiqués. While each CROP agency has its own mandates as directed by respective members and councils, their roles and responsibilities are inter-linked and they each contribute to achieving the overarching goals of the Pacific Plan. CROP Agencies have released a joint statement on collaboration on climate change, which outlines the contribution of each of the CROP Agencies to addressing climate change (CROP 2012). CROP Agencies are also improving coordination at the national level through the development of Joint Country Strategies.

⁵ CROP consists of the following regional inter-governmental organisations: FFA (Pacific Islands Forum Fisheries Agency), PASO (Pacific Aviation Safety Office), PIDP (Pacific Islands Development Program), PIFS (Pacific Islands Forum Secretariat), PPA (Pacific Power Association), SPC (Secretariat of the Pacific Community), SPREP (Secretariat of the Pacific Regional Environment Programme), SPTO (South Pacific Tourism Organisation) and USP (University of the South Pacific).

Overall coordination and monitoring of climate change activities in the region and coordinated engagement in the UNFCCC process is led by SPREP; political leadership and effective resourcing are issues generally led and coordinated by PIFS; practical application of adaptation and mitigation activities across many key development sectors is led by SPC, and on some issues by SPREP; and research and development and human resource development is led by USP. Other CROP Agencies focus on particular sectors and are exploring the specific impacts of climate change on these sectors and mainstreaming these into their responses, e.g. FFA in fisheries, SPTO in tourism, and PPA with energy utilities (CROP 2012). CROP Agencies provide the majority of assistance as in-kind support.

Nauru is a member of all CROP Agencies. The GoN's primary opportunity to engage with CROP Agencies is at the annual meetings of their governing bodies. Nauru also has the opportunity to engage at the operational level on a day to day basis or through bilateral partners who are donors to and/or members of these organisations.

Observations

- *CROP Agencies constitute the regional architecture through which many of the Pacific Plan priorities are implemented, including climate change.*
- *The GoN's primary opportunity to engage with CROP Agencies is at the annual meetings of their governing bodies. The GoN also has the opportunity to engage at the operational level on a day to day basis or through bilateral partners who are donors to and/or members of these organisations.*

Recommendations

- *The GoN should take an efficient and targeted approach to engagement with regional organisations. Opportunities to provide feedback more effectively through existing mechanisms (e.g. annual meetings) and relationships (e.g. through bilateral partners who are often donors to regional organisations) should be sought, as well as improving day-to-day engagement at the program level.*
- *Climate change focal points should engage with representatives attending CROP agency annual meetings to improve delivery of regional climate change programs.*
- *CROP Agencies and other external partners should coordinate more effectively when engaging with Nauru to reduce the administrative burden on the GoN.*

6.3.3 Global Development Partners

More than 200 multilateral agencies – such as the United Nations, the World Bank and the global funds – receive or serve as a channel for about one third of global ODA. When including earmarked funding provided to multilaterals for implementation, this goes up to two fifths (OECD 2012). As for regional organisations, global organisations are generally seen as offering an appropriate vehicle for tackling global issues due to their political legitimacy, broader technical base, and economies of scale (OECD 2012).

As donors invest more in multilateral co-operation, the multilateral system becomes increasingly complex. This has resulted in an ever increasing number of operations in developing countries, with increasingly fragmented funding and activities. For recipient countries, the transaction cost and administrative burden associated with this fragmentation are significant.

In Nauru, the key global partners include United Nations agencies and the Asian Development Bank.

Observations

- *As AOSIS Chair, Nauru is in an ideal position to influence global development partners on behalf of the Pacific region and small island developing states more broadly.*

Recommendations

- *The GoN should take an efficient and targeted approach to engagement with global organisations. Opportunities to provide feedback more effectively through existing mechanisms (e.g. annual*

meetings) and relationships (e.g. through bilateral partners or Nauru's Ambassador to New York) should be sought.

- *Climate change focal points should engage with the Ministry of Foreign Affairs to ensure climate change issues are considered in Nauru's international engagement.*
- *The information contained in this report may be useful for Nauru in negotiations on global climate change financing mechanisms such as the GEF, Adaptation fund and development of the Green Climate Fund, particularly in emphasising the need for increased access to these resources through more flexible modalities and possible increases and ring fencing of indicative allocations.*

7 Public Financial Management Analysis

A good public financial management (PFM) system is essential for the implementation of policies and the achievement of development objectives, including climate change objectives, by supporting aggregate fiscal discipline, strategic allocation of resources and efficient service delivery (PEFA 2011).

In 2010, the GoN undertook an assessment of its PFM systems using the Public Expenditure and Financial Accountability (PEFA) framework (Leonardo 2010). The PEFA Framework assesses national PFM systems, process and institutions, and rates the following critical aspects of performance: credibility of the budget; comprehensiveness and transparency; policy-based budgeting; predictability and control in budget execution; accounting, recording and reporting; and external scrutiny and audit. Further information on the PEFA Framework is outlined in Attachment 1 Section 5.4.

Overall, the PFM assessment indicated that Nauru's PFM system does not meet the requirements of a well-functioning, basic PFM system, as recommended in the PFM roadmap for FICS (Davies et al 2010). Whilst the GoN has initiated a series of PFM improvements since 2004, the assessment notes that considerable improvement is still required. In 2011 the GoN prepared a PFM Action Plan (2011 to 2015) to address issues raised by the PEFA assessment. The PFM Action Plan seeks to establish a basic overall level of PFM by June 2015. It incorporates the following strategic objectives:

- Improve accounting and financial reporting;
- Enhance revenue management systems and revenue flows;
- Improve oversight of SOEs;
- Strengthen statistical systems;
- Introduce medium-term budgeting processes;
- Increase donor use of Nauru PFM systems; and
- Enhance PFM regulatory framework.

The GoN has commenced implementation of its PFM Action Plan, with assistance from development partners, as outlined in the Peer Review Follow up (PIFS 2012a). This includes installation of a Public Financial Management Information System (FMIS), establishment of the Nauru Revenue Office to improve government revenue generation and collection, and adoption of a procurement policy outsourcing all government and state owned enterprise procurement.

The GoN is planning to review the PFM Action Plan in 2013 to maintain its relevance and take into consideration work undertaken to date.

Strengthened PFM systems facilitate increased support from development partners and the use of more flexible modalities. Eligibility for direct access to global climate change funds such as the Adaptation Fund (see Section 11.2), for example, is dependent on satisfactory financial management systems. To obtain NIE accreditation with the Adaptation Fund (AF), the board assesses country capacity in several areas, including several that relate directly to the indicators used in the PEFA Framework. These are listed in Table 4.

Table 4 PFM Indicators Relevant to NIE Accreditation for Nauru

| Performance Indicator No. | PFM Performance Indicator |
|---------------------------|---|
| | Credibility of the budget |
| 1 | Aggregate expenditure out-turn compared to original approved budget |
| 2 | Composition of expenditure out-turn compared to original approved budget |
| | Comprehensiveness and Transparency |
| 6 | Comprehensiveness of information included in budget documentation |
| | Policy-Based Budgeting |
| 12 | Multi-year perspective in fiscal planning, expenditure policy and budgeting |
| | Predictability and Control in Budget Execution |
| 19 | Competition, value for money and controls in procurement |
| 20 | Effectiveness of internal controls for non-salary expenditure |
| 21 | Effectiveness of internal audit |
| | Accounting, Recording and Reporting |
| 25 | Quality and timeliness of annual financial statements |
| | External Scrutiny and Audit |
| 26 | Scope, nature and follow-up of external audit |

Strengthened medium to long term budgeting is also critical for implementation of medium to long term goals. This is particularly important for taking action on climate change, as impacts are likely to increase over time and include slow onset impacts such as drought. Budgetary timeframes would need to take this into account if climate change funding is to be channelled through the GoN systems.

Observations

- **Nauru’s PFM system does not meet the requirements of a well-functioning, basic PFM system. However, the GoN, with assistance from development partners, has implemented a range of reforms to strengthen these systems.**
- **The GoN will continue to strengthen PFM systems, in line with its PFM Action Plan.**
 - **This action plan is being reviewed in 2013 to maintain its relevance and consider work undertaken to date.**

Recommendations

- **Development partners should continue to support the GoN’s efforts to strengthen its PFM systems.**
- **Climate change focal points should provide input into review and implementation of the PFM Action Plan to ensure actions most relevant to climate change are considered. In particular, if the GoN intends to seek NIE accreditation in future, PFM actions directly related to NIE accreditation criteria should be given priority.**

8 Expenditure Analysis

The purpose of this Expenditure Analysis is to identify the scale, trends and patterns of expenditure on climate change related activities. The analysis considers climate change expenditure through GoN systems and delivered directly by donors and development partners.

This Expenditure Analysis was undertaken utilising two methods:

1. Analysis of information drawn from annual budget documents from 2010-11 to 2012-13. This method rated all documented⁶ activities according to their relevance to climate change and assigned weightings to enable calculation of total climate change related expenditure. This method enabled analysis of information on an annual basis.

2. Analysis of information drawn from all readily available sources, including annual budget documents, and discussions with GoN Officials and development partners. This enabled analysis of Nauru's overall climate change program over a defined period of time (2005 to the present) rather than on an annual basis, and captures undocumented activities as far as possible. Activities were considered if they were identified as being part of Nauru's climate change program by the GoN or development partners, rather than by using the rating method utilised for the method above.

Limitations in the GoN's PFM systems have resulted in several gaps or inaccuracies in the data sources available. This has limited the conclusions that can be drawn from this data. More detailed analyses should be undertaken in the future, as PFM systems are strengthened. The methodology and assumptions utilised to complete this analysis are discussed in further detail in Section 2 and Appendix 2.

Observation

- *Audited financial statements and data on actual expenditure are not readily available, nor is there a systematic way of monitoring climate change related expenditure.*

Recommendation

- *In the short-term, analyse future budgets using the methodology outlined in this paper, to monitor climate change related expenditure.*
- *Upon preparation of audited financial statements, undertake an expenditure analysis based on actual rather than projected expenditure. This will enable precise and accurate analysis and monitoring of climate change related expenditure.*
- *Develop systems to ensure that climate change related expenditure is tracked on an ongoing basis.*

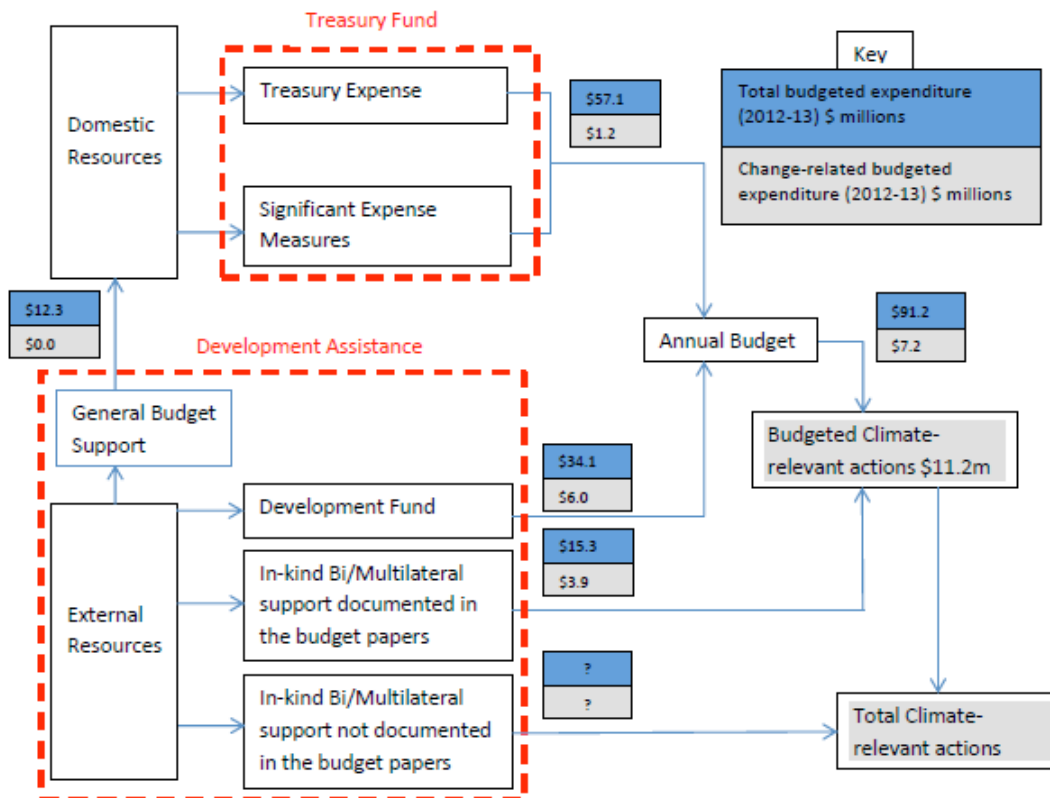
Annual budget documents identify three types of expenditure: the Treasury Fund (including Treasury expenses and Significant Expense Measures), the Development Fund and In-Kind Support (documented and undocumented). Further information on these categories is included in Appendix 2. Financial flows within the annual budget are presented in Figure 4, with expenditure for 2012-13 included to provide an indication of the level of each type of expenditure.

In general, financial support provided by donors as budget support is channelled through the Treasury Fund along with revenue raised by the GoN, and support provided through other modalities is channelled through the Development Fund or provided in-kind. Expenditure through the Treasury Fund offers more flexibility to the GoN as funds are allocated based solely on GoN decision making processes. Expenditure through the Development Fund and in-kind support is determined in consultation with donors and other development partners.

In-kind support, which is provided through donor or partner systems rather than GoN systems, is reported in budget documents. However, reporting on in-kind support was found to be incomplete and inconsistent.

⁶ 'Documented' activities are those that have been reported in annual budget documents while 'undocumented' activities are all those that have not been reported in annual budget documents.

Figure 4 Management of Funds in the GoN Budget



8.1 Total Expenditure

A summary of total documented expenditure over the period 2010-11 to 2012-13 is presented in Figure 5. Total documented expenditure through GoN systems (i.e. Development Fund plus Treasury Fund, excluding in kind support) has increased by approximately 50% over this period. This is primarily due to increases in expenditure through the Treasury Fund.

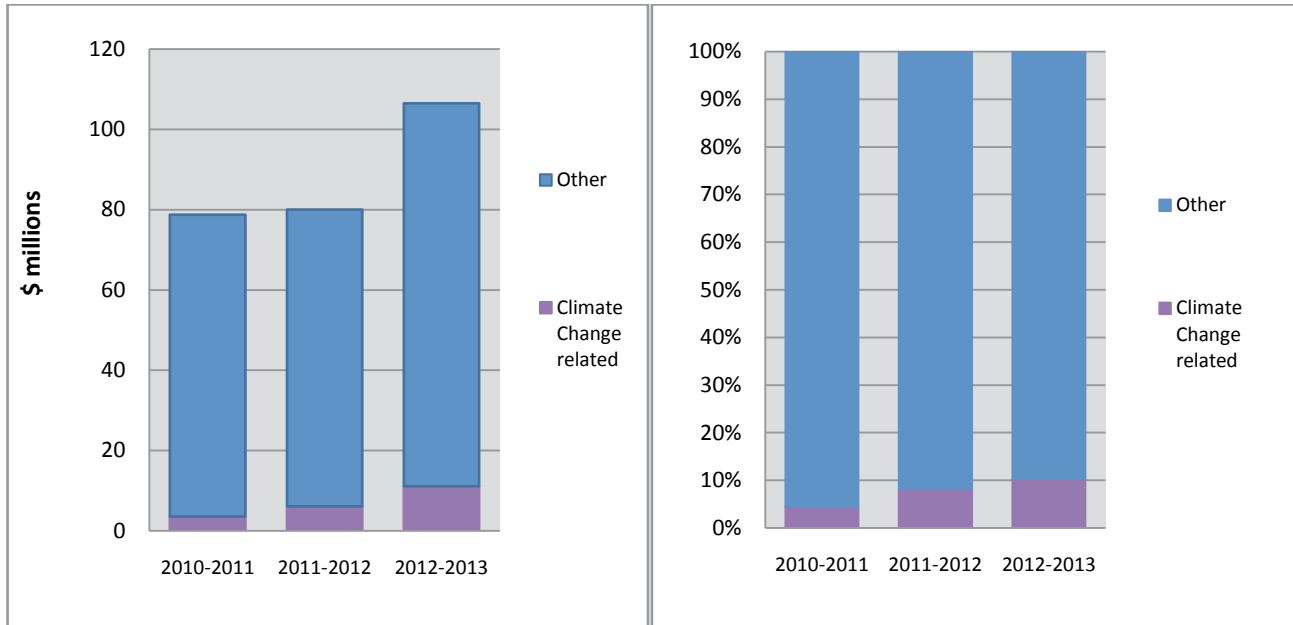
Figure 5 a) Total Expenditure by Type and b) Proportion of Total Expenditure by Type



Note: Documented expenditure included only

As outlined in Section 2 and Appendix 2, expenditure information was analysed to determine the level of climate change relevant expenditure in Nauru. This was the first time that the GoN had attempted to classify its public expenditure in relation climate change.

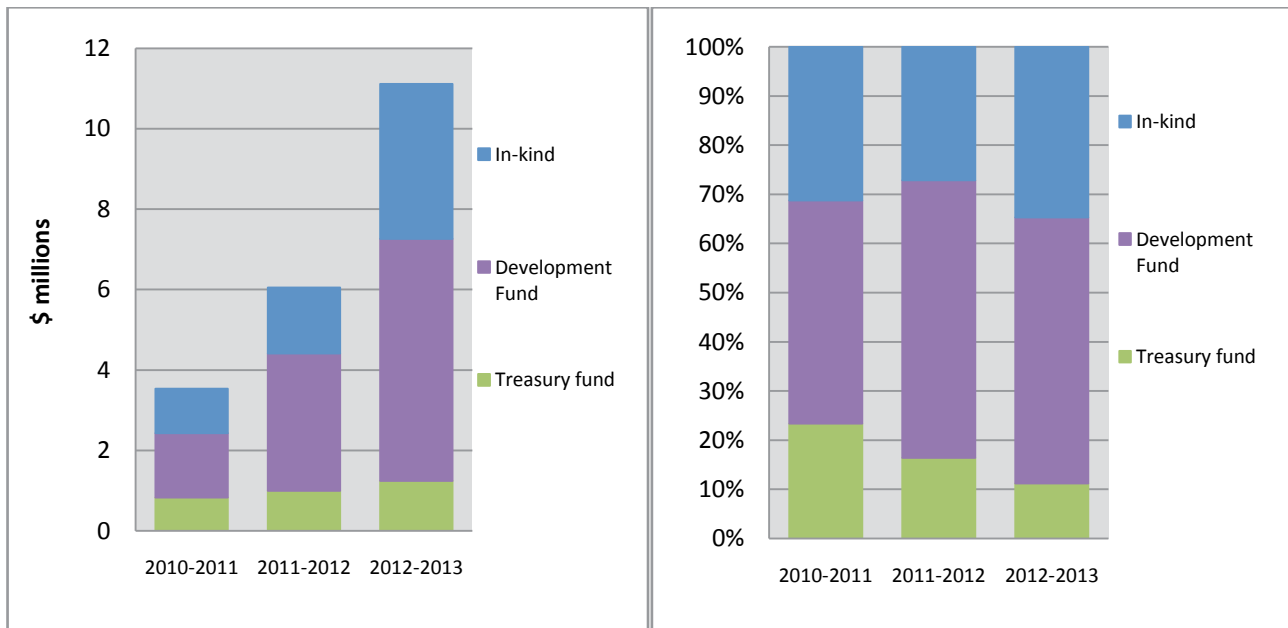
Figure 6a) Total Climate Change Related Expenditure
b) Proportion of Total Climate Change Related Expenditure



Note: Documented expenditure included only

Figure 6 shows the total documented climate change related expenditure for 2010-11 to 2012-13. The proportion of documented expenditure related to climate change has increased, both in absolute terms – an estimated AUD3.5 million in 2010-11 to AUD11 million in 2012-13 – and as a proportion of total expenditure – an estimated 4% in 2010-11 to 10% in 2012-13. In absolute terms, increases were observed across the Treasury Fund, Development Fund and in-kind support, as shown in Figure 7.

Figure 7 a) Total Climate Change Related Expenditure
b) Proportion of Total Climate Change Related Expenditure by Expenditure Type



Note: Documented expenditure included only

Figure 7 also shows that the majority of climate change related expenditure is provided through the development fund and in-kind support, and that the proportion of climate change related expenditure delivered through the Treasury Fund has decreased. The proportion of climate change related expenditure through the Treasury may be less in reality, as not all in-kind support has been captured in budget documents. The data also indicates that the majority of support for climate change is provided by donors. The proportion of climate change related expenditure provided through the Development Fund and in-kind support has increased to approximately 90% in 2012-13.

Observations

- The total level of public expenditure in Nauru has increased and more of this is being delivered through GoN systems.
- Climate change related expenditure has increased both in absolute terms and as a proportion of total expenditure.
- GoN expenditure on climate change has increased, however the majority of support for climate change related activities is provided by donors.

8.2 Treasury Fund Expenditure

Expenditure through the Treasury Fund has increased from 2010-11 to 2012-13 both in absolute terms and as a proportion of total expenditure (see Figure 5). Expenditure on climate change related activities through the Treasury Fund has also increased in absolute terms between 2010-11 and 2012-13 (see Figure 8), and the proportion of the Treasury Fund spent on climate change related activities has stayed relatively constant over the same period. As indicated in Section 8.1, the proportion of climate change related expenditure delivered through the Treasury Fund, versus the Development Fund and in-kind support, has decreased due to the large increase in development assistance for climate change.

Figure 8 Treasury Fund Expenditure



Note: Documented expenditure included only

Statistics on development assistance (Section 8.3) indicate that donors have increased support for climate change related activities and – apart from the portion of general budget support that contributed to GoN expenditure on climate change – have delivered this solely through the Development Fund or through in-kind support. Analysis of climate change related expenditure through the Treasury Fund between 2010-11 and 2012-13 identified a total of 12 climate change related activities – 2 high relevance activities, 3 medium relevance activities and 7 low relevance activities. The high proportion of low relevance activities suggests that climate change may have been a co-benefit of Government expenditure rather than being the primary objective. Relying on the Development Fund and in-kind support to deliver climate change related activities increases the risk that action on climate change will be impacted by fluctuations in donor support. This also increases administrative costs and reduces the flexibility of the climate change program relative to other Government priorities.

Observation

- *The majority of climate change related expenditure is delivered through the Development Fund and in-kind support, and the proportion delivered through the Treasury Fund is decreasing. Relying on climate change support through the Development Fund increases the administrative costs and reduces the flexibility of the climate change program.*

Recommendations

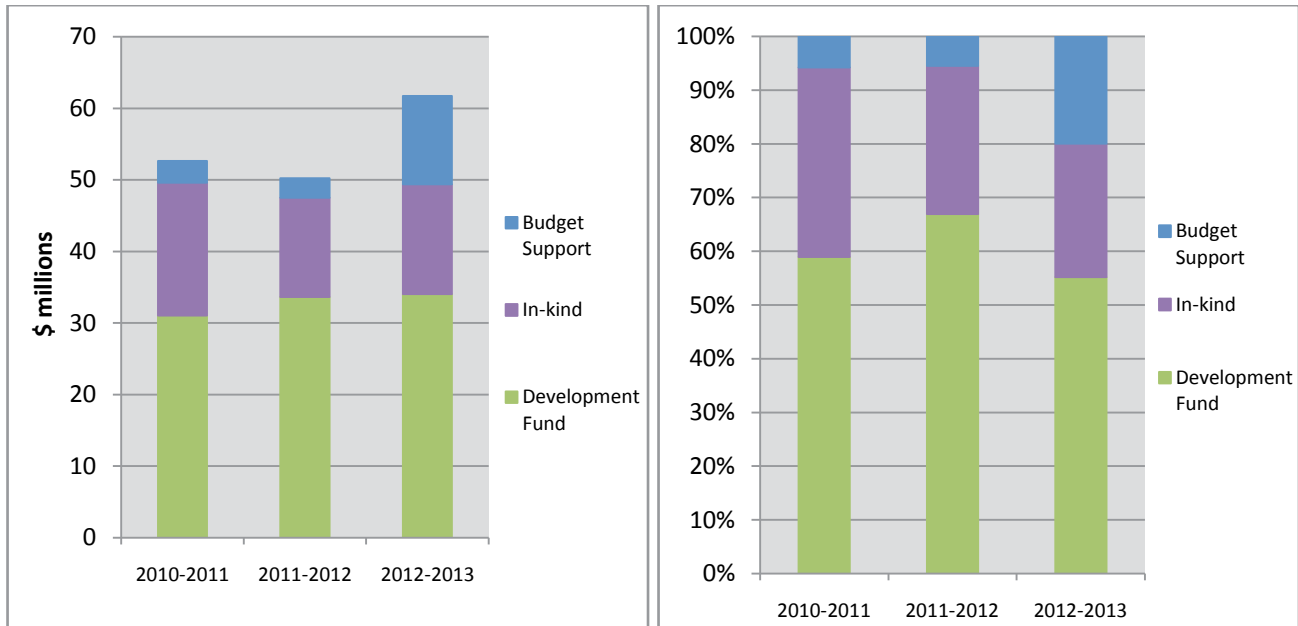
- *The GoN should work with development partners to utilise more flexible modalities, with reduced administration costs, to deliver climate change activities. This includes provision of assistance as budget support through the Treasury Fund.*
 - *Continuing work to strengthen PFM systems will be an important part of this effort.*
- *To lessen the additional administrative and financial costs to the GoN associated with increased expenditure on climate change, it is important to ensure sufficient resources are provided to enable effective management of these resources. This should include resources to manage specific projects and broader capacity supplementation where appropriate.*

8.3 Development Assistance

8.3.1 Total Development Assistance

Between 2010-11 and 2012-2013 documented development assistance⁷ – including support provided through the Development Fund, in-kind and as budget support through the Treasury Fund – has fluctuated but increased overall (see Figure 9).

Figure 9 a) Total Development Assistance by Expenditure Type
b) Relative Composition of Development Assistance



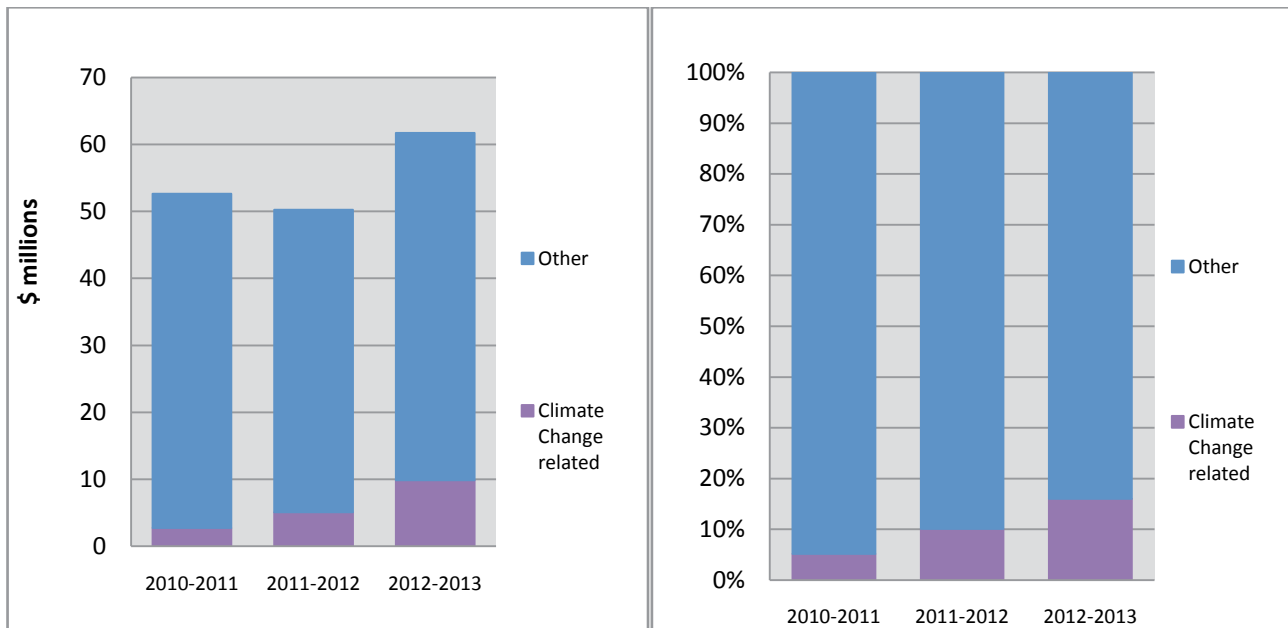
Note: Documented expenditure included only

Climate change related development assistance (Figure 10) increased both in absolute terms and as a proportion of total development assistance between 2010-11 and 2012-13. As a proportion of total development assistance, climate change related expenditure accounted for an estimated 16% in 2012-13, more than three times greater than in 2010-11. Analysis of relevance classifications shows that of the 36 climate change related activities identified over the three year period – 14 high relevance activities, 19 medium relevance activities and three low relevance activities. In contrast to climate change related expenditure through the Treasury Fund, which is mostly low relevance activities, this suggests that donors and the GoN are utilising development assistance to specifically target climate change related objectives.

It is difficult to determine the precise extent to which Nauru has benefited from global pledges to assist developing countries take action on climate change (see Section 3). As discussed in Section 4, it is difficult to separate climate change assistance from other development assistance that has been repackaged as climate change finance. It is simply not adequately recorded either at source or at the recipient level (PIFS 2011c). However, the increase in assistance for climate change related activities, the high proportion of these activities with a high relevance to climate change and the increase in total development assistance over the same period suggest that Nauru has received some benefit from these pledges.

⁷ For the purpose of the Nauru Case Study, total development assistance is calculated as the sum of donor support through the development fund, in-kind support and direct budget support (delivered through the Treasury Fund). This is not comparable to OECD calculations of ODA.

Figure 10a) Climate Change Related Development Assistance
b) Climate Change Related Expenditure as a Proportion of Development Assistance



Note: Documented expenditure included only

Observations

- Information available suggests that Nauru has benefited from global pledges to increase assistance to developing countries to take action on climate change.
- Consultations with the GoN and expenditure data indicate that there has been a conscious effort to utilise development assistance to meet climate change objectives.

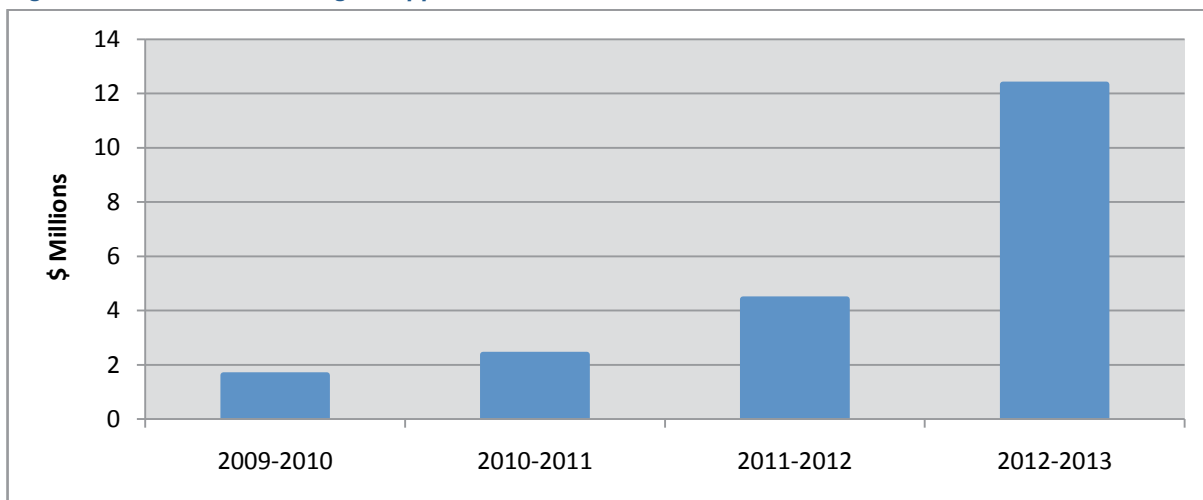
Recommendations

- Increasing volumes of development assistance for climate change related activities may not be accompanied by a proportional increase in human resources, in terms of both program oversight and project management resources, to manage these funds.
 - The GoN should continue efforts to strengthen Government systems to manage this increase.
 - The GoN and development partners should work towards utilising more flexible modalities to deliver and manage climate change assistance.
 - Development partners should ensure sufficient resources are provided to the GoN to assist in managing climate change assistance.

8.3.2 Modalities Utilised

Between 2010-11 and 2012-2013 documented development assistance has increased and there has been greater use of GoN systems to deliver this assistance (see Figure 9), particularly in the form of budget support (see Figure 11). This trend towards more flexible modalities has not, however, been observed for climate change related assistance. As discussed previously, climate change assistance has been delivered primarily through the Development Fund and in-kind support, with the proportion of climate change related expenditure through the Treasury Fund decreasing over the period.

Figure 11 Total General Budget Support



Note: Documented expenditure included only

Analysis of Nauru’s climate change program between 2005 and the present shows a similar trend. All climate change projects identified using this method were delivered as projects.

Donors are likely to continue to use a range of modalities to deliver development assistance, including climate change assistance. In better defining GoN priorities for climate change intervention (including timeframes for intervention), the appropriate mix of modalities requires further consideration. Some activities may still be better funded through projects (e.g. large infrastructure projects – potentially requiring procurement and management arrangements not currently catered for in the existing country systems), whilst others would ideally be implemented through more flexible modalities.

Observation

- *The vast majority of climate change assistance is delivered as project support.*

Recommendations

- *Donors are likely to continue to use a range of modalities to deliver development assistance, including climate change assistance. The GoN should work with development partners to review the mix of modalities utilised to deliver climate change related assistance, and explore the use of more flexible modalities, taking into consideration the need for capacity building and supplementation.*

8.3.3 Key Sources to Date

Analysis of Nauru’s national climate change program between 2005 and the present identified 32 projects totalling an estimated AUD19 million. Key sources of climate change support to date are shown in Table 5 and Figure 12a. 81% of total climate change expenditure was provided by bilateral sources, with the remainder through multilateral sources (Figure 12b). The EU, Australia, Japan and GEF and UN Agencies were the key sources of climate change related assistance. The full list of projects is presented in Appendix 4.

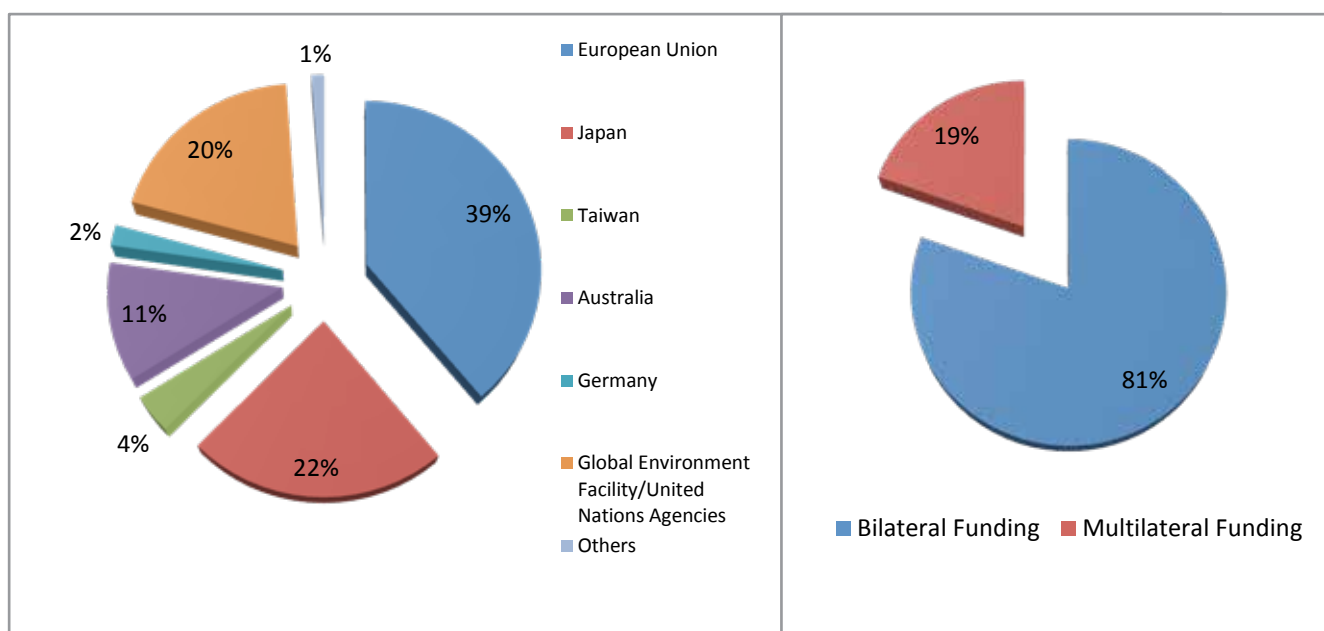
A significant volume of development assistance is also delivered to FICs through regional organisations. However, the majority of this support is delivered to countries as in-kind support and as such it was not possible to accurately determine the level of support being provided to Nauru specifically. An additional 14 regional projects, and one global project, were identified that could potentially provide benefits to Nauru. However, as national allocations could not be identified, these activities have not been considered in this

expenditure analysis. CROP Agencies are attempting to improve reporting on climate change support on a country by country basis, through development of a common matrix of climate change activities.

Table 5 Key Sources of Climate Change Assistance to Nauru (2005 to Present)

| Source | Climate Change Assistance (AUD) | Number of Projects |
|---|---------------------------------|--------------------|
| European Union | 7,392,421 | 8 |
| Japan | 4,434,590 | 4 |
| Australia | 2,150,000 | 4 |
| Global Environment Facility and UN Agencies | 3,697,896 | 10 |
| Taiwan | 696,404 | 2 |
| Germany | 372,032 | 2 |
| Others | 223,565 | 2 |
| Total | 18,966,908 | 32 |

Figure 12 a) Proportion of Climate Change Assistance by Source (2005 to Present)
b) Proportion of Climate Change Related Assistance from Bilateral and Multilateral Sources (2005 to Present)



Observations

- The vast majority of climate change related development assistance for Nauru is sourced from bilateral partners.
- The EU, Australia, Japan and GEF and UN Agencies are the key sources of climate change related assistance for Nauru over 2005 to the present.

Recommendations

- The GoN should ensure line agencies that manage relationships with key bilateral development partners have the necessary level of climate change capacity. This will ensure that assistance from bilateral sources is delivered through the most appropriate modalities and does not repackage or divert ODA from other important development areas to climate change activities.
- In the short to medium term, the GoN should focus on key bilateral sources of funding. In the absence of adequate GoN capacity to negotiate directly with global organisations, delegated authority to do so should be considered. For example, negotiations could be undertaken through

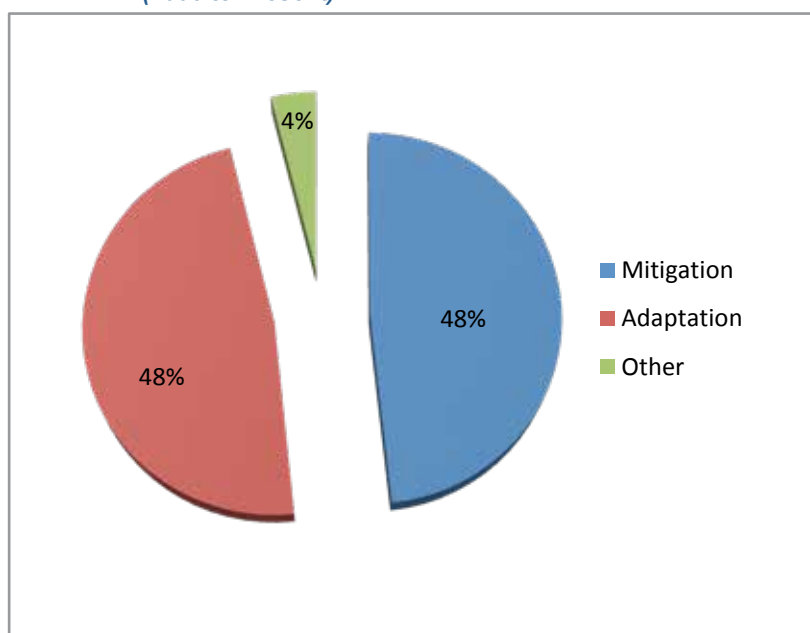
the Pacific representative on the Green Climate Fund, Adaptation Fund and GEF, as well as the respective CROP Agencies supporting those processes (PIFS and SPREP).

8.4 Areas of Focus

8.4.1 Adaptation and Mitigation Expenditure

Analysis of Nauru's climate change program between 2005 and the present indicates that climate change related expenditure in Nauru has been balanced between adaptation and mitigation activities (see Figure 13). This contrasts with global expenditure on climate change which has shown a much greater focus on mitigation (see Figure 1).

Figure 13 *Adaptation and Mitigation Expenditure as a Proportion of Climate Change Related Expenditure (2005 to Present)*



Observations

- *Over 2005 to the present, climate change related expenditure in Nauru has been balanced between adaptation and mitigation activities.*

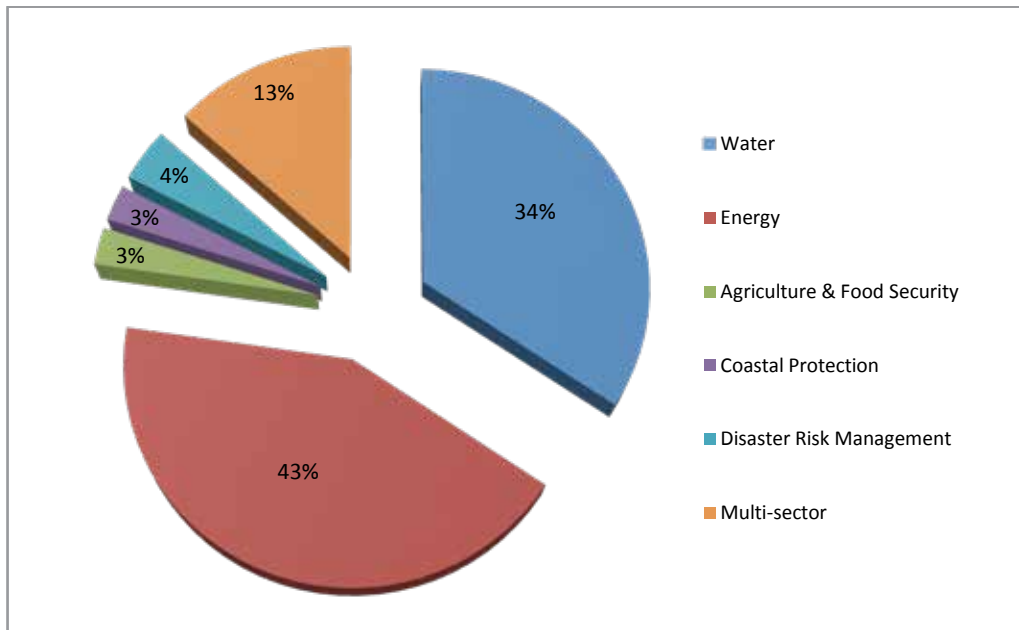
Recommendations

- *The GoN should strategically utilise its role as the Chair of AOSIS and other mediums of dialogue with bilateral and multilateral development partners, to push for the need to balance future climate change financing between adaptation and mitigation activities.*

8.4.2 Sectoral Climate Change Related Expenditure

Analysis of Nauru's climate change program between 2005 and the present indicates that, 43% of expenditure focussed on the energy sector, 34% on water, 13% on multi-sectoral focus, 3% on coastal protection, 3% on agriculture and food security, and 4% on disaster risk management (Figure 14).

Figure 14 Climate Change Related Expenditure by Sector (2005 to Present)



Observations

- *The majority of Nauru’s climate change related expenditure has focussed on the energy sector, followed by the water sector. This observation is in line with the NSDS which includes a focus on renewable energy and energy efficiency, and climate change adaptation in the water sector.*
 - *Climate change related activities in the energy and water sectors have significant co-benefits for development and economic resilience in the long term.*
- *The limited consideration of climate change issues in GoN policies and plans limits the conclusions that can be drawn from this Expenditure Analysis relating to alignment with policies and plans.*

Recommendations

- *The RONADAPT and revised NSDS should provide clarification of Nauru’s climate change priorities. The CCU should review expenditure data collected as part of the Nauru Case Study following completion of these documents, to determine the extent to which expenditure to date is consistent with these priorities.*

9 Human Capacity Analysis

Accessing and managing climate change financing depends heavily on the capacity of the recipient country to develop and implement various activities and projects⁸. In 2011, Pacific Leaders recognised the unique capacity constraints facing FICs, noting that capacity supplementation was critical to ensure they are able to effectively and sustainably respond to climate change (PIFS 2011b). Limited national capacity is often cited by donors as the main reason for not allocating greater volumes of assistance or delivering assistance through a limited range of modalities.

Challenges of human capacity are well recognised within the GoN. The Peer Review and Peer Review Follow Up discussed the ongoing and longstanding capacity issues within Government ministries, particularly PAD, which remains critically understaffed (PIFS 2010 and 2012a). The NSDS also includes measures to improve the performance of the public service, including reviewing personal accountability and reporting systems.

⁸ There are also a capacity constraints associated with many development partners engaged in the region, including donors, regional organisations and international organisations. Capacity constraints of development partners are considered as part of the Institutional Analysis (Section 6).

The Office of the Chief Secretary is working to address issues of human resource capacity across Government, including through development of a Public Service Strategic Workforce Plan. A Senior Human Resource Adviser, reporting to the Director of Human Resources and Labour, has been engaged with support from Australia to assist with development and implementation of this plan over the next two years. The plan will be developed as part of the Nauru Public Service Workforce Planning Project, which will contribute directly to the NSDS goal to “strengthen and develop the institutional capacity of the Nauru Public Service”. In particular the project aims to contribute to the NSDS short and medium term strategies of identifying capacity gaps and designing appropriate strategies to build capacity at the individual, organisational and institutional level. The outputs of the project will be:

- A review of each Ministry’s workforce, identifying current and future needs and the development of workforce strategies to meet needs and fill skills gaps. Each Ministry will develop a workforce plan, which will be linked; and
- A Public Service Strategic Workforce Plan, based on the individual Ministry Plans.

This project has commenced and is scheduled for completion by August 2013. The Senior Human Resource Adviser commenced in September 2012 and will provide support to the Office of the Chief Secretary for a period of two years.

Observations

- The workforce planning project will be a critical step in strengthening the capacity of the Nauru public service.
- Estimates of Nauru’s future capacity needs should consider the increasing demands placed on Nauru to effectively respond to impacts of climate change in key sectors as well as the capacity required to manage increased overall financing directed to climate change activities.

Recommendations

- The Office of the Chief Secretary, in cooperation with the CCU, should ensure capacity to undertake all aspects of the GoN’s climate change program, and all agencies that contribute to this program, are considered as part of the workforce planning project.
 - The capacity of PAD in particular should be a focus of this work, given their role in securing and managing resources for Nauru’s climate change program.
 - New approaches to long term capacity building should be considered, particularly given the potential for significant increases in the need to respond to climate change and increases in associated funding over the coming years.
 - The revised RONADAPT, climate change policy statement and 2nd National Communications could be useful in informing this work.

Resources dedicated to management of Nauru’s climate change program are currently focussed within DCIE, although other Departments do play a role. Brief descriptions of the role and responsibilities of key staff dedicated to climate change, below Ministerial level, are presented in Table 6. Note that this table just covers key staff with specific, highly relevant climate change responsibilities. This doesn’t cover staff that have climate change related responsibilities within their terms of reference that are only indirectly related to climate change or only take up a small portion of their time.

Table 6 Summary of Key Climate Change Positions

| Position | Description of Climate Change Responsibilities |
|-------------------------------|--|
| Permanent Staff | |
| Secretary for DCIE | <ul style="list-style-type: none"> • Oversight of development and implementation of climate change policies and programs • Provision of technical advice on climate change to Cabinet, the NDC and other line agencies |
| Secretary to Cabinet | <ul style="list-style-type: none"> • Providing support to the President in his role as Minister for Climate Change |
| Secretary for Foreign Affairs | <ul style="list-style-type: none"> • Focal point for international climate change agreements |

| | |
|---|--|
| | <ul style="list-style-type: none"> Focal point for membership of regional organisations Oversight of Nauru's engagement overseas |
| Secretary for Finance and Sustainable Development | <ul style="list-style-type: none"> Preparation and oversight of national budget, including review of AOPs Oversight of several climate change related activities Focal point for development assistance, including aid coordination Oversight of NSDS |
| Permanent Representative to the UN in New York | <ul style="list-style-type: none"> Day to day representation to the UN on climate change matters Engagement in international climate change negotiations Chair of AOSIS |
| Climate Change Officer Climate Change Unit, DCIE | <ul style="list-style-type: none"> Development and implementation of climate change policies and programs Monitoring and evaluation of climate change policies and programs Development of climate change proposals Supervision of Climate Change Adaptation and Mitigation Officers Provision of technical advice on climate change science and programs to senior Government Officials and line agencies Provision of support to international climate change negotiations Reporting on international climate change agreements |
| Climate Change Adaptation Officer Climate Change Unit, DCIE | <ul style="list-style-type: none"> Development and implementation of climate change adaptation policies and programs Monitoring and evaluation of climate change adaptation policies and programs Development of climate change adaptation proposals Provision of technical advice on climate change science and programs to senior Government Officials and line agencies Providing assistance to DCIE-based project staff as appropriate |
| Climate Change Mitigation Officer Climate Change Unit, DCIE | <ul style="list-style-type: none"> Development and implementation of climate change mitigation policies and programs Monitoring and evaluation of climate change mitigation policies and programs Development of climate change mitigation proposals Provision of technical advice on climate change science and programs to senior Government Officials and line agencies Providing assistance to DCIE-based project staff as appropriate |
| Project Staff | |
| Environmental Resources Adviser DCIE | <ul style="list-style-type: none"> Support development and implementation of climate change policies and programs Support monitoring and evaluation of climate change policies and programs Provision of advice relating to climate change to senior Government Officials and line agencies. Support engagement with the line agencies, communities, donors and other development partners Build DCIE capacity to undertake its climate change responsibilities |
| PACC Project Coordinator DCIE | <ul style="list-style-type: none"> Management of PACC project activities Reporting on the progress of PACC project activities as appropriate Provision of advice relating to PACC project activities to senior Government Officials and line agencies. |
| PACC Assistant Project Coordinator DCIE | <ul style="list-style-type: none"> Assisting with management of PACC project activities Assisting with reporting on the progress of PACC project activities as appropriate |
| IWRM Project Coordinator | <ul style="list-style-type: none"> Management of IWRM project activities Reporting on the progress of IWRM project activities as appropriate Provision of advice relating to IWRM project activities to senior Government Officials and line agencies. |
| PEC Project Coordinator DCIE (Recruitment process underway at the time of this study) | <ul style="list-style-type: none"> Management of PEC project activities Reporting on the progress of PEC project activities as appropriate Provision of advice relating to PEC project activities to senior Government Officials and line agencies. |

The CCU, made up of three staff as specified in Table 6, was established in late 2011 to coordinate and drive action on climate change in Nauru from a technical perspective. In establishing this permanent unit within

DCIE, the GoN recognised that the majority of climate change activities implemented in Nauru were externally funded, with limited timeframes. Future funding for these activities could not be guaranteed and progress on Nauru's climate change objectives could be hampered without provisions under the GoN budget. Providing ongoing funds for these positions could also assist the GoN in its efforts to build its climate change capacity as staff are likely to be employed for longer timeframes and their accumulated skills and knowledge will continue to be available for implementation of Government programs, compared with short-term project staff.

While the CCU and the engagement of an Environment and Natural Resource Adviser are welcome additions to the climate change team, overall Government capacity to manage its climate change program is limited. Many of the tasks originally envisaged for the CCU have made little or no progress in the first 12 months of CCU operation. It would, however, be difficult to justify a major increase in resourcing for climate change within this team in the context of the broader capacity limitations across Government, as discussed previously in this section. Given these resource constraints, it is critical that the CCU prioritise its work program and work with the rest of Government to build capacity to integrate climate change into all relevant policies and programs.

Other line agencies have responsibilities for managing aspects of climate change policies and programs, as discussed in Section 6, however, key agencies do not have sufficient capacity to undertake this work. For example, PAD is responsible for oversight of a significant volume of climate change related expenditure (see Section 11.2.1.4) and are responsible for ensuring climate change adaptation is integrated within AOPs, but have not received any climate change training or capacity building to provide Officials with the skills and knowledge to effectively undertake these tasks. If not addressed quickly, this capacity gap will grow over the coming years, with climate change funding projected to grow to levels comparable with total ODA (see Section 3). PAD's ability to manage and balance as necessary ODA, climate change funding and domestic resources is critical.

Development partners have provided assistance to Nauru to build and supplement capacity. Regional and international workshops provide opportunities for individual staff to improve their skills and knowledge on climate change specific or related issues (e.g. program management). Short term technical assistance supports completion of specific tasks and development of the Regional Technical Support Mechanism (RTSM), which is being led by CROP Agencies with support from the ADB and World Bank, should improve access to this form of assistance. Short term technical assistance can also contribute to building Government capacity in the longer term as officials work with and learn from technical experts. Donors such as Australia provide longer term capacity supplementation in the form of in-line Advisers. Australia currently provides the GoN with support for a large number of Advisers in senior positions within line agencies, which has assisted the GoN achieve development outcomes. This includes recent provision of support for engagement of an Environmental Resources Adviser to assist DCIE with its environment and climate change work programs. Nauru also benefits from donor-funded scholarships programs, to assist with long term capacity building in priority sectors.

Funds provided for implementation of specific projects typically include an allocation for project management costs. This enables the GoN or development partner to engage staff to manage implementation of these projects. Examples of such positions are included in Table 6. Consultations indicate that Government Officials are often called upon to supplement project staff during peak workload periods and vice versa. While this is understandable given normal fluctuations in workload pressures and the small size of the climate change team, care should be taken to ensure sufficient project management resources are included in project budgets to ensure other resources are not diverted from Government priorities.

Observations

- **Building of Nauru's human capacity to manage existing development challenges while also taking into consideration the new challenges posed by climate change is critical.**

- Capacity within DCIE to manage the GoN's climate change program is limited. However, this is consistent with broader capacity limitations across Government. It would be difficult to justify a major increase in levels of human resources specifically for DCIE in this context.
- Capacity of other line agencies to manage their climate change responsibilities, particularly DFSD, is limited.
- Development partners utilise a number of mechanisms to support Nauru to supplement and build capacity.

Recommendations

- The technical capacity of the CCU should be strengthened to ensure their skills and knowledge are up to date, and assist in their role in integrating climate change issues and building climate change capacity across Government.
 - Engagement of an Environmental Resources Adviser will assist in this effort.
 - Opportunities for formal training, on-the-job opportunities, exchanges with other FICs or development partners, or secondments to other GoN agencies and partner organisations should be considered as part of these efforts.
- The CCU should increase its efforts to engage with line agencies and SOEs to integrate climate change into all relevant policies and programs, and to build skills and knowledge across Government.
 - The CCU should identify opportunities to deliver climate change training to line agencies to raise awareness of climate change issues relevant to each agency. Training may range from general awareness raising to training on specific technical issues.
 - The RONADAPT outlines priority climate change adaptation actions and should be used as a tool to guide discussions with line agencies.
 - Further opportunities should be identified to present information to the NDC to build high level support for climate change initiatives. This may include presenting reports on key activities, progress of policies and plans, or during preparations for or reporting on key climate change meetings.
- DFSD in particular does not have the capacity to undertake its significant role in implementation of climate change policies and programs. DFSD should be a priority for implementation of any climate change related capacity building activities, including training programs.
 - The GoN may also wish to consider options for short term capacity supplementation to assist PAD with specific tasks. For example, CCU staff could be seconded to PAD to assist with review of climate change components of AOPs or review of policy documents.
 - In the longer term, given the anticipated increases in climate change funding, the GoN may wish to consider including specific climate change expertise within DFSD.
- Short term capacity supplementation may assist the GoN effectively complete specific tasks.
 - Secondments from DCIE to other line agencies or SOEs to assist in completion of specific tasks, such as development of sectoral policies, program design and monitoring or preparation of AOPs, may be valuable.
 - Development partners have a range of initiatives to provide short term capacity supplementation. Upcoming development of the RTSM may improve coordination and delivery of this support. Nauru should engage in this design process where possible to ensure management arrangements are suitable.
 - Identifying where Nauru's future capacity needs might be shared with other FICs could assist in guiding strengthened regional approaches to climate change support, including the RTSM.
- The GoN and development partners should ensure sufficient management resources are included as part of support for projects and programs.
- Improved development outcomes have been achieved in key sectors due to provision of longer term support for in-line Advisers by donors, particularly Australia. An adviser to support DCIE implement its climate change responsibilities has recently been provided. Development partners should consider replicating this model, within DCIE and other line agencies to improve delivery of support and enable use of more flexible modalities.

The Peer Review found that one area where the intentions of the NSDS are not being translated into the availability of funds is in the non-government sector. Some communities appear to be better than others at accessing funds for grass roots schemes, but non-government organisations in general have weaknesses in

their governance arrangements and in their ability to develop funding proposals. It appears that there are also problems for line agencies in providing adequate outreach, and in determining the division of responsibility between themselves and community groups for managing projects (PIFS 2010). The Peer Review recommended that the GoN request technical assistance to develop and implement a program of capacity development and community level delivery, and proposals for structured dialogue between Government and the non-government sector, drawing on experience from other Pacific Island countries. While the GoN continue to make efforts to improve engagement with community groups, limited progress has been made in this area since the Peer Review.

As discussed in Section 6, the GoN has had some success with engaging with communities on climate change issues at the policy and program level. Community groups are represented on the DCIE PSC and are involved in project-specific discussions. The CCU has also delivered climate change training to several communities to raise awareness and build capacity in this area; however the majority of communities are yet to receive this training.

Observations

- **The GoN has had some success in engaging with the community on climate change issues to date. However, there is still limited capacity within community groups and non-government organisations to develop funding proposals and deliver projects.**

Recommendations

- **The GoN should continue efforts to build community level capacity to engage in climate change discussions and deliver climate change programs.**
 - **The CCU should participate in broader efforts to improve community capacity, as highlighted in the Peer Review.**
 - **The CCU should continue its program of community level climate change training.**
 - **The CCU should also identify opportunities for communities to participate in training delivered by other development partners. USP, for example, have delivered community-level climate change training through the Future Climate Leaders Program.**

10 Development Effectiveness Analysis

Climate change has the potential to exacerbate existing development challenges and reverse development gains. Globally, levels of development assistance have risen steadily over several decades but by the turn of the 21st century, it became clear that these increases in aid were not producing the impacts expected. This awareness resulted in growing global consensus that the issue of development effectiveness required closer scrutiny. Global frameworks such as the Paris Declaration, Accra Agenda for Action, and Busan Partnership for Effective Development Cooperation, guide efforts to improve development effectiveness at the global level; and frameworks such as the Pacific Principles on Aid Effectiveness and Cairns Compact on Strengthening Development Coordination in the Pacific (Forum Compact) guide efforts in the Pacific region. Further information on these frameworks is presented in Attachment 1 Section 5.6.

As with this study on climate change financing, Nauru has taken a pioneering role in efforts to improve development effectiveness in the Pacific. Forum Leaders agreed through the Forum Compact in August 2009 that PIFS should, among other things, establish and report annually to the Pacific Islands Forum on a process of regular peer review of FICs' national development planning and budget processes to:

- Promote international best practice in key sectors,
- Improve effective budget allocations and implementation to achieve national development priorities; and
- Guide support from development partners.

The objective of the peer review process is to guide improvements in development coordination, including by informing discussions at the Pacific Islands Forum and Post Forum Dialogue, through reviews of coordination at a country level.

Nauru was the first country to undertake a Peer Review under the Forum Compact in 2009, and undertook a follow up review in 2011, to track progress on implementing the recommendations of the 2009 review (PIFS 2010 and 2012a). The Peer Review made 12 recommendations to the GoN and its development partners to strengthen Nauru's national planning, budgeting, public financial management and aid management institutions and policies. Since then, Nauru has taken significant steps, with the support of its development partners, to implement some of the recommendations.

Current pledges of climate change financing equate to USD100 billion per year globally by 2020, compared to an estimated USD117 billion per year in normal ODA (OECD DAC, 2010). Unfortunately tracking how these two figures relate to each other is difficult as donors allocate and report on their ODA and climate change funding in different ways. These could amount to significant portions of any small economy. Further, while it is hoped that traditional ODA might commensurately taper off over time due to development progress in countries, climate change impacts are projected to increase and will require a commensurate increase in resources to address these challenges. Given the magnitude of this issue, it is critical that climate change action be integrated into broader development and risk reduction efforts, particularly efforts to improve development effectiveness. DCIE have participated in consultations associated with the Peer Review and are involved in some of the reforms being undertaken as a result of the review, however improvement is still needed.

Observations

- **Efforts to strengthen delivery of overall development assistance are critical to strengthening delivery of Nauru's climate change program, particularly if the level of climate change related support increases as projected.**

Recommendations

- **Climate change focal points should continue their engagement in efforts to improve development effectiveness, particularly implementation of findings from the Peer Review, to ensure issues related to delivery of climate change programs are considered.**
- **Development partners providing development assistance and climate change resources to Nauru should report on whether these resources come from traditional ODA commitments or are new allocations based on climate change pledges. This will help Nauru in tracking future development and risk management resources against its projected development gains and climate change impacts over time.**

Development effectiveness is a cross-cutting issue, relevant to all PCCFAF dimensions. Key findings of relevant analyses, including the Peer Review and Peer Review Follow Up, that are related to each PCCFAF Dimension are discussed in the relevant sections of this report. While there is some overlap in the discussion, the sub-sections below focus on development effectiveness issues not discussed in other sections.

10.1 Ownership and leadership

Country ownership and leadership are critical for effective delivery of development assistance. All development partners – including national and sub-national governments, civil society organisations, the private sector, donors, multilateral organisations and many others – should actively participate in development efforts and respect country decisions. Governments exercise ownership and leadership in development efforts by (PIFS 2011a):

1. Setting out their priorities with widespread consent among the public service and communities;
2. Demonstrating regular and renewed commitment through their policies and through budgets;
3. Having a credible program of improvement to operations and administration that turn policy into action, notably planning, budgeting and public financial management systems;
4. Actively using government plans and policies to direct development partner efforts; and
5. Setting up the capacity to implement plans and measure and report on results.

The evaluation of the Paris Declaration (Wood et al 2011) indicated that the key driver for successful reform in countries and donor agencies has been high level political engagement and support. In Nauru, following a Cabinet reshuffle in July 2012, the GoN established a Ministry for Climate Change and allocated this portfolio to the President. This provides Nauru with a champion for climate change issues at the highest level of government. It will be critical for the GoN to take advantage of this opportunity and ensure that information from technical agencies, particularly the CCU, is provided in a timely and efficient manner, and that key climate change related initiatives are taken forward. In the short term, this includes completion and approval of the RONADAPT and Climate Change Policy Statement. Issues relating to flow of information between the President and technical agencies are discussed further in Section 6.1.

To contribute to strengthening leadership within the GoN, the Office of the Chief Secretary has been coordinating implementation of a leadership program, with assistance from Australia. This program aims to strengthen the leadership skills of Heads of Department and senior officials through training and establishment of a Senior Leaders Community of Practice to improve knowledge sharing.

Observations

- **Allocation of the climate change portfolio to the President provides Nauru with a champion for climate change issues at the highest level of government.**

Recommendations

- **Ensure climate change related information from technical agencies, particularly the CCU, is provided to decision makers in a timely and efficient manner.**
- **Identify opportunities for the President, as Minister for Climate Change, to promote climate change related issues, policies and programs within Nauru and internationally.**
- **Climate change focal points should participate in efforts to strengthen leadership and communication skills where possible.**

As discussed in Section 4, the NSDS is Nauru's overarching development policy. The NSDS was produced with a high level of consultation with communities, their leaders and NGO representatives. It was tabled in Parliament, where it received bipartisan support. The 2009 Peer Review concluded that the NSDS had high brand recognition within the public service and broader community. It is used during question time in Parliament, and some in the non-government sector see it as a legitimate tool for calling Departments into account. In PAD, the GoN has established a clear point of responsibility for the overall quality of the NSDS, its communication inside and outside Government, and the consistency of policy, planning and expenditure (PIFS 2010). Government budget processes are also closely tied to delivery of the NSDS, with Finance requiring line agencies to demonstrate alignment with the NSDS in New Policy Proposals and AOPs (see also Section 7). A review of the NSDS is scheduled for 2013 and, the GoN is making ongoing efforts to strengthen budget and planning processes and improve reporting on progress towards the objectives outlined in the NSDS.

There are no specific climate change policies or plans at present; however, Nauru's NAPA, termed the RONADAPT, is currently being drafted and there are plans to develop a climate change policy statement. A broad range of stakeholders have been consulted as part of revision of the RONADAPT, which will assist in building ownership of this plan. A key challenge for climate change focal points will be to build ownership of this plan, particularly in an environment where sectoral policies and plans are seen as the sole responsibility of the relevant line agencies.

Government budget processes are tied to delivery of the NSDS; however, sectoral policies and plans are not explicitly considered. It is difficult to demonstrate national ownership and leadership of these documents when they are not formally contributing to central decision making processes. PAD have indicated that a review of the AOP template will be conducted, which provides the opportunity for improved consideration of cross cutting issues such as climate change, and sectoral policies and plans.

Observations

- There is strong ownership and leadership associated with the NSDS; however, sectoral policies and plans do not have the same level of support. Sectoral policies and plans are generally seen as the sole responsibility of the relevant line ministry.
- AOPs offer a good opportunity to mainstream cross cutting issues such as climate change into the operational plans and budgets of all line agencies and SOEs.

Recommendations

- It is critical that climate change is better integrated within the NSDS to ensure the relevant issues are considered as part of budget and planning processes. The 2013 NSDS review provides the opportunity to make the necessary improvements.
- Climate change focal points should actively promote and support implementation of climate change policy documents across Government and the broader community. This will help to build ownership and ensure integration into relevant sectoral policies, plans and programs.
- Sectoral policies and plans should be better integrated into national budget processes and the DFSD should take a greater role in their oversight. This aligns with the DFSD's role in coordination and development of national policy and development planning. The upcoming review of the AOP template provides the opportunity for improved consideration of sectoral policies and plans, including those related to climate change.

10.2 Alignment and harmonisation

Representatives of 23 development partner agencies attended Nauru's development partner roundtable meeting in 2009 (PIFS 2010). Not all require consistent attention, but this is still a considerable management workload for a small administration and development partner adherence to development effectiveness principles is critical. Alignment and harmonisation refer to the extent to which donors base their overall support on partner country national development strategies, institutions and procedures; and make their actions more coordinated, transparent and collectively effective.

Development partners generally consider the NSDS to be a useful high level guide for assistance in Nauru. Development partners looking to align themselves with a country's own plans also focus on sectoral planning processes, linked to the NSDS, which provide greater detail on specific interventions. The Peer Review Follow Up (PIFS 2012a) provided further evidence of this, with the report indicating that donors are starting to align with the NEISIP, which was approved in late 2011.

The project approvals system, however, is not watertight, and there is scope for bypassing procedure through direct agreements between Ministers, Departments and development partners (PIFS 2010). Consultations also suggest that programs driven by development partners are common.

Observations

- Donors consider the NSDS to be a useful high-level guide for assistance in Nauru and also look to sectoral policies and plans for more specific guidance.

Recommendations

- Climate change focal points should engage with development partners to ensure programs align with the RONADAPT and climate change policy statement, once they are completed.

PAD is the main contact point for development partners, but with limited resources and many other responsibilities the time available for development partner coordination has been minimal (PIFS 2010 and 2012). The development partner roundtable meeting, for example, which was to be held at least once every two years, has not been convened since 2009.

Only two development partners (Australia and Taiwan, ROC) have resident representation at present, although the UN are planning to engage a replacement for their joint presence office (see also Section 6.3). This makes it challenging for the GoN to maintain consistent engagement with most development partners. The GoN continues to meet monthly with AusAID and holds bi-annual meetings with other development

partners. Line agencies also meet with development partners fielding missions to discuss specific programming issues. It is estimated that there is at least one development partner mission to Nauru every week (PIFS 2010). Efforts are being made to improve coordination of development partner missions into Nauru but this is still a challenge, with some donors approaching line agencies directly without informing PAD. There have also been other recent improvements in development partner coordination, with joint missions being undertaken and New Zealand delegating operational management of their education program to AusAID (PIFS 2012a).

The GoN should improve engagement on climate change by taking advantage of opportunities to engage with development partners overseas. The GoN should convene development partner meetings in Suva, using established mechanisms such as Development Partners for Climate Change roundtable meetings, or making greater use of diplomatic missions. Regular, individual and collective discussion with development partners is needed in order to build trust and personal relationships. This needs to happen on issues related to policy outcomes and approaches to aid delivery, not just on projects.

Observations

- **The absence of resident representation for most development partners makes it challenging for the GoN to maintain close and consistent engagement.**
- **PAD remains critically understaffed, which is limiting the capacity of the GoN to move forward with its development and aid management agenda.**

Recommendations

- **Climate change focal points should consider convening development partner roundtable meetings in Suva, when key staff are travelling through Fiji on other business. The bi-monthly Suva-based Development Partners for Climate Change Roundtable meeting provides an established mechanism to engage with.**
- **The GoN should consider making greater use of Nauru's diplomatic missions, particularly in Fiji, to improve engagement with development partners without representation in Nauru.**
- **Development partners engaging with Nauru should also increase efforts to harmonise their support and engagement with Nauru, to lessen the burden of multiple engagement and missions on the GoN.**

Predictability of aid overall is improving. Australia has moved from a system of annual aid negotiations to a partnership providing for multi-year commitments supporting five focus areas, backed by annual evidence based reviews of progress towards NSDS objectives. New Zealand has also set a forward program of commitments to education and the EU continues to offer predictable financing commitments under successive European Development Funds (PIFS 2010).

Use of Nauru's national systems overall is variable. The Peer Review (PIFS 2010) found that a high proportion of aid is on budget and follows Nauru's budget procedures. Donors are moving towards more flexible arrangements, most notably Australia which has moved to sector wide programming and budget support since the 2009 Peer Review. Australia also provides significant support to Nauru to supplement and strengthen Government systems in several areas, including planning, financial management, human resource management, procurement and technical areas.

Climate change assistance in Nauru is currently delivered through project support. Project support has limited flexibility when compared to other aid modalities, and has been criticised for a lack of coherence (between projects and with national policies), no building of institutional capacity, lack of transparency and high transaction costs (Jelovac et al 2008). Where there are more effective sector and operational plans, development partners operate a mix of project support and more flexible modalities, including budget support, using GoN systems. This issue is further discussed in Section 11.

Observations

- The majority of climate change related assistance is delivered through project support.
- Predictability of aid is improving.
- Separation of climate change programs from other development efforts can delay or prevent new improved approaches being applied in this area.

Recommendations

- Climate change should be integrated into broader development efforts to ensure improved approaches are applied in this area.
- Climate change focal points should engage with development partners to deliver assistance using more flexible mechanisms.
 - AusAID should be a focus of this engagement in the short term given their willingness to utilise budget support and other flexible mechanisms to deliver assistance to Nauru in other sectors.
 - The EU should also be a priority given their stated intent to provide climate change assistance through budget support, and the availability of funds through the SPC-PSIS program to build capacity in this area.
- Development partners should make future allocations of climate change assistance transparent and predictable to assist the GoN with achievement of medium term targets.

10.3 Managing for Results and Mutual Accountability

These aspects of development effectiveness consider the extent to which resources are managed and implemented in a way that focuses on desired results and uses information to inform decision-making, and enhances responsibility and transparency. Issues to consider include linkages between national development strategies and budget processes, establishment of results-oriented reporting and assessment frameworks, strengthening the parliamentary role in national development strategies and budgets, use of participatory approaches, and provision of timely and comprehensive information on resource use.

Routine, detailed monitoring of the NSDS has yet to be institutionalised; however some general reporting on progress is included in annual Budget documents. For example in the 2012-13 Budget Paper, reporting on climate change related milestones (see Section 4) included general updates on progress of NAPA preparation and progress of the PACC project; however, progress on other milestones or KPIs was not discussed. Efforts to improve monitoring of the NSDS have been made, including: development of sector strategies, corporate plans and AOPs to support the NSDS; and reestablishment of the NDC, which aims to provide a mechanism for improved coordination and consultation for monitoring and evaluating policy and program implementation related to the NSDS. However, significant improvements in monitoring and evaluation of progress of implementation of the NSDS are still needed. Capacity constraints within PAD are limiting progress in a range of areas, including this.

The 2009 review of the NSDS was a valuable initiative that allowed progress to be reviewed in a transparent way and for strategies and objectives to be adjusted and gaps filled. Another review, originally scheduled for late 2012 but now rescheduled for late 2013, will provide another opportunity for improving the NSDS and discussing monitoring and evaluation issues.

In the documentation that established the Climate Change Unit, it was proposed that the unit prepare an annual report to provide an update on progress of climate change initiatives. Work on this report has not commenced; however, it would be a useful tool to provide information to the President (and Minister for Climate Change), line agencies, development partners, and the broader community, particularly in the absence of detailed reporting on the NSDS. This report could provide an update on progress of implementation of: the RONADAPT and climate change policy statement, when completed; the recommendations of this climate change financing assessment; and projects and programs.

Observations

- There is no detailed monitoring of the NSDS undertaken on a routine basis.

Recommendations

- **The Climate Change Unit should prepare a Bi-Annual Climate Change Report, to monitor and evaluate implementation of climate change related policies and programs. This would be a useful tool to provide information to Government stakeholders, particularly the President (and Minister for Climate Change), development partners and the broader community.**
 - **Reporting on progress of climate change programs could ultimately be included in arrangements for monitoring and reporting of the NSDS. This will be dependent upon strengthening integration of climate change into the NSDS and strengthening arrangements for monitoring and reporting of the NSDS.**

11 Assessment of Options

Development partners are likely to continue to use a range of modalities to deliver development assistance and climate change resources. Donors such as Australia, for example, contribute to global climate change programs managed by the GEF, support the work of Regional Organisations, provide direct support to Governments to implement national programs and non-government organisations to sustain adaptation at the community level. Nauru will therefore need to continue to strengthen its ability to track and direct climate change resources to its national priorities, drawing on a range of approaches and options to improve access to, and management of, these resources. This includes strengthening of existing efforts to improve access to and management of development assistance and, where appropriate, implementing specific options for climate change resources.

As discussed in the Peer Review and the Peer Review Follow Up, Nauru's development partners have signalled an intention to move to more long term and flexible forms of aid as Nauru's own systems improve. Australia in particular has made progress in this area over recent years, with more certainty provided to Nauru on support to be provided in priority sectors, streamlined reporting arrangements and greater use of budget support. In general, however, Nauru is caught between its incapacity to manage current procedures and its inability to drive the move towards forms of aid which it can more easily absorb. The greatest return from Government efforts to move toward more flexible approaches is likely to come from working with development partners who provide the majority of funding, and are willing to change their modalities, such as Australia and the EU. Others, who may have less flexible approaches, and smaller funding agencies, can be brought into common arrangements as they develop.

This section discusses specific modalities that may assist the GoN increase its access to resources and improve delivery of support to communities. It should be noted that Government systems are the primary mechanism of raising funds and delivering services to communities. Creation of mechanisms for individual funding streams, including climate change resources, should only be considered where there is a clear need for and value in these additional mechanisms.

The Options Paper on Improving Access to and Management of Climate Change Resources (PIFS 2011c) provided a general assessment of national, regional and international modalities for FICs and development partners to consider when managing and delivering climate change assistance. A summary and preliminary assessment of these options for Nauru is provided in Table 7. Potential merits and cautions associated with these modalities are presented in Attachment 1 Appendix 2.

Table 7 Summary of Key Modalities

| Modality | Policies and Plans | Institutions |
|------------------------------------|---|--|
| National General Budget Support | Budget support is an unearmarked financial contribution to a recipient government's budget. International donor funds are channelled through the "national budget" using national systems for its delivery as well as for the evaluation of its effectiveness | Several donors already provide aid to Nauru in the form of budget support and the GoN has expressed a preference for more aid to be delivered through this modality. Effective management of climate change funding channelled through this modality requires clear articulation of Nauru's climate change priorities in its policies, plans and budgetary processes |
| Sector Budget Support | Sector budget support, like general budget support, is an earmarked financial contribution to a recipient government's budget. However, for sector budget support, the dialogue between donors and partner governments focuses on sector-specific concerns, rather than on overall policy and budget priorities (OECD 2006) | Several donors already provide aid to Nauru in the form of budget support and the GoN has expressed a preference for more aid to be delivered through this modality. Sector budget support focusing on climate change specific activities would be a useful way for the GoN and donors to ensure funds are spent on climate change activities. |
| National Climate Funds | NCFs can assist countries to collect, blend and coordinate resources to support action on climate change, and assist with strengthening national institutions (Flynn 2011). NCFs can be managed by the GoN or be managed by a third party until sufficient capacity has been built. | A NCF could be a useful mechanism for Nauru; however, Nauru has had negative experiences with trust funds in the past. Work is necessary to build community and donor confidence in trust funds. Strengthened Government systems may enable Nauru to benefit from NCF arrangements in future. An NCF should be designed with clear objectives and management arrangements, and there needs to be a clear demonstration of how an NCF could add value to GoN systems. Activities requiring long term funding such as capacity building and supplementation, or responses to slow onset events (e.g. drought) could benefit from such a mechanism. Transaction costs need to be considered and the potential to pool such funding arrangements where possible might be a more cost effective approach (e.g. sub-regional or regional fund). |
| Direct Access | Accreditation of a local organisation as a National Implementing Entity (NIE) provides a country with direct access to the financial resources of a global fund such as the Adaptation Fund and, potentially, the Green Climate Fund. | Gaining NIE accreditation can improve harmonisation with national systems, reduce transaction costs and increase the speed of delivery of desired outcomes. Nauru is unlikely to achieve NIE accreditation in the short term; however, efforts in this area could assist the GoN position itself to gain direct access to the Green Climate Fund and other multi-donor and international funds. This would also support Nauru's ability to convince bilateral donors to use their country systems for delivery of resources. |
| Community Based Funds | Community based funds can be established to provide funds to local communities to implement community development programs. Funds can be established on a national basis or for a specific purpose within a restricted geographical area, such as a community conservation area. | In Nauru, community capacity to implement projects is limited. Therefore, establishment of a community based fund is unlikely to achieve the development results necessary to justify the investment in this mechanism. |
| National Development Banks | NDBs are financial institutions that provide financing for the purposes of economic development. The majority of NDBs are state owned; however, some have mixed national, foreign and multilateral ownership. | No formal banking services have been available on Nauru following the collapse of the GoN-owned Bank of Nauru in 1995. Australia provided support to the GoN for the liquidation of the Bank of Nauru in 2011. The GoN have made recent efforts to attract new commercial banking operations to Nauru, but have so far been unsuccessful. Given these factors and weaknesses in PFM processes, establishment of an National Development Bank is unlikely to be a viable option for Nauru in the short to medium term. |

| Modality | Policies and Plans | Institutions |
|---|---|--|
| Regional / Sub-Regional | | |
| Regional/ Sub- Regional Climate Fund | <p>A regional or sub-regional climate fund could be established as an alternative to individual national funds. This provides countries with insufficient capacity to establish their own national climate fund with the opportunity to benefit from the services provided by a trust fund (see NCF entry above). It also provides a cost effective option for the region as a whole.</p> <p>A regional capacity support facility could provide technical assistance to countries where local expertise is insufficient or unavailable.</p> | <p>Given weaknesses in Government PFM processes and broader capacity limitations, Nauru could benefit from establishment of a regional climate fund. Nauru is likely to have greater influence of such a fund, compared to global funds with a higher number of participants.</p> |
| Regional Capacity Support Facility (including the RTSM) | | <p>Given the limitations in human capacity within the GoN, Nauru could benefit from establishment of a regional capacity support facility. Such a facility is being established under the Pilot Program for Climate Resilience (PPCR), led by CROP Agencies in partnership with the ADB. This mechanism is referred to as the Regional Technical Support Mechanism (RTSM), and is discussed in further detail in Section 8.</p> |
| Regional Implementing Entity | <p>A Regional Implementing Entity (RIE) can assist countries gain access to the financial resources of a global fund such as the Adaptation Fund and, potentially, the Green Climate Fund.</p> <p>A RIE can assist to build capacity within the region and can potentially deliver services to countries more cost-effectively.</p> | <p>An RIE would provide another channel for Nauru to access resources from global funds. Nauru would also have greater influence and directive powers over an RIE than an MIE as they sit directly on their governing council.</p> <p>SPREP have commenced the process to gain RIE accreditation. SPREP's capacity to respond to and support Nauru in accessing global funding sources might be considerably higher than the current MIEs operating in the region (e.g. UNEP, World Bank, ADB, and FAO).</p> |

The preliminary assessment of options presented in Table 7 indicate that the following national options require further consideration for Nauru and are discussed in the sections below:

- General and sector budget support
- Direct Access
- National Climate Fund

Regional (including sub-regional) options could also benefit Nauru, in combination with, or as an alternative to, national options. Regional approaches can reduce the costs associated with establishment and operation of country specific mechanisms and improve sharing of skills, knowledge and experience across FICs. In some cases, regional mechanisms may also have comparative advantages in accessing specific funding sources. For example regional approaches provide a good option where: bilateral partners have less capacity and/or presence in the region to deal directly with several countries individually; or criteria to access global funds is difficult for individual FICs to meet. Nauru could benefit from engagement with all regional mechanisms listed in Table 7, particularly given limited Government capacity and the limited in-country development partner presence. Consideration of regional options is discussed in the context of specific national options throughout this report.

11.1 General and Sector Budget Support

Budget support is an unearmarked financial contribution to a recipient government's budget. International donor funds are channelled through the "national budget" using national systems for its delivery as well as for the evaluation of its effectiveness (OECD 2006 and Hadziyiannakis and Mylonakis 2006). Sector budget support, like general budget support, is an unearmarked financial contribution to a recipient government's budget. However, for sector budget support, the dialogue between donors and partner governments focuses on sector-specific concerns, rather than on overall policy and budget priorities (OECD 2006).

For many years general budgetary support has been regarded by donors as a low priority for assistance. However, there is now an increasing acceptance by donors that recurrent budget support is an effective way of delivering development assistance provided certain minimum standards are met (European Commission 2011). Budget support offers the prospect of reduced transaction costs, improved donor coordination and enhanced predictability of aid flows. It also provides a potentially effective tool to strengthen Government systems, increase ownership of national policies and plans and increase accountability (OECD 2006). This is widely recognised as the preferred aid modality for partner countries, as it minimises the need to establish separate systems and processes. This is particularly the case for countries such as Nauru with small administrations.

Sector budget support enables donors to provide funds for specific purposes that align with agreed priorities. This, for example, would help Government climate change focal points and donors ensure climate change funds are not diverted to other purposes, and assist with reporting on climate change related assistance as compared with assistance to meet other development objectives.

Potential merits and cautions associated with general and sector budget support are presented in Attachment 1 Appendix 2.

In general, features that would help facilitate the transition to budget support include (PIFS 2011c):

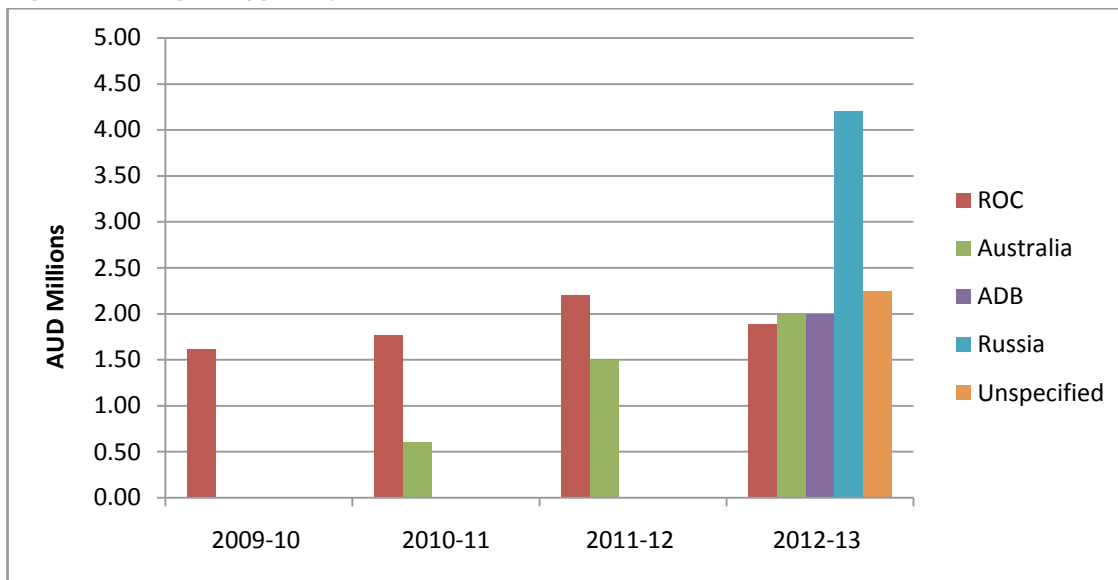
- Robust national plan linked clearly to the national budget;
- Climate change effectively mainstreamed into national plans and budgets;
- Strong PFM systems and processes;
- Strong arrangements for monitoring, evaluation and reporting; and
- A mature relationship with donors.

Efforts to improve performance against all six dimensions of climate change, as outlined in the PCCFAF, will assist Nauru to deliver climate change resources through budget support.

Nauru already receives assistance in the form of general budget support. In 2012-13, the GoN estimates that it will receive an estimated AUD12.5 million in unearmarked donor funds, including contributions from Australia, Taiwan/ROC, Russia and ADB. This is a significant increase since the 2009-10 financial year (see Figure 15). There has also been an increase in the number of donors providing budget support since 2009-10, when only Taiwan/ROC provided support in this form.

Donors have different approaches to budget support in Nauru, with payments often linked to achievement of specific targets. For example, Australia provided AUD1.5 million in the form of budget support in 2010-11 to the GoN following achievement of agreed targets, through its Performance Linked Aid Program. Targets in 2010-11 addressed progress towards public financial management reforms, including introduction of a financial management information system and new public procurement arrangements, completion of a costed infrastructure investment strategy, and progress toward a bulk fuel procurement and tank farm operations arrangement (AusAID 2012).

Figure 15 Budget Support by Donor



Note: Documented expenditure included only

While not all Australian assistance is classified as budget support by Nauru, approximately 80% of the program is channelled through Government systems (AusAID 2012). A portion of these funds are provided as general budget support, in line with the definition outlined above, and the remainder is delivered in agreed priority sectors, as outlined in the Nauru-Australia Partnership for Development, in line with Government policies and AOPs. Funds may also be reallocated as required, upon agreement between Australia and the GoN. While this assistance is not classified as budget support, general or sectoral, Australian assistance has many of the characteristics of budget support. Australia’s in-country presence, capacity supplementation through provision of in-line advisers, and mature relationship with the GoN enables delivery of aid using these flexible modalities.

The EU have indicated their intention to deliver more assistance in the Pacific through budget support, and Samoa and the Solomon Islands already receive EU support through this modality. The EU assess eligibility for budget support based on four criteria: 1) National or sector policies or strategies; 2) Macroeconomic policy; 3) PFM; and 4) Transparency and oversight of the budget. Through the Global Climate Change Alliance (GCCA) Pacific Small Island States (PSIS) Project, [implemented by SPC with support from the EU](#), will provide support

to nine countries in the Pacific, including Nauru, to assist them become eligible for EU budget support for climate change, focussed on criteria 1. The GoN is currently completing its RONADAPT and Energy Roadmap with support from SPC and GIZ. Therefore, the key gap relating to this criterion lies in improving integration of climate change into the NSDS. This should be undertaken as part of the review of the NSDS now planned for 2013. Any support sought from the EU in this area should, however, be closely linked with the NSDS review process, rather than being a standalone activity. For example, short term technical assistance to support a NSDS review team may be more useful than a specific study on mainstreaming, which could duplicate the RONADAPT and Energy Roadmap processes.

The EU will work directly with FICs to assess their overall readiness for budget support on a case by case basis. The Peer Review recommended that Australia and the EU work with the GoN to accelerate the transition to budget support. Australia now provides support using more flexible modalities, including general budget support as discussed above. The GoN has had some discussion with the EU regarding accessing budget support arrangements but support in this form has not been provided to date.

As general budget support received by the GoN is not earmarked for specific purposes, one could argue that a portion of climate change related expenditure is sourced through budget support. However, the proportion of climate change expenditure from the Treasury Fund is relatively small (see Section 8.2). Australia uses flexible modalities to deliver the majority of assistance through Government systems as discussed above, including climate change related activities in the water and energy sectors; however, climate change specific funding through the International Climate Change Adaptation Initiative (ICCAI) is delivered through projects. This requires the GoN to submit specific proposals rather than utilising the more flexible arrangements – through partnership discussions and AOPs – adopted for Australian support to other sectors.

Observations

- **Several donors currently provide Nauru with assistance in the form of budget support. The reluctance of other development partners to take this approach indicates that differences in eligibility criteria and capacity to engage are key factors that determine use of this modality as well as the strength of GoN systems.**
- **The 2010 Peer Review recommended that Australia and the EU work with the GoN to accelerate the transition to budget support. Australia now provides a portion of its assistance in this form.**
- **The EU are yet to provide assistance to Nauru in the form of budget support but are making efforts to assist with the transition. Support is available to the GoN through the SPC PSIS project, to assist Nauru become eligible for budget support.**
- **The majority of climate change related support is delivered in the form of projects.**

Recommendations

- **The GoN should continue to engage with donors to increase the volume of support provided through general or sector budget support.**
 - **Increased effort should be made to access budget support from the EU in the short term, given their expressed intention to make greater use of this modality in the Pacific and the support available through the SPC PSIS Project.**
 - **Climate change focal points should engage with Australia to transition climate change specific funding through the ICCAI from project support to the more flexible modalities used to deliver other assistance, including budget support.**
- **Climate change focal points should engage with DFSD and other central agencies to consider linking current budget support arrangements to climate change. For example, targets for receipt of funding through Australia's Performance Linked Aid Program could be linked to achievement of climate change related target such as improved integration of climate change into the NSDS. This would provide further incentives for line agencies and SOEs to consider climate change in their day to day work.**
- **Donors should consider how to assist the GoN to meet their requirements for budget support. This may include options such as:**
 - **Assisting Nauru implement reforms to meet specific eligibility criteria;**
 - **Supplementing Government capacity in the short term, to assist Nauru meet eligibility criteria;**

- Assisting Nauru build capacity to meet eligibility criteria in the medium to long term;
- Delivering support, or undertaking engagement, with Nauru in partnership with other international organisations. For example: New Zealand has delegated management of its education program in Nauru to Australia; the UN has established a Joint Presence in Nauru to represent several UN Agencies; and the World Bank and ADB have established joint offices in several FICs.

11.2 Direct Access

“Direct access” is a concept that has evolved from international discussions on climate change. It is widely understood as a short-hand term for, “developing countries directly accessing international public financing in order to implement national and local actions to address climate change” (UNDP 2011). There are three main components used to deliver international public finance from global funds namely, fund manager or secretariat, implementing entity and the executing body (see Table 8). Direct access implies that the facilitation and project management function is taken on by a National Implementing Entity (NIE) rather than global or regional organisations –termed Multilateral Implementing Agencies (MIE) and Regional Implementing Entities (RIE) respectively (UNDP 2011).

Table 8 Institutional Architecture Associated with Direct Access

| Functions of the Fund Manager and Fund Secretariat | Implementing Entity Functions | Executing Body Functions |
|---|--|---|
| <ul style="list-style-type: none"> • Develops strategies, policies and guidelines of Fund • Reviews proposals submitted to the Fund • Decides who receives funding • Instructs trustee to transfer funds to eligible implementing bodies • Monitors implementation progress • Accountable to donors on fund expenditure | <ul style="list-style-type: none"> • Identification of projects • Preparation of project concepts • Preparation of project documents • Approvals and start-ups of projects • Supervision of projects • Evaluation of projects • Accountable to Fund on use of funds | <ul style="list-style-type: none"> • Management and administration of day-to-day project activities • Undertakes procurement and contracting of goods and services • Accountable to implementing body for use of funds |

Source: UNDP 2011

Based on its experiences with direct access, the Adaptation Fund report that the following benefits are being gained (Adaptation Fund 2012):

- Increased capacity of institutions as countries have initiated reforms to meet the necessary fiduciary standards.
- Strengthened country ownership as countries manage their own funds and projects.
- Accrual of experience and expertise that may prove valuable in accessing other sources of climate change financing.
- Increased south-south cooperation as accredited NIEs share experiences in regional and sub-regional workshops and other fora.

As part of the Nauru Case Study, an assessment of Nauru’s proposed National Implementing Entity (NIE) against the Adaptation Fund’s accreditation requirements (NIE Assessment) was undertaken. The NIE Assessment was undertaken using the standard template developed by the UNDP for this purpose. To obtain NIE accreditation, the Accreditation Panel of the Adaptation Fund Board assesses three attributes of the proposed national entity:

1. Financial management and integrity;
2. Institutional capacity; and
3. Transparency, self-investigative powers and anti-corruption measures.

In addition to enabling detailed consideration of the GoN’s potential for obtaining NIE accreditation for the Adaptation Fund, the NIE assessment enabled a deeper analysis of issues related to direct access to global funding sources more broadly.

11.2.1 Adaptation Fund

The AF under the Kyoto Protocol was specifically initiated to assist developing countries to meet the costs of adaptation, and to finance concrete adaptation projects and programs. It can be differentiated from other international funds assisting developing countries adapt to climate change in three distinct ways (AF 2010):

- Unique structure that secures funds through a levy on the proceeds of the Clean Development Mechanism;
- Strengthened representation among developing countries; and
- Direct access to funding

It is the direct access modality, currently being utilised under the AF, which is expected to influence the design of the direct access modality of the GCF.

Pursuing direct access to the AF is very likely to support direct access to the GCF once this fund is operational. Indeed the GEF is now also exploring NIE access as a result of its popular support under the AF. Pursuing NIE accreditation under the AF will very likely give Nauru a head start toward direct access of the GCF, which is an important co-benefit of the NIE accreditation process. This co-benefit becomes more important, when one considers that that current amount of funds available through the AF is limited. Further information on the AF is available from their website (<http://www.adaptation-fund.org>).

The AF Board has capped the volume of funds that could be accessed by MIEs at 50%, to ensure NIE access to the AF. As MIEs have nearly reached this cap, the MIE modality will be limited until additional funding is secured. Therefore, the majority of the remaining project funds are available through the NIE modality. However, funds available for countries without a currently accredited NIE may be limited as fourteen NIEs have already been accredited⁹ and the AF balance is USD 124 million as of December 2012. New capitalisation opportunities for the Adaptation Fund are limited. The majority (69%) developing country representation on the board means developed country parties are unlikely to contribute significant grant funds to this fund as they have power over its utilisation.

As discussed above, a detailed NIE Assessment was undertaken as part of the Nauru Case Study (Attachment 1). The NIE Assessment Report has been included as Attachment 1 and the key findings are summarised in Table 9 and the sections below. As concluded by the assessment, an application for NIE accreditation from Nauru is unlikely to be successful at this time. However, Nauru could approach NIE accreditation as a means of leap-frogging to the GCF, strengthening their PFM system, strengthening their program and project operations as well as, depending on future contributions, potentially accessing support through the AF.

Table 9 Summary of NIE Assessment

| AF Accreditation Dimensions | Key Capacity Gaps |
|---|---|
| Financial Management and Integrity | Nauru’s PFM system does not meet the requirements of a well-functioning, basic PFM system (Section 11.2.1.1 and Section 7). Existing PFM strengthening efforts could be refocussed to specifically address issues related to NIE accreditation. |

⁹ Centre de Suivi Ecologique (Senegal), Planning Institute of Jamaica (Jamaica), Agencia Nacional de Investigacion e Innovacion (Uruguay), National Environment Fund (Benin), Protected Areas Conservation Trust (Belize), South African National Biodiversity Institute (South Africa), Ministry of Natural Resources (Rwanda), Ministry of Planning and Cooperation (Jordan), National Environment Management Authority (Kenya), Mexican Institute of Water Technology (Mexico), Unit for Rural Change (Argentina), National Bank for Agriculture and Rural Development (India), Fundecooperacion Para el Desarrollo Sostenible (Costa Rica), Agency for Agricultural Development (Morocco)

| | |
|---|--|
| Institutional Capacity | There was a lack of documented procedures for the project and programming cycle (Section 11.2.1.2). The GoN should develop a detailed Project and Program Operations Manual to strengthen national systems and address direct access requirements. |
| Transparency and Self-investigative Powers | No clear statements on zero-tolerance, no code of ethics/conduct, no documented procedures for dealing with corruption and misconduct (Section 11.2.1.3). Appropriate policies and frameworks should be developed. |

11.2.1.1 Financial Management and Integrity

The PFM assessment undertaken by the GoN in 2010 (see Section 7) indicated that Nauru's PFM system does not meet the requirements of a well-functioning, basic PFM system (Leonardo 2010). This has significant implications on Nauru's ability to obtain NIE accreditation, which are outlined below.

Credibility of the Budget

Although the level of budget credibility has been poor recently because of the considerable shortfalls in domestic revenue and expenditure in 2009-2010 compared with budget projections, the GoN has maintained relatively firm expenditure control in the two financial years to 30 June 2010 (Leonardo 2010). In relation to the AF NIE accreditation, the GoN is expected to be able to monitor expenditures against budgets.

To gain NIE accreditation, the GoN would need to provide evidence of: i) annual budgets for the GoN; and ii) end of calendar/fiscal year or periodic budget reports. This would correspond to advancement in PEFA indicators 1 and 2 (see Table 4).

Comprehensiveness and Transparency

There is limited supporting information currently provided in the budget documentation. The amount of fiscal information available to the public is also modest due to no in-year budget data being released promptly and delays in the preparation and auditing of the financial statements of government (Leonardo 2010). The 2009-10 and 2010-11 budget documentation had a limited proportion of the required information benchmarks. This outcome is partly due to historic difficulties encountered in the preparation of the GoN's financial statements (Leonardo 2010).

To gain NIE accreditation, the GoN would need to provide evidence of: i) annual budgets for the GoN; and ii) end of calendar/fiscal year or periodic budget reports. This would correspond to advancement in PEFA indicator PI-6 under comprehensiveness and transparency.

Budget Cycle

The budget cycle aspect of the PEFA assessment has four elements:

1. Policy-based budgeting;
2. Predictability and Control in Budget Execution;
3. Accounting, Recording and Reporting; and
4. External Scrutiny and Audit.

Policy-Based Budgeting

To gain NIE accreditation, the GoN must provide evidence of long term business plans or financial projections of the next three to five years. At present the Public Finance Act does not require the preparation of multi-

year budgets and as such, no multi-year budgets exist. This kind longer term projection is critical for climate change considerations which are predicted to increase over time.

Predictability and Control in Budget Execution

This dimension provides an assessment of the extent to which the budget is implemented in an orderly and predictable manner and that the degree to which arrangements exist for the exercise of control and stewardship in the use of public funds (Leonardo 2011). The PEFA assessment has nine indicators in this section. The first three focus on taxpayer obligations, liabilities, registration, assessment and payment. These aspects are of general concern to the GoN PFM system, but do not have explicit linkages to the climate change discussion, so will not be considered further. Of particular importance to the NIE Accreditation is the issue of procurement, internal controls and internal audit which are further discussed below.

Current procurement procedures are significantly underdeveloped (Leonardo 2010). The Chief Secretary issued new procurement procedures in September 2009, to centralize all government procurement activity through the GoN warehouse and replace the purchasing rules set out in the Accounting and Budget Manual (Leonardo 2010). AusAID will be supporting efforts to strengthen procurement, including implementing procurement legislation and regulations and hiring of a procurement agent.

To gain NIE accreditation, the GoN must provide example of a policy or other published document that demonstrates it has internal controls necessary to properly manage project implementation. This was not available at the time of the assessment.

The GoN has not formally established an internal audit capability. The Office of the Director of Audit has undertaken some modest internal audit activity in addition to its role as government external auditor as the level of resources available in the GoN does not warrant a separate internal audit function (Leonardo 2010).

Accounting, Recording and Reporting

There were some inherent problems with the roll out of Financial Management Information System (FMIS) Technology One in the first few months of 2012-13. As the system was designed for the specific use of Nauru, there were no guidelines or manual for the general users as well as for the Finance system administrators of FMIS. The roll out of the system was further stalled due to lack of connectivity available between Government offices on the island (Nauru 2012b). AusAID has agreed to provide technical assistance to support the review of the FMIS in 2012-13 and there is a plan form an FMIS “rescue team” to come to Nauru in 2013. FMIS system is central to the PFM reform process.

The review of the system in 2012-13 will help ensure that the system will better facilitate efficient, reliable, timely and accurate processing, storage and reporting of financial data for all Government departments. It will further enhance departments’ ability to accurately track budget availability for each natural account in their department. The FMIS will also facilitate the production of auditable financial statements on a timelier basis (Nauru 2012b).

In the interim while the FMIS system is being rolled-out Excel spread sheets are being run in parallel. However, the FMIS system is currently being used by DCIE for operations and for two projects, namely, NBSAP and ARMS. The other DCIE projects are inputted into FMIS by Treasury. There is a plan to have the DCIE administrative assistant to handle all DCIE projects in the future.

To gain NIE accreditation, the GoN must provide example of functioning financial management system, as such, it will be important to continue the roll-out of FMIS.

External Scrutiny and Audit

No financial statements have been prepared or audited since late 1998 (Leonardo 2010); however the GoN are taking steps to improve PFM systems, and plan to have auditable financial statements for 2013/14. To gain NIE accreditation, the GoN must provide examples of reliable financial statements that are prepared in accordance with internationally recognized accounting standards.

11.2.1.2 Institutional Capacity

From an NIE accreditation perspective, this element focuses on: i) procurement procedures which provide for transparent practices; ii) capacity to undertake monitoring and evaluation; iii) ability to identify, develop and appraise projects; and iv) competency to manage or oversee the execution of the project/program including ability to manage sub-recipients and to support project /program delivery and implementation

As the status of the procurement system in Nauru is discussed in Section 11.2.1.1, this section focuses on the project cycle aspects of requisite institutional capacity. From the review, it was found that there was a lack of documented procedures for the project and programming cycle. As the NIE accreditation criteria requires documentation related to project preparation and approval, implementation planning, monitoring and evaluation, closure and final evaluation, it was identified that a manual documenting this process would benefit the overall project cycle¹⁰ for the government of Nauru and further support NIE accreditation.

11.2.1.3 Transparency, Self-Investigative Powers, and Anti-Corruption Measures

As per the NIE Assessment, limited documentation was obtained in relation to transparency, self-investigative powers and anti-corruption. It will be important for NIE accreditation that appropriate policies and frameworks are in place to deal with financial mismanagement and other forms of malpractice.

11.2.1.4 Selection of NIE

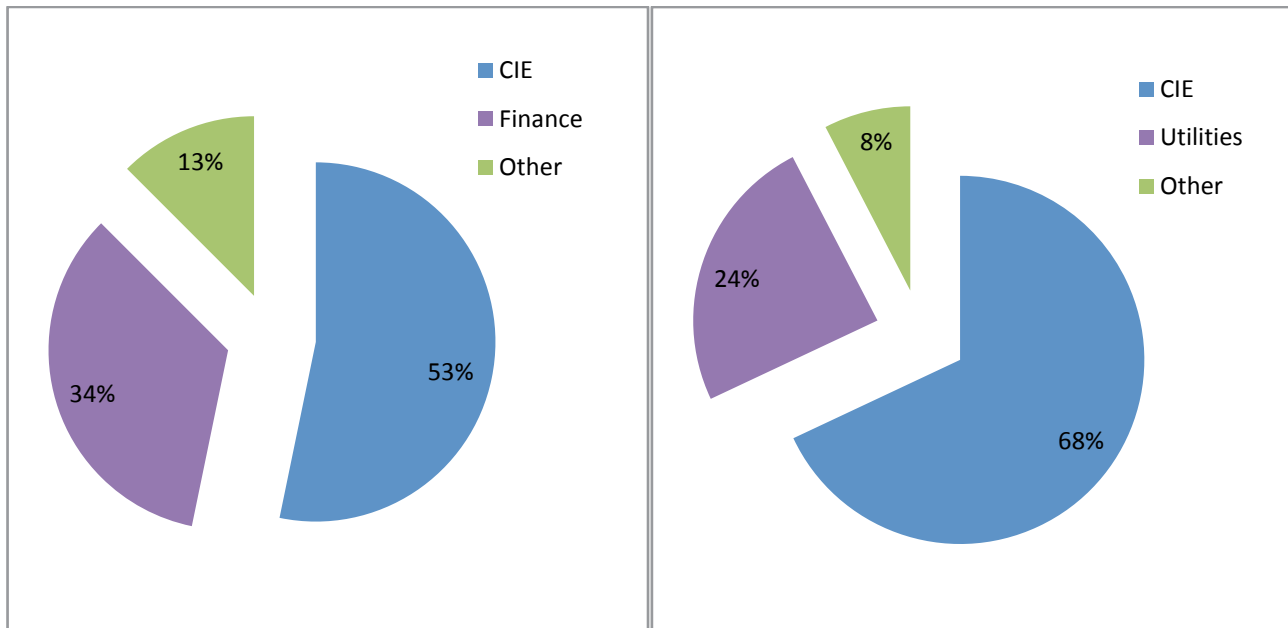
Two organisations have been considered for NIE accreditation – DCIE and DFSD. Initial consultations focussed on DCIE, given their lead role on climate change in Nauru; however, further investigations indicated that DFSD may be better positioned for NIE accreditation given their role and responsibilities within the GoN. The Aid Management Policy has four broad objectives which guide DFSD in its coordination and management of all development assistance received by the Government of Nauru. These objectives are to:

1. Secure funding for priority projects
2. Effective Coordination of Development Assistance
3. Effective and Efficient implementation of projects
4. Improve internal financial management

This role is consistent with that of an NIE. Further, Figure 16 indicates that while DCIE is the nominated Department Head for the majority of climate related expenditure (53%) through the Development Fund, it is clear that DFSD also captures a significant proportion (34%). The Department Head is responsible for overseeing implementation of activities, similar to the role of an NIE, while the Managing Department is responsible for day-to-day implementation of activities.

¹⁰ It will be important that when developing a project operation manual that this meets the requirements of projects for Nauru and also addresses the key requisite institutional capacities as per NIE accreditation.

Figure 16 a) Climate Change Related Expenditure by Department Head (Development Fund Only)
 b) Climate Change Related Expenditure by Managing Department (Development Fund and In-Kind)



Note: Documented expenditure included only

Observations

- Based on the information provided, it is unlikely that an application from Nauru would be successful at this time.
- Nauru does not have a well-functioning, basic PFM system. It is unlikely that the GoN would comply with NIE accreditation criteria relating to financial management and integrity.
- Nauru has limited documentation in terms of processes for program and project development. It is unlikely that the GoN would comply with NIE accreditation criteria relating to institutional capacity at this time.
- DFSD is situated such that it should be the focus of ongoing NIE accreditation efforts for direct access.

Recommendations

- Continue efforts to strengthen PFM systems with a possible focus on issues directly related to gaining NIE accreditation.
- Develop an operations manual that documents procedures for development, implementation and monitoring and evaluation of programs and projects that meets GoN requirements and addresses NIE criteria.
- For the Designated Authority to support DFSD as the NIE upon submission of an application.

11.2.2 Green Climate Fund

The GCF had its first board meeting in August 2012. At this meeting it was decided to locate the fund in Korea. There are 24 fund committee members and the SIDS representatives are Barbados and Samoa. The key issue associated with the GCF, is how this related to direct access and further to the Adaptation Fund Board requirements. It is not clear on the relationship (if any) between the AF and GCF fiduciary requirements, but indications are that the GCF fiduciary requirements would be to a higher level of fiduciary requirements than the AF.

Observations

- Indications are that the GCF fiduciary requirements would be to a higher level than the AF.

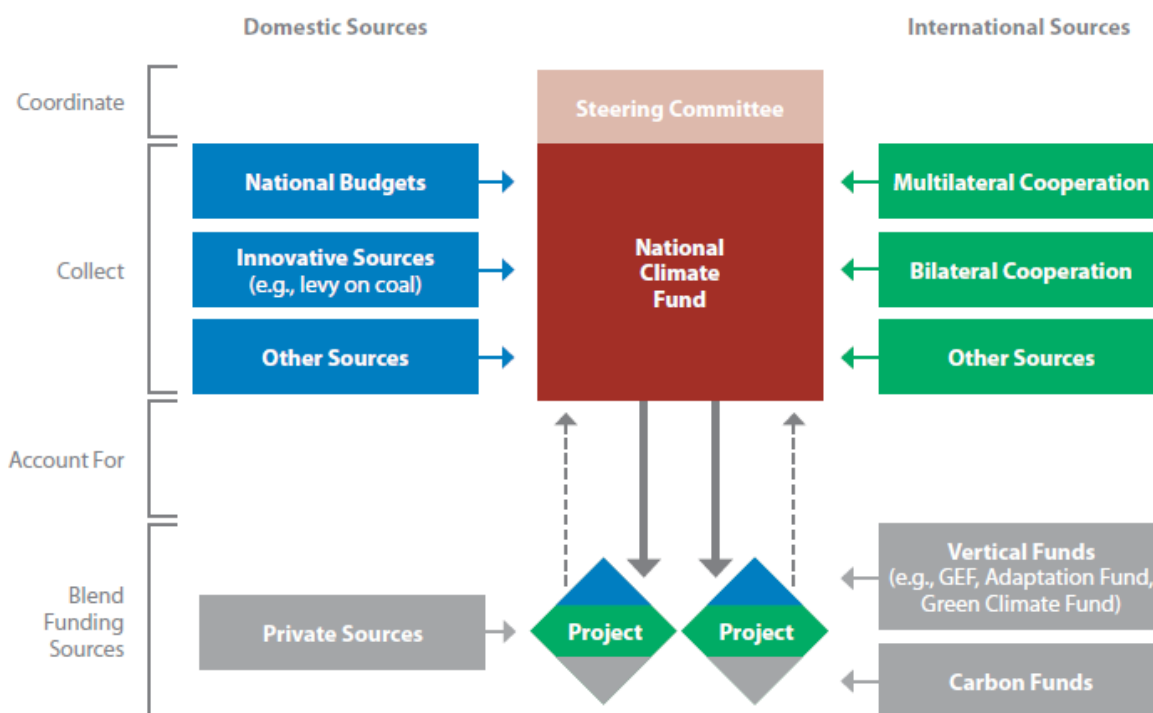
Recommendation

- Use the AF NIE accreditation process as a means of building capacity toward and leap-frogging to eventual accreditation to the GCF.
- Progressing towards NIE accreditation under the current AF process would likely increase Nauru's ability to use its country systems for channelling other sources of external assistance including from bilateral donors.

11.3 National Climate Funds

NCFs can assist countries to collect, blend and coordinate resources to support action on climate change, as shown diagrammatically in Figure 17, and assist with strengthening national institutions. NCFs provide a mechanism that can support climate change goal setting and strategic programming, oversee climate change project approval, measure project implementation and performance, offer policy assurance and financial control of climate change funds and assist with partnership management (Flynn 2011). For smaller countries with limited capacity such as Nauru, NCF arrangements are attractive as an option to save up climate change resources to be drawn down over time at a rate commensurate with the absorptive capacity of the country. It may address longer term issues such as capacity building and supplementation, or as a form of risk management for events such as drought and disease outbreak. Potential merits and cautions associated with NCFs are presented in Attachment 1 Appendix 2.

Figure 17 National Climate Funds as Part of the International Climate Change Finance Landscape



Source: Flynn 2011 in Flynn 2011

There are three main types of trust fund:

- Endowment funds: Principal capital preserved, kept in perpetuity, real value maintained
- Revolving funds: Principal capital consumed but replenished
- Sinking funds: Principal capital consumed over a fixed period

Trust funds in various forms are already in use in the Pacific¹¹. Experience has shown that those with proper governance and management structures not only provide sustainable financial resources for development but also fill resource gaps and gradually reduce reliance on foreign assistance. On the other hand, several funds have not performed well due to lack of transparency and mismanagement (Graham 2005). At present, no FIC has established a NCF, although Samoa and Tonga are actively exploring options to establish such a mechanism.

UNDP has helped to establish NCFs in other regions¹². This experience has shown that management, legal structures and governance arrangements can evolve over time to reflect changes in capacity of the country and emerging needs. For example, NCFs can be managed by the GoN or be managed by a third party, including international organisations, until sufficient capacity has been built. This is particularly important for Smaller Island States in the Pacific that may not be able to handle projected increases in climate change funds.

Nauru's previous experience with trust funds has been negative, which, in general, has made stakeholders weary of establishing new trust funds of any sort. A brief summary of Nauru's experience with the Nauru Phosphate Royalties Trust (NPRT) is presented in Box 3.

Box 3 Nauru Phosphate Royalties Trust

The Nauru Phosphate Royalties Trust (NPRT) was established in 1968 using dividends and taxes associated with phosphate mining. Authority over fund investment and use are entirely the responsibility of the GoN.

The trust was established in anticipation of the exhaustion of phosphate deposits and revenues that was forecast to occur on or around 2000. Beginning in the late 1980s, however, demand for phosphate began to subside while extraction costs began to increase. As a result, Nauru's long-held competitive advantage and windfall revenues began to wane. With phosphate revenues falling throughout the 1990s, in order to maintain its recurrent spending levels the GoN began to borrow from commercial banks (including its own) using trust fund assets as collateral. At one point, the GoN even resorted to drawing directly on fund assets to finance expenditures. This, coupled with significant investment losses (many in real estate), diminished trust fund resources from a high of AUD1.5 billion in 1990 to just under AUD100 million today.

Key Issues and Lessons

Rampant, Systemic Mismanagement: Mismanagement appears to have permeated all levels of the Nauruan fiscal system. The same forces that drove the macroeconomy into insolvency were also responsible for draining nearly all of the funds' assets.

Almost Every Rule Broken: Nauru broke almost every rule in the book; its trust fund governance structure was weak and not transparent, it made poor trust investments, it raided its funds and used them as collateral, and it maintained an unwarranted expansionary fiscal position.


Source: Graham 2005

With assistance from the ADB, the GoN recently proposed establishment of the Nauru Trust Fund, modelled on the Tuvalu Trust Fund. Through this trust fund, the GoN would accumulate savings to provide a steady income stream to fund future investments. Consultations by the GoN and the ADB with development partners could not build sufficient support to enable establishment of the Nauru Trust Fund, and the proposal was set aside in mid-2012.

Despite their recent experience with the Nauru Trust Fund, the GoN has expressed interest in establishing trust funds for various purposes in future. This includes revisiting the proposal for the Nauru Trust Fund, and establishing a trust fund for management of funds generated from an environment levy on all visitors to Nauru (an example of an innovative source as shown on Figure 17), similar to what has been established in

¹¹ These include the Kiribati's Revenue Equalisation Reserve Fund, the Tuvalu Trust Fund, the Compact funds of the Federated States of Micronesia, the Marshall Islands and Palau, the Niue Trust Fund and the Tokelau Trust Fund. In addition, some countries such as Samoa and Tonga are actively engaged in setting up trust funds specifically for climate change purposes.

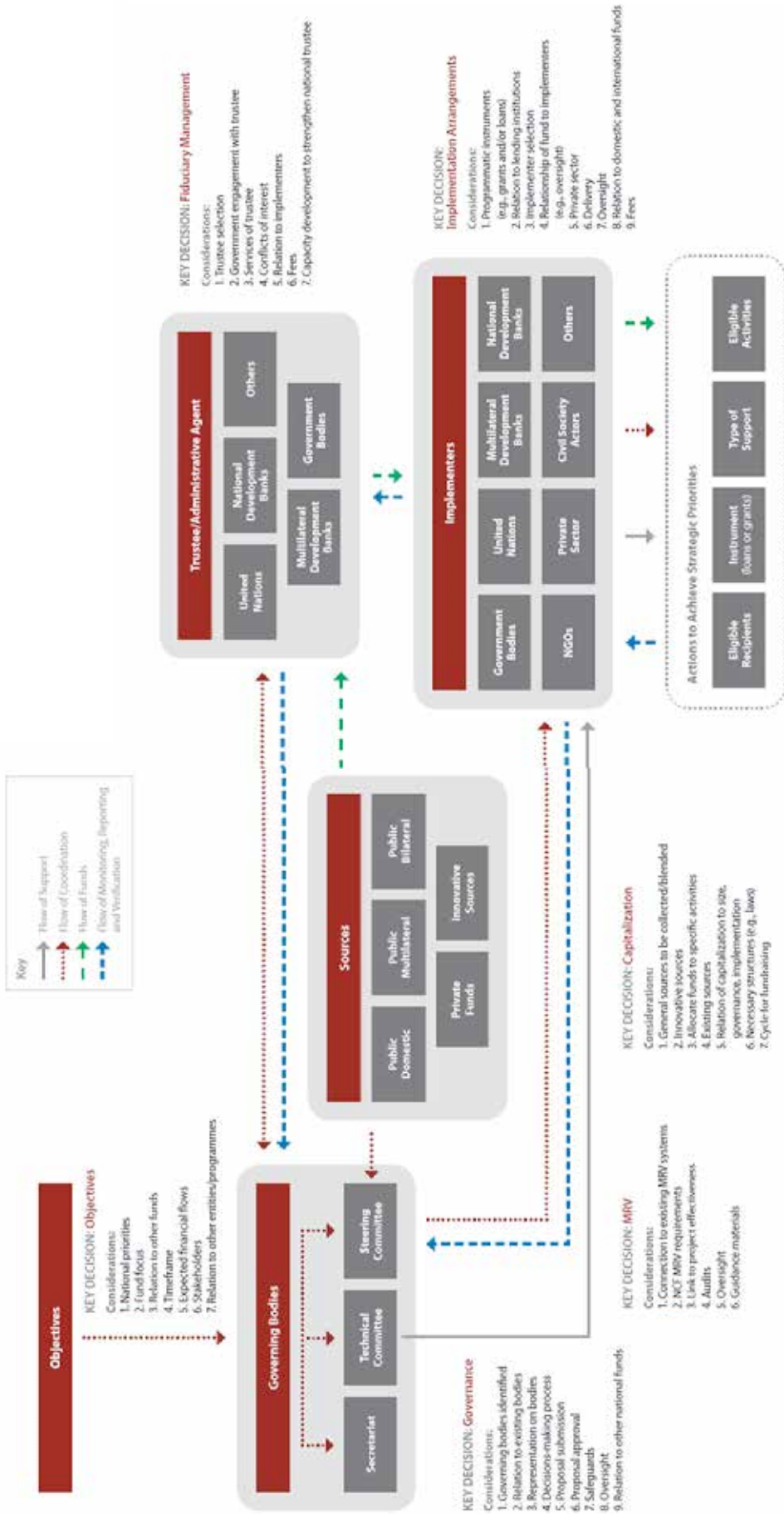
¹² Indonesia, Cambodia and Ecuador



Palau. This latter proposal was also recently rejected by Cabinet due to concerns expressed by the private sector.

If Nauru does consider establishing a NCF in some form in the future, the GoN should ensure that its purpose is clearly defined and sufficient resources are allocated to undertake the design. It has been estimated that it can take several years to design a NCF depending on the complexity of the fund (Irawan et al 2012). Figure 19 shows the components of a typical NCF – funding sources, governing bodies, a trustee and implementers – and the design questions that should be considered in four key areas – objectives, governance, capitalisation and monitoring, reporting and verification. Detailed guidance on design and establishment of NCFs has been provided by the UNDP in *Blending Climate Finance Through National Climate Funds, A Guidebook for Design and Establishment of National Climate Funds to Achieve Climate Change Priorities* (Flynn 2011).

Figure 18 Structural Overview and Design Considerations of a National Climate Fund



Source: Flynn and Glemarec 2011 in Flynn 2011

Observations

- Nauru's previous experience with trust funds has been negative, which, in general, has made stakeholders weary of establishing new trust funds of any sort. Recent proposals to establish trust funds in Nauru have not been successful.
- Despite their recent experience the GoN has expressed interest in establishing trust funds in future.

Recommendations

- A NCF does not appear to be a viable option for Nauru at this time given the lack of development partner support for such a mechanism.
- Any proposal to establish an NCF should outline how such a mechanism would add value to existing GoN systems.
- If the GoN were to consider establishment of an NCF in future, it should clearly identify the objectives of the fund, in consultation with relevant stakeholders, and allocate sufficient resources to undertake the design. Estimates suggest design of a NCF may take several years to complete depending on the scope of the fund.
- Design of any NCF should consider all components of a NCF, including potential funding sources, governing bodies, a trustee and implementers, and consider issues associated with NCF objectives, governance, capitalisation and monitoring, reporting and verification

12 Conclusions

The GoN has taken significant steps to address climate change over recent years, across all dimensions of climate change financing. The GoN has developed policies and plans to address key climate change challenges, amended institutional arrangements to facilitate decision making and implement their programs, and accessed millions of dollars to deliver on-ground support to communities. Nauru has also played a significant role in global climate change discussions on behalf of the region and played a pioneering role in the Pacific region's efforts to improve development effectiveness. Despite this progress, more work is still required to meet Nauru's climate change needs. The Climate Change Finance Action Plan presented in Table 10 provides a guide to implementing the recommendations presented in this case study. It provides an indication of the timeframe, outputs, and roles and responsibilities for implementation of the recommendations under each dimension of climate change financing. This action plan serves as a guide to assist GoN decision makers, donors and development partners, to improve Nauru's access to and management of climate change resources.

Table 10 Climate Change Finance Action Plan

| Recommendations | Relevant Dimensions ¹⁴ | Priority ¹³ | 2013 | | 2014 | | 2015 | | Indicative Outputs | Lead Organisation, Possible Partners, Implementation Mechanisms and Other Comments |
|--|-----------------------------------|------------------------|------|---|------|---|------|---|---|---|
| | | | | | | | | | | |
| Specific Initiatives | | | | | | | | | | |
| 1. Develop an agreed definition and interpretation of the term "climate change finance" for Nauru, to inform future tracking of resources allocated to climate change activities as well as sources of climate change resources relevant for Nauru | FS, PP, I, PFME, HC | 1 | ■ | | | | | | <ul style="list-style-type: none"> Documented definition of "climate change". This may be undertaken as part of development of the RONADAPT and climate change policy statement. Consultations with Nauru Government line agencies and SOEs to discuss the definition of climate change. | <p>Lead Organisation</p> <ul style="list-style-type: none"> DCIE in partnership with DFSD <p>Comments</p> <ul style="list-style-type: none"> This may be undertaken as part of development of the RONADAPT and climate change policy statement. Consultations may be undertaken as part of existing meetings such as PSC or NDC meetings. |
| 2. Prepare a submission for approval by the President, as Minister for Climate Change, which clearly allocates all climate change roles and responsibilities. | I | 1 | ■ | | | | | | <ul style="list-style-type: none"> Submission prepared and approved | <p>Lead Organisation</p> <ul style="list-style-type: none"> DCIE <p>Comments</p> <ul style="list-style-type: none"> This submission should be prepared in consultation with the proposed HLCCSC. |
| 3. Prepare a submission for approval by the President, as Minister for Climate Change, which clearly outlines objectives and management arrangements for the proposed HLCCSC. | I | 1 | ■ | | | | | | <ul style="list-style-type: none"> Submission prepared and approved | <p>Lead Organisation</p> <ul style="list-style-type: none"> Office of the President <p>Comments</p> <ul style="list-style-type: none"> The DFSD should form part of this steering committee. Terms of Reference for the DCIE PSC may be a useful guide. |
| 4. Improve integration of climate change into the NSDS as part of the upcoming NSDS review | PP, DE | 1 | ■ | | | | | | <ul style="list-style-type: none"> Climate change issues considered as part of review of the NSDS. Integration of climate change improved in the revised NSDS. | <p>Lead Organisation</p> <ul style="list-style-type: none"> DFSD in partnership with DCIE <p>Comments</p> <ul style="list-style-type: none"> The RONADAPT and Climate Change Policy Statement can provide guidance on this. |
| 5. Ensure the RONADAPT and climate change policy statement are completed and approved so implementation can commence | PP | 1 | ■ | | | | | | <ul style="list-style-type: none"> Completed RONADAPT and climate change policy statement Approved RONADAPT and climate change policy statement | <p>Lead Organisation</p> <ul style="list-style-type: none"> DCIE |
| 6. Consider climate change issues as part of review and implementation of the PFM action plan | PFME, DE | 1 | ■ | | | | | | <ul style="list-style-type: none"> Climate change issues considered in development and prioritisation of PFM reforms Actions related to climate change included in the revised plan Measures to assist Nauru gain access to and improve manage of global climate change funds implemented Climate change considered in AOPs Climate change financing differentiated from traditional ODA | <p>Lead Organisation</p> <ul style="list-style-type: none"> DFSD in partnership with DCIE <p>Comments</p> <ul style="list-style-type: none"> Actions that may assist Nauru gain direct access to global climate change funds should be considered. |
| 7. Consider capacity to manage Nauru's climate change policies and programs as part of the workforce planning project. | HC | 1 | ■ | | | | | | <ul style="list-style-type: none"> Climate change issues considered Measures to strengthen capacity to manage Nauru's climate change program implemented | <p>Lead Organisation</p> <ul style="list-style-type: none"> Office of the Chief Secretary in partnership with DCIE <p>Comments</p> <ul style="list-style-type: none"> Capacity to undertake all aspects of Nauru's climate change program should be strengthened. This includes finance, planning and aid management functions as well as technical areas related to climate change. The distribution of Director level resources within DCIE should be reviewed to ensure sufficient support is provided to SCIE. |
| 8. Increase Nauru Government technical capacity on climate change | | | | | | | | | | |
| 8.1. Develop climate change training material for line agencies and SOEs | HC, I | 2 | ■ | ■ | ■ | ■ | ■ | ■ | <ul style="list-style-type: none"> Training material developed | <p>Lead Organisation</p> <ul style="list-style-type: none"> DCIE in partnership with the Office of the Chief Secretary |

¹³ Level of priority from 1 – "implement immediately", to 3 – "implement as opportunities arise and resources become available".

¹⁴ Funding Sources (FS), Policies and Plans (PP), Institutions (I), Public Financial Management and Expenditure (PFME), Human Capacity (HC), Development Effectiveness (DE), Relevant to all dimensions (All)

| Recommendations | Relevant Dimensions ¹⁴ | Priority ¹³ | 2013 | | | 2014 | | | 2015 | | | Indicative Outputs | Lead Organisation, Possible Partners, Implementation Mechanisms and Other Comments |
|---|-----------------------------------|------------------------|------|--|--|------|--|--|------|--|--|--|--|
| | | | | | | | | | | | | | |
| 8.2. Deliver climate change training to line agencies and SOEs | HC, I | 2 | | | | | | | | | | <ul style="list-style-type: none"> Training delivered to private sector organisations | Possible Partners <ul style="list-style-type: none"> Bilateral donors SPC SPREP USP Comments <ul style="list-style-type: none"> Capacity constraints should be assessed based on short, medium and long term implications of climate change for Nauru. SPC and SPREP have expertise in technical areas related to climate change (e.g. agriculture, fisheries etc.) and may be able to assist with training in specific sectors. USP have delivered community climate change training in other PICs and may be able to provide assistance to Nauru. |
| 8.3. Provide opportunities for formal training, particularly for the CCU, where possible. | HC, I | 2 | | | | | | | | | | <ul style="list-style-type: none"> Formal training completed | |
| 8.4. Provide opportunities for secondments and on-the-job training where possible | HC, I | 2 | | | | | | | | | | <ul style="list-style-type: none"> Secondments undertaken both across the Nauru Government and possibly with development partners On-the-job training provided Explore sustainable funding mechanisms for long term capacity development and retention to support Nauru's capacity to effectively respond to climate change | |
| 8.5. Consider opportunities for capacity supplementation where appropriate. | HC, I | | | | | | | | | | | <ul style="list-style-type: none"> Support provided to supplement GoN capacity | |
| 9. Build community capacity on climate change | | | | | | | | | | | | | Lead Organisation <ul style="list-style-type: none"> DCIE |
| 9.1. Update climate change training materials previously delivered | HC, I | 2 | | | | | | | | | | <ul style="list-style-type: none"> Training material updated | Possible Partners <ul style="list-style-type: none"> USP |
| 9.2. Deliver climate change training to communities that have not yet received training | HC, I | 2 | | | | | | | | | | <ul style="list-style-type: none"> Training delivered to communities | Comments <ul style="list-style-type: none"> USP have delivered community climate change training in other PICs and may be able to provide assistance to Nauru. |
| 10. Build private sector capacity on climate change | | | | | | | | | | | | | Lead Organisation <ul style="list-style-type: none"> DCIE |
| 10.1. Develop climate change training material for private sector organisations | HC, I | | | | | | | | | | | <ul style="list-style-type: none"> Training material developed | |
| 10.2. Deliver climate change training to private sector organisations | HC, I | 3 | | | | | | | | | | <ul style="list-style-type: none"> Training delivered to private sector organisations | Possible Partners <ul style="list-style-type: none"> USP |
| 10.3. Ensure development of the Private Sector Engagement Strategy considers climate change issues where appropriate | HC, I | 3 | | | | | | | | | | <ul style="list-style-type: none"> Climate change issues considered as part of review of the NSDS. Climate change integrated into Private Sector Engagement Strategy | Comments <ul style="list-style-type: none"> USP have delivered community climate change training in other PICs and may be able to provide assistance to Nauru. |
| 11. Prepare a bi-annual climate change report that tracks progress of Nauru's climate change program | I | 2 | | | | | | | | | | <ul style="list-style-type: none"> Report completed | Lead Organisation <ul style="list-style-type: none"> DCIE |
| 11.1. Undertake analysis of funding sources and expenditure | PFME | 2 | | | | | | | | | | <ul style="list-style-type: none"> Expenditure analysis completed | Possible Partners <ul style="list-style-type: none"> PIFS UNDP |
| 11.2. Review the potential for Nauru to gain direct access of global climate change funds | All | 2 | | | | | | | | | | <ul style="list-style-type: none"> Follow up NIE assessment undertaken | |
| 11.3. Review the potential for Nauru to establish a national climate change fund | All | 2 | | | | | | | | | | <ul style="list-style-type: none"> Review completed | Comments <ul style="list-style-type: none"> The climate change report should provide an update on progress of Nauru's climate change program and the issues raised by this study. PIFS and the UNDP may be able to assist Nauru undertake this work, and would be well placed to do so given the assistance provided to complete this study. |
| 11.4. Review the modalities used to access and manage climate change resources and assess the need to improve the mix of modalities | All | 2 | | | | | | | | | | <ul style="list-style-type: none"> Review completed | |
| 12. Develop a climate change page within the Nauru Government website or social media to improve promotion of climate change initiatives in Nauru. | HC, PP, I | 2 | | | | | | | | | | <ul style="list-style-type: none"> Climate change page on Government of Nauru website or social media (e.g. Facebook) launched | Lead Organisation <ul style="list-style-type: none"> DCIE |
| 13. Develop an operations manual that documents procedures for development, implementation and monitoring and evaluation of programs and projects. | I, PFME | 2 | | | | | | | | | | <ul style="list-style-type: none"> Operations manual or similar document developed | Lead Organisation <ul style="list-style-type: none"> DFSD |
| 14. Develop mechanisms to more effectively track climate change expenditure and assistance should be developed by the GoN and its development partners. | I, PFME | 2 | | | | | | | | | | <ul style="list-style-type: none"> Climate change expenditure and assistance tracked and differentiated from traditional development assistance | Lead Organisation <ul style="list-style-type: none"> DFSD in partnership with DCIE |

| Recommendations | Relevant Dimensions ¹⁴ | Priority ¹³ | 2013 | | | 2014 | | | 2015 | | | Indicative Outputs | Lead Organisation, Possible Partners, Implementation Mechanisms and Other Comments |
|--|-----------------------------------|------------------------|------|---|---|------|---|---|------|---|---|--|---|
| | | | | | | | | | | | | | |
| Ongoing Efforts | | | | | | | | | | | | | |
| 15. Provide technical support to line agencies and SOEs responsible for development, review and implementation of sectoral policies and plans, to ensure that climate change is integrated. | PP, HC, I | 1 | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | <ul style="list-style-type: none"> Day to day support provided to line agencies and SOEs Climate change focal points are involved in project level working groups Climate change focal points are involved in development and review of sectoral policies, plans and programs Short term secondments undertaken to complete specific climate change related tasks Integration of climate change into sectoral policies and plans has improved Integration of climate change integrated into sectoral programs and projects has improved Integration of climate change into national budget processes has improved | <p>Lead Organisation</p> <ul style="list-style-type: none"> DCIE <p>Comments</p> <ul style="list-style-type: none"> Support could be accessed through CROP Agencies and the RTSM Support should be provided to the DFSD in particular, given their key role in overseeing climate change related expenditure, development and monitoring of national policies, and development partner coordination. |
| 16. Improve procedures for distribution of information on Nauru's climate change program across the Nauru Government | | | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | | |
| 16.1. Briefings on climate change should be provided to NDC and PSC meetings | All | 1 | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | <ul style="list-style-type: none"> Increased briefing provided Distribution of briefing improved | <p>Lead Organisation</p> <ul style="list-style-type: none"> DCIE |
| 16.2. Briefing on Nauru's climate change program should be provided to key positions within the Nauru Government, particularly the President, AOSIS Chair, and key line ministries | All | 1 | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | <ul style="list-style-type: none"> Increased briefing provided Distribution of briefing improved | |
| 17. The Nauru Government should work with development partners to ensure sufficient management resources are allocated within project and program budgets to ensure other resources are not diverted. | HC | 1 | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | <ul style="list-style-type: none"> Sufficient management resources are allocated within project and program budgets. The amount of time spent by GoN Officials supplementing project resources is reduced. Climate change activities and resourcing is discussed with donors at partnership discussions, donor roundtables or other fora. | <p>Lead:</p> <ul style="list-style-type: none"> DCIE and DFSD |
| 18. The Nauru Government should work with development partners to ensure climate change related support is aligned with the NSDS and climate change policies and plans such as the RONADAPT. | FS, PP, DE | 1 | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | <ul style="list-style-type: none"> Climate change related assistance is aligned with relevant policies and plans | <p>Lead Organisation</p> <ul style="list-style-type: none"> DCIE and DFSD |
| 19. The Nauru Government should focus limited resources on maintaining and strengthening its engagement with key bilateral partners to improve delivery of programs and increase access to this funding for climate change. | FS, I, DE | 2 | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | <ul style="list-style-type: none"> Nauru Government resources focus on strengthening relationships with bilateral development partners Proportion of climate change related assistance delivered through more flexible modalities has increased | <p>Lead Organisation</p> <ul style="list-style-type: none"> DCIE in partnership with DFSD |
| 20. Improved development outcomes have been achieved in key sectors due to provision of longer term support for in-line Advisers by donors, particularly Australia. The Nauru Government should work with other development partners to explore opportunities to replicate this form of assistance where appropriate | HC | 2 | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | <ul style="list-style-type: none"> Development partners provide capacity supplementation as appropriate | <p>Lead Organisation</p> <ul style="list-style-type: none"> DCIE in partnership with DFSD |
| 21. Maximise the use of Nauru's diplomatic missions and travelling Officials to improve engagement with development partners without resident representation. | I | 3 | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | <ul style="list-style-type: none"> Nauru's diplomatic missions meet with development partners to discuss climate change support. Donor roundtable convened to discuss potential support to Nauru. | <p>Lead Organisation</p> <ul style="list-style-type: none"> DFA in partnership with DCIE DCIE <p>Comments</p> <ul style="list-style-type: none"> Donor consultations could be undertaken as part of the bi-monthly DFCC meetings in Suva. |

| Recommendations | Relevant Dimensions ¹⁴ | Priority ¹³ | 2013 | | | 2014 | | | 2015 | | | Indicative Outputs | Lead Organisation, Possible Partners, Implementation Mechanisms and Other Comments |
|---|-----------------------------------|------------------------|------|---|---|------|---|---|------|---|---|---|--|
| | | | | | | | | | | | | | |
| 22. Take an efficient and targeted approach to engagement with regional and multilateral organisations. Opportunities should be sought to engage more effectively through existing mechanisms and relationships. | I | 3 | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | <ul style="list-style-type: none"> Officials briefed on relevant climate change issues prior to attendance at regional and international meetings. Officials briefed on relevant climate change issues prior to meeting with development partner representatives visiting Nauru. Development partner representatives visiting Nauru to discuss climate change related issues also meet with DFA, DFSD and other central agencies. Feedback on the performance of regional and multilateral organisations provided to donors. Assistance is sought for more resource-intensive engagement such as project development (e.g. support through the RTSM) | <p>Lead Organisation</p> <ul style="list-style-type: none"> DCIE and DFSD <p>Comments:</p> <ul style="list-style-type: none"> Regional and global organisations have been important sources of climate change assistance to Nauru. It is important to continue to engage with these organisations, however, the GoN should ensure its limited resources are focused appropriately to maximise return on investment. Working with like-minded countries and using Pacific representatives and agencies with greater capacity to influence global funds on behalf of Nauru should be supported to push for improved delivery of climate change resources. Delegation of specific tasks (e.g. proposal development) may be an effective approach to engagement where GoN capacity is limited. |
| 23. Consider climate change issues as part of efforts to strengthen delivery of overall development assistance | All | 3 | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | <ul style="list-style-type: none"> Climate change focal points engage in discussions on development effectiveness issues. | <p>Lead Organisation</p> <ul style="list-style-type: none"> DCIE and DFSD <p>Comments</p> <ul style="list-style-type: none"> Opportunities to engage may include implementation of Peer Review recommendations and future Peer Review follow up assessments and donor roundtables. |
| 24. Climate change focal points should work with development partners to utilise more flexible modalities for delivery of climate change programs, including budget support, taking into consideration Nauru Government and development partner capacity constraints. | DE | 3 | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | <ul style="list-style-type: none"> The proportion of climate change related assistance delivered through more flexible modalities has increased | <p>Lead Organisation</p> <ul style="list-style-type: none"> DCIE in partnership with DFSD <p>Comments</p> <ul style="list-style-type: none"> The greatest returns are likely to come from working with partners who have or are planning to utilise more flexible modalities. Others can be brought into common arrangements as they develop. In the short term, efforts should focus on: <ul style="list-style-type: none"> Australia, given their use of this modality in the past EU given their expressed intention to make greater use of this modality in the Pacific and the support available for countries to prepare for this Linking current budget support arrangements to climate change |
| 25. Ensure the mix of policies and plans related to climate change remains up to date and relevant | PP, DE | 3 | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | <ul style="list-style-type: none"> Climate change policies and plans are being implemented There is strong ownership and awareness of climate change policies and plans across the Nauru Government. | <p>Lead Organisation</p> <ul style="list-style-type: none"> DCIE in partnership with DFSD |

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Appendix 1 Consultation List

1. Alvina Aremwa, Chairperson Nauru Phosphate Royalties Trust
2. Andrea Volentras, Climate Change Adviser, SPC, Noumea
3. Ann Steshia-Hubert, Health Information Officer
4. Anna Regnault, Acting First Secretary, AusAID
5. Apisake Soakai, CEO Nauru Utilities Corporation
6. Arthur Webb, Deputy Director, Ocean & Islands Programme & Coastal Processes Adviser, SPC/SOPAC
7. Berilyn Jeremiah, Sector Planner, Planning and Aid Division
8. Bernard Grundler, Chief Secretary, Office of the Chief Secretary
9. Brian Dawson, Senior Climate Change Adviser, SPC, Noumea
10. Coral Pasisi, Regional and International Issues Adviser, PIFS, Suva
11. Elsbeth Tagamoun, Interim Director, Nauru Private Business Sector Organisation (NPBSO)
12. Erana Aliklik, NBSAP Officer, DCIE, Government of Nauru
13. Espen Ronneburg, Climate Change Adviser, SPREP, Apia
14. Exsley Taloburi, Climate Change Coordination Officer, PIFS, Suva
15. Godwin Cecil, Climate Change Mitigation Officer, Department Commerce, Industry & Environment
16. Helen Leslie, New Zealand Aid Programme, Suva
17. Haseldon Buraman, Integrated Water Resources Management (IWRM) Coordinator (DCIE)
18. Ivan Batiouk, Department Commerce, Industry & Environment
19. Javan Tamakin, Secretary for Finance and Sustainable Development
20. Jo-Anna Crawford-Bryde, Department of Education, Education Adviser
21. Julie Olsson, NIANGO Coordination Officer
22. Katy Le Roy, Parliamentary Counsel
23. Kevin Goh, Policy/Program Manager, Pacific Climate Change and Environment, Pacific Division, AusAID
24. Kevin Petrini, Regional Climate Change Policy Adviser, UNDP Pacific Centre, Suva
25. Kim Aroi, Personal Assistant to the President
26. Klenny Harris, Director Regional Affairs, Department of Foreign Affairs, Government of Nauru
27. Leslie Olsson, Department of Transport, Assistant Director, Land Transport
28. Liluv Itsimaera, Climate Change Adaptation Officer, Department of Commerce, Industry & Environment
29. Manfred Depaune, President of Nauru Island Association of NGOs (NIANGO and NPBSO)
30. Manoharan Nair, Acting Director of Audit, Government of Nauru
31. Maria Gaiyabu, Secretary for Education & Youth, Government of Nauru
32. Marita Manley, Technical Adviser, Climate Change, SPC/GIZ project, Suva
33. Mark Skinner, First Secretary, Australian High Commission
34. Mavis Depaune, Pacific Adaptation to Climate Change Coordinator, DCIE
35. Michael Bryde, Deputy Secretary, Department of Finance and Sustainable Development
36. Mike Aroi, Secretary for Foreign Affairs, PIFS SIS Contact
37. Monte Depaune, Fisheries NFMRA, Support Services Manager
38. Nerida-Ann Hubert, NCBO and Health Department, Government of Nauru
39. Nixon Toremana, General Manager, Water and Civil Works, Nauru Utilities Corporation
40. Nodel Neniya, Climate Change Officer, Department of Commerce, Industry & Environment
41. Peter Chia-yen Chen, Counsellor Embassy of the Republic of China (Taiwan)
42. Richard Britten, Police Commissioner
43. Ryan Medrana, PIFS Secondment from AusAID, Suva
44. Rosco Cain, Cross-cutting Planner, Planning & Aid Division
45. Roy Harris, DRM
46. Russ J Kun, Secretary of Department of Commerce, Industry & Environment
47. Sam Grundler, Sector Planner, Planning and Aid Department (PAD)
48. Scott Hook, Economic Infrastructure Adviser, PIFS, Suva

49. Sasikumar Paravanoor, Secretary to Cabinet, Government of Nauru
50. Stephanie Ziersch, Environment Resources Adviser, Department of Commerce, Industry & Environment
51. Susan Macdonald, Regional Environment, Pacific Branch, AusAID
52. Tatiana Prokhorova UN Coordination & Programme Specialist UN Joint Presence Office
53. Thomas Tafia, CEO Nauru Utilities Corporation
54. Timothy T Y Hsiang, Ambassador Republic of China (Taiwan)
55. Tyrone Deiye, President, Nauru Community Based Organisation
56. Valerie Tuia, SPC
57. Vincent Scotty, Doctor, Department of Health
58. William Pitkin, Senior Human Resources Adviser, Department of the Chief Secretary
59. Yvette Duburiya, Government Information Officer, Government of Nauru

Appendix 2 Methods and Assumptions

Expenditure Analysis

The Expenditure Analysis presented in the Nauru Case Study provides an analysis of projected expenditure based on information gathered from GoN annual budget documents and discussions with GoN Officials and development partners. Information on actual Government expenditure in Nauru was not readily available due to limitations in the GoN's PFM Systems (see Section 7).

The 2012-13 budget specifies three types of expenditure as listed below. This is also presented diagrammatically in Figure 4.

1. Treasury Fund
 - Treasury Expense – Also known as Standard Expense Measures, Treasury Expenses cover recurrent costs such as salaries, training, and rent, and some project expenses.
 - Significant Expense Measures – This category of expenditure aims at improving the quality of basic and essential services being provided to the Nauruan people, but also focusing on progressing forward the Government's economic reform program
2. Development Fund – This includes donor funded project support, implemented through GoN systems.
3. In-kind support – This includes support provided to Nauru directly by donors or development partners. This form of support is not delivered through GoN systems and includes infrastructure provided directly by donors, such as the Japanese-funded solar reverse osmosis units from the Pacific Environment Fund (PEC) fund, or consultants and advisers providing advice or undertaking assessments for Nauru that are paid for directly by bilateral and multilateral agencies.

There is some variation in terminology used in budget documents across financial years; however the terms described above have been used throughout this Expenditure Analysis for consistency and ease of reference.

Information was analysed using two methods:

1. Analysis of information drawn from annual budget documents from 2010-11 to 2012-13. This method rated all documented activities⁶ according to their relevance to climate change and assigned weightings to enable calculation of total climate change related expenditure. This method enabled analysis of information on an annual basis.
2. Analysis of information drawn from all readily available sources, including annual budget documents, and discussions with GoN Officials and development partners. This enabled analysis of Nauru's overall climate change program over a defined period of time (2005 to the present) rather than on an annual basis, and captures activities not reported in annual budget documents as far as possible. Activities were considered if they were identified as being part of Nauru's climate change program by the GoN or development partners, rather than by using the rating method utilised above.

It is widely recognised that many "business-as-usual" development activities contribute to action on climate change, and activities that focus on climate change also contribute to broader development objectives. Using the first method outlined above, annual budget documents from 2010-11 to 2012-13 were analysed to identify all activities that met Nauru's definition of climate change (see Section 3.1). A classification of high, medium or low was then assigned based on the degree to which each activity met this definition (see Table 11). This is based on the methodology outlined in the Climate Public Expenditure and Institutional Review (CPEIR) framework (Bird et al 2012). A percentage was assigned to each classification, to reflect the share of expenditure considered climate change related. Weightings were assigned using the convention adopted by the Samoa CPEIR (ODI 2012):

- 80% of spending is climate change related for all high relevance activities;

- 50% of spending is climate change related for medium relevance activities; and
- 25% of expenditure is climate change related for low relevance activities.

This allows single weighted estimates of climate change expenditure to be calculated.

Table 11 Classification of Climate Change Related Activities

| | | |
|---------------------------|------------------|--|
| High Relevance | Rationale | Clear primary objective of delivering specific outcomes that improve climate resilience or contribute to mitigation |
| | Examples | <ul style="list-style-type: none"> • Energy mitigation (e.g. renewable energy, energy efficiency) • Disaster risk reduction and disaster management capacity • The additional costs of changing the design of a program to improve climate resilience (e.g. extra costs of climate proofing infrastructure, beyond routine maintenance or rehabilitation) • Anything that responds to recent drought, cyclone or flooding, because it will have added benefits for future extreme events • Relocating villages to give protection against cyclones/sea-level • Healthcare for climate sensitive diseases • Building institutional capacity to plan and manage climate change, including early warning and monitoring • Raising awareness about climate change • Anything meeting the criteria of climate change funds (e.g. GEF, Pilot Program for Climate Resilience) |
| Medium Relevance | Rationale | Either secondary objectives related to building climate resilience or contributing to mitigation, or mixed programs with a range of activities that are not easily separated but include at least some that promote climate resilience or mitigation |
| | Examples | <ul style="list-style-type: none"> • Forestry and agroforestry that is motivated primarily by economic or conservation objectives, because this will have some mitigation effect • Water storage, water efficiency and irrigation that is motivated primarily by improved livelihoods because this will also provide protection against drought • Bio-diversity and conservation, unless explicitly aimed at increasing resilience of ecosystems to climate change (or mitigation) • Eco-tourism, because it encourages communities to put a value of ecosystems and raises awareness of the impact of climate change • Livelihood and social protection programs, motivated by poverty reduction, but building household reserves and assets and reducing vulnerability. This will include programs to promote economic growth, including vocational training, financial services and the maintenance and improvement of economic infrastructure, such as roads and railways |
| Low Relevance | Rationale | Activities that display attributes where indirect adaptation and mitigation benefits may arise |
| | Examples | <ul style="list-style-type: none"> • Water quality, unless the improvements in water quality aim to reduce problems from extreme rainfall events, in which case the relevance would be high • General livelihoods, motivated by poverty reduction, but building household reserves and assets and reducing vulnerability • General planning capacity, either at national or local level, unless it is explicitly linked to climate change, in which case it would be high • Livelihood and social protection programs, motivated by poverty reduction, but building household reserves and assets and reducing vulnerability. This will include programs to promote economic growth, including vocational training, financial services and the maintenance and improvement of economic infrastructure, such as roads and railways |
| Marginal Relevance | Rationale | Activities that have only very indirect and theoretical links to climate resilience |

| | | |
|--|----------|--|
| | Examples | <ul style="list-style-type: none"> • Short term programs (including humanitarian relief) • The replacement element of any reconstruction investment (splitting off the additional climate element as high relevance) • Education and health that do not have an explicit climate change element |
|--|----------|--|

Source: Bird et al 2012

Limitations in the GoN’s PFM systems also resulted in several gaps or inaccuracies in the data collected. This includes, but is not limited to, those listed below. There may be other gaps or inaccuracies that were not identified by the assessment team.

- In-kind support is not captured consistently in budget documents across financial years. Some budget documents make estimates of in-kind support; however, discussions with GoN Officials and development partners indicated that this information is incomplete.
- Instances were identified where budget support was received but not captured in budget documents.
- Information recorded in budget documents is inconsistent across financial years.

This has restricted the conclusions that could be reasonably drawn from this data. In addition, as projected rather than actual expenditure has been analysed, there may be some duplication where actual expenditure was moved across financial years. For example, if an activity was scheduled for implementation in 2010-11 and was then delayed to 2011-12, this projected expenditure would have been recorded in both the 2010-11 and 2011-12 budget documents. Where results are presented in this study, the source of information and the composition of aggregate figures is clearly stated.

This case study uses nominal prices rather than real prices (i.e. prices adjusted for inflation), as per the methodology used in the Samoa CPEIR and other CPEIRs in Asia. Public finance data is normally presented in nominal prices because it is the basis on which payments are actually made. Although the absolute change of the nominal prices may mask trends as a result of inflation, all results in this analysis are further presented as a proportion of the entire budget. As such, any trends relating to increase or decrease in the proportion of the overall budget over the three years reviewed is minimally affected by inflation, and trends can be reported up as they have been in this study.

The second method listed above enabled analysis of Nauru’s climate change program over an extended period of time and captures activities not reported in annual budget documents as far as possible. Rather than the high, medium and low classifications employed in the first method, this method classified activities as being part of Nauru’s climate change program by GoN Officials or development partners. Regional projects that benefited Nauru were only included in these analyses where there were clear allocations for Nauru.

Appendix 3 National Sustainable Development Strategy

Box 4 NSDS Sector Goals

Economic Sector Goals

Macroeconomic management – A stable macroeconomic environment conducive to private investment established

Agriculture – Increased level of domestic agricultural production aimed at addressing food security and healthy livelihoods

Fisheries – Enhance development and sustainable management of marine and fisheries resources to provide sustainable economic returns

Mining & Quarrying – Efficient and effective use of mining and quarrying resources

Commerce, Industry & Business Development – Promote development of small and micro enterprises, foreign investment and economic

integration into the global economy

Tourism – Promote development of small-scale sustainable eco-tourism

Financial Services – An effective, competitive and stable financial system that will enhance economic growth and development

Social and Community Sector Goals

Education – Improve the quality and broaden the scope and reach of education

Health – A healthy and productive population

Sports – Enhanced quality of life through Sports for All

Traditional Leadership & Culture – A healthy, socio-cultural, inclusive, cohesive and self-reliant community with sustainable livelihoods

Women & Development – A just society that recognizes and respects the rights of women and promotes equal opportunities

Youth Development – Investing in Youth, A sustained future for Nauru

Civil Society – A robust, vibrant and effective civil society for a just and peaceful Nauru

Infrastructure Sector Goals

Energy – Provide a reliable, affordable, secure and sustainable energy supply to meet socio-economic development needs

Water & Sanitation – Provide a reliable, safe, affordable, secure and sustainable water supply to meet socio-economic development needs

Waste & Sewerage – Effective management of waste and pollution that minimizes negative impacts on public health and environment

Transport – Improve transport infrastructure and provide reliable and affordable public transport service

Communications and media – Provide universal and reliable access to internationally competitive communication services and an independent and commercially viable media

Cross Cutting Sector Goals

Public Administration – Strengthen and develop the institutional capacity of the Nauru Public Service

Governance Institutions – Strengthen Parliament, Audit, Justice, Law, Order and Border Control

Land – A transparent and fair land management system that supports social, economic and private sector development

Environment – Sustainable use and management of the environment and natural resources for present and future generations

Table 12 Climate Change Considerations in the NSDS

| Strategies | Short Term Milestones 2012 | Medium Term Milestones 2015 | Long Term Milestones 2025 | Responsibility |
|--|---|---|---|----------------|
| Environment | | | | |
| <p><i>Goal:</i> Sustainable use and management of the environment and natural resources for present and future generations</p> <p><i>KPIs:</i> Proportion of terrestrial and marine areas protected (MDG) Proportion of species threatened with extinction (MDG) Number of national and sector policies, plans and programs in which environmental issues have been integrated</p> | | | | |
| Develop locally-tailored approaches and initiatives to mitigate the causes of climate change and adapt to its impacts | National Adaptation Program of Action (NAPA) developed Launch start of the Second National Communication (SNC) report project Disaster risk management and climate change adaptation responses strengthened Community and public awareness on climate change conducted | National Adaptation Program of Action (NAPA) completed, approved and implementation started Second National Communication (SNC) report completed, endorsed, submitted to UNFCCC and mainstreamed into national development strategies and priorities | Practical and relevant climate change adaptation measures and initiatives implemented and sustained Nauru compliant with relevant international conventions and regional policy frameworks such as UNFCCC, SNC, NAPA, PIFACC | DCIE |
| Enhance resilience to climate change impacts | Strengthen resilience of water sector to drought through improvements to rainwater harvesting infrastructure (PACC) | Continued strengthening resilience of water sector to drought through improvements to rainwater harvesting infrastructure (PACC) | Water sector resilient to impacts of drought resulting from global warming and climate change by at least 30% | DCIE |
| Energy | | | | |
| <p><i>Goal:</i> Provide a reliable, affordable, secure and sustainable energy supply to meet socio-economic development needs</p> <p><i>KPIs:</i> Proportion of renewable and alternative energy to total energy production Cost of total fuel consumption Number and duration of power supply disruptions</p> | | | | |
| Reliable and efficient energy supply and distribution | Electricity power supplied to all users (households and businesses) 24/7 and at affordable cost Power generation capacity sufficient to meet domestic demand Power utility and distribution infrastructure maintained to meet international safety standards | Electricity losses and leakage reduced to less than 10% of power production and distribution through efficiency improvements | No or very little power outages occurring particularly failures caused by equipment malfunctioning or technical / human error | NUC |
| Increased use of renewable energy and other alternative forms of energy | Use of renewable energy and solar photovoltaic promoted widely and implemented Wind power feasibility study completed and its findings/ recommendations implemented | Renewable energy comprised 50% of total energy supply in Nauru Wind power energy piloted in Nauru for wider application | Other alternative forms of energy explored and their feasibility examined | NUC and DCIE |

Appendix 4 Climate Change Activities in Nauru

Table 13 Climate Change Related Activities in Annual Budget Documents (2010-11 to 2012-13)

| Department Head | Sector | Source | Weighting | Weighted Amount (AUD) | | | Description |
|---|----------------|---|-----------|-----------------------|------------------|------------------|---|
| | | | | 2012-13 | 2011-12 | 2010-11 | |
| Climate Change Related Activities – Development Fund | | | | | | | |
| Finance | Energy | EU | 80 | 987,981 | 1,257,600 | | Renewable Energy & Energy Efficiency Programme (REEEP) |
| Finance | Water | Japan | 80 | 251,589 | 202,804 | | Grants Assistance for Grass-roots Human Security Projects (GGP) |
| CIE | Water | AusAID | 80 | 755,491 | | | Household Water tanks |
| CIE | Enabling | GEF | 80 | 31,874 | | | Second National Communication |
| CIE | Water | GEF | 80 | 166,926 | 160,000 | 22,470 | PACC |
| | Energy & Water | Japan | 80 | 2,560,000 | 960,000 | 960,000 | Solar Reverse Osmosis Unit (PEC) |
| CIE | Coastal | AusAID | 80 | 1,280,000 | 400,000 | | Climate Change Funds (coastal protection) |
| | | | 80 | 751,824 | | | Global Climate Change Funds |
| | Enabling | AusAID | 80 | 120,000 | | | Nauru Case study |
| | Enabling | | 80 | 48,000 | | | JNAP development |
| CIE | Coastal | AusAID | 80 | | 108,000 | | Seawall project |
| CIE | Energy | Italy | 80 | | 14,583 | | Feasibility study for solar powered PCs |
| CIE | Water | AusAID | 80 | | 478,400 | | provision of a new desalination plant ICCAI |
| | | EU | 80 | 968,800 | 0 | | GCCA: SPC PSIS |
| Finance | Energy & Water | AusAID | 50 | 293,450 | 302,000 | 535,000 | New RO plant shed |
| Finance | Energy | EU | 50 | 24,800 | | | Replacement of current streetlight with energy efficient units |
| Finance | Energy | AusAID | 50 | 437,147 | 204,206 | 225,000 | Power distribution/Transmission upgrading |
| Finance | Energy | AusAID | 50 | 662,990 | 655,298 | | Power production - Energy efficiency |
| CIE | Water | AusAID | 50 | 15,847 | 0 | | Integrated Water Resource Management |
| CIE | Water | GEF | 50 | 75,000 | 117,948 | 60,000 | Integrated Water Resource Management |
| CIE | Environment | GEF | 50 | 89,388 | 50,000 | | Integrated Island Biodiversity and NBSAP |
| CIE | Agriculture | GEF | 50 | 4,554 | 165,826 | 98,500 | Sustainable Land Management |
| CIE | Environment | GEF | 50 | 93,150 | 84,665 | 123,000 | Small Grants Programme |
| CIE | Agriculture | FAO | 50 | 17,037 | 110,320 | | Food Security Programme |
| CIE | Enabling | USA | 50 | 111,301 | 110,000 | | Atmospheric Radiation Measurement Program |
| CIE | GHG reduction | SPTO | 50 | 482 | | | Ozone Depleting Substances |
| CIE | GHG reduction | GEF | 50 | 31,806 | | | Ozone Depleting Substances |
| CIE | Enabling | AusAID | 50 | 92,500 | | | Environment Advisor |
| CIE | Water | Greece | 50 | | 16,547 | | Guttering project |
| CIE | Water | Italy | 50 | | 67,042 | | Guttering project |
| | Water | EU | 50 | | 102,000 | 75,000 | Water Project |
| | Infrastructure | AusAID | 50 | | | 250,000 | Flood mitigation project |
| | Energy | EU | 50 | | | 125,535 | Upgrade power distribution |
| | Energy | AusAID | 25 | | | 90,000 | Centralised air conditioning |
| | | UNDP | 25 | | | 37,500 | Ongoing Commitments |
| | | UNDP | 25 | | | 108,813 | UNDP Projects |
| Sub Total Climate Change (Development Fund) | | | | 9,871,935 | 5,567,237 | 2,710,818 | |
| Climate Change Related Activities – Treasury Fund | | | | | | | |
| CIE | Enabling | GoN (including Budget Support) | 80 | 359,173 | 246,580 | 219,446 | CIE recurrent costs |
| | Enabling | | 80 | | 12,288 | | Climate change officers |
| Foreign Affairs | Enabling | | 50 | 378,456 | 316,845 | 236,701 | Foreign Affairs - New York |
| | Enabling | | 50 | | 80,145 | | Expansion of NY mission |
| | Water | | 50 | | | 299,000 | Reverse osmosis unit |
| | Enabling | | 25 | 162,285 | 161,122 | | Membership Fees & Subscriptions |
| | Environment | | 25 | 116,208 | | | Clean & Green Program |
| Foreign Affairs | Enabling | | 25 | 103,237 | 86,028 | 72,965 | Foreign Affairs - Nauru |
| | Energy | | 25 | 90,000 | 90,000 | | Central Air Conditioning System |
| | | | 25 | 20,714 | | | CIE special projects |
| | Fisheries | | 25 | 15,000 | | | Artisanal Fisheries Boat Construction |
| | Fisheries | | 25 | | 15,000 | | Repair of fishing boats |
| Sub Total Climate Change (Treasury Fund) | | | | 1,245,073 | 1,008,007 | 828,111 | |
| Total Climate Change Related Activities | | | | 11,117,008 | 6,575,244 | 3,538,929 | |

Table 14 Matrix of Climate Change Related Projects 2005 to the Present

| Project Title | Description/Objectives | Extent of Funding Allocation | Budget | Budget in AUD | Timeline/ Status | Donor Source | Implementing Agency & Partners | Executing Agency | Sectoral Theme | Adaptation (AUD) | Mitigation (AUD) | Other (AUD) |
|---|---|------------------------------|---------------|---------------|------------------|-------------------------|--------------------------------|------------------|-----------------------------|------------------|------------------|-------------|
| Pacific Adaptation to Climate Change (PACC) Project | The PACC project specifically aims to increase, diversify and better manage the island nation's water supply. Also includes funding from the PACC Plus initiative | National Allocation | 1,250,000 USD | 1,205,052 | 2009-2014 | GEF | UNDP/SPREP | DCIE | Water | 1,205,052 | | |
| Nauru Second National Communication Project | Enabling activities to support the preparation of Nauru's Second National Communication to the UNFCCC. Under this project, Nauru produced a V&A assessment, a mitigation assessment and a national adaptation programme of action; the RONADAPT to be finalised soon. | National Allocation | 405,000 USD | 390,437 | 2009-2012 | GEF | UNDP | DCIE | Multi-sector | 195,218 | 195,218 | |
| Nauru Sustainable Land Management | Promoting sustainable land management techniques and capacity building in communities | National Allocation | 500,000 USD | 482,021 | ending in 2012 | GEF | UNDP | DCIE | Agriculture & Food Security | 482,021 | | |
| Grant Assistance for Grassroots Human Security Project (GGP) - Phase II | Japan has recently approved the increase of Nauru's allocation under the GGP from \$200,000 to \$300,000 for three projects for 2012. The GGP project for 2012-13 will be providing an additional 5 Solar Water Pump Systems each to the Eastern and Western Communities. | National Allocation | 300,000 USD | 289,212 | 2011 - 2012 | Government of Japan | | DCIE | Water | 289,212 | | |
| Nauru Integrated Water Resource Management | Reducing contamination to ground water in Nauru | National Allocation | 500,000 USD | 482,021 | 2009 - 2013 | GEF/EU | UNEP/UNDP | SPREP, SPC | Water | 482,021 | | |
| AusAID supported project for household water tanks | 200 household water tanks to be installed to build resilience of communities to the adverse effects of climate change | National Allocation | 1,200,000 AUD | 1,200,000 | 2012 | Government of Australia | | DCIE | Water | 1,200,000 | | |
| Pacific Environment Community Fund Project for Nauru | To install solar power generation system & seawater desalination plant | National Allocation | 4,000,000 USD | 3,856,165 | 2012 | Government of Japan | PIFS | DCIE, NUC | Energy, Water | 2,313,699 | 1,542,466 | |
| GEF Small Grants Programme | Small grants for community projects to address climate change | National Allocation | 186,300 AUD | 186,300 | 2012-2013 | GEF/New Zealand | UNDP | DCIE | Water, Energy | 93,150 | 93,150 | |

| Project Title | Description/Objectives | Extent of Funding Allocation | Budget | Budget in AUD | Timeline/ Status | Donor Source | Implementing Agency & Partners | Executing Agency | Sectoral Theme | Adaptation (AUD) | Mitigation (AUD) | Other (AUD) |
|--|---|------------------------------|--------------|---------------|------------------|-----------------------|------------------------------------|------------------|-----------------------------|------------------|------------------|-------------|
| Taiwan supported additional 15.84 kW of solar photovoltaic | Government solar project funded by Taiwan. Solar PV units installed at government office. Inverters located at Department of Education and monitors outside of DFAT. | National Allocation | 100,000 USD | 96,404 | 2012 | ROC-Taiwan | | DCIE | Energy | | 96,404 | |
| Nauru Energy Efficiency Project | Contracted consultants will replace every current bulbs and systems into energy efficient bulbs and systems | National Allocation | 600,000 AUD | 600,000 | 2012 | ROC-Taiwan | | NUC | Energy | | 600,000 | |
| Installation of guttering and down pipes | Contractors install guttering and down pipes for 250 houses | National Allocation | 24,000 AUD | 24,000 | 2012 | EU | SPC-SOPAC | DCIE | Water | 24,000 | | |
| EU replacement of current street light with energy efficient units project | Replacement of street lights with energy efficient units. | National Allocation | 49,400 AUD | 49,400 | 2012-2013 | EU | | Nauru Utilities | Energy | | 49,400 | |
| UNEP Ozone Depleting Substances | Ozone Depleting Substances | National Allocation | 63,611 AUD | 63,611 | 2012-2013 | UNEP | | DCIE | Multi-sector | | 63,611 | |
| UNEP Ozone Depleting Substances | Ozone Depleting Substances | National Allocation | 963 AUD | 963 | 2012-2013 | SPTO | | DCIE | Multi-sector | | 963 | |
| US Atmospheric Radiation Measurement (ARM) Programme | The primary goal of the ARM program is to collect, over a long period of time, a comprehensive database of weather and cloud information and make it available to scientists. | National Allocation | 222,602 AUD | 222,602 | 2012-2013 | US Government | US Government Department of Energy | DCIE | Multi-sector | | | 222,602 |
| FAO Food Security Program | Food security | National Allocation | 34,074 AUD | 34,074 | 2012-2013 | FAO | | DCIE | Agriculture & Food Security | 34,074 | | |
| SPC/GIZ - Coping with Climate Change in the Pacific Island Region | Support to mainstream climate change and implement adaptation measures. Energy component supporting the development of an energy road map. | National Allocation | 250,000 euro | 312,032 | 2012-2015 | Government of Germany | SPC/GIZ, SPREP | DCIE | Multi-sector | 156,016 | 156,016 | |
| The Global Climate Change Alliance: Pacific Small Island States Project | Increasing the Rainwater Harvesting Capacity in Nauru | National Allocation | 500,000 euro | 624,064 | May 2012 - 2014 | EU | SPC | DCIE | Water | 624,064 | | |

| Project Title | Description/Objectives | Extent of Funding Allocation | Budget | Budget in AUD | Timeline/ Status | Donor Source | Implementing Agency & Partners | Executing Agency | Sectoral Theme | Adaptation (AUD) | Mitigation (AUD) | Other (AUD) |
|--|--|------------------------------|----------------|---------------|-------------------|-------------------------|---|------------------|--------------------------|------------------|------------------|-------------|
| Renewable Energy & Energy Efficiency Programme | Support the Utilities Corporation assess its power distribution network to identify, procure & install equipment needed to improve its distribution systems. | National Allocation | 3,134,000 euro | 3,911,633 | 2008-2013 | EU | Department of Finance, Government of Nauru | DCIE, NUC | Energy | | 3,911,633 | |
| Disaster Risk Management Program - Regional project | Disaster risk management | National Allocation | 600,000 euro | 748,877 | 2012 onward | EU | SPC- SOPAC | NDMO | Disaster Risk Management | 748,877 | | |
| National Biodiversity Strategies and Action Plan (NBSAP) 2 Project | Revision of Nauru's NBSAP | National Allocation | 248,000 USD | 239,082 | 2012-2013 | GEF | UNEP, UNDP | DCIE | Multi-sector | | | 239,082 |
| Climate Change Financing National Case Study | Assessing the practical application of options for improved access to, and management of, climate change resources at country level | National Allocation | 150,000 AUD | 150,000 | 2012-2013 | Government of Australia | PIFS leading with technical support from UNDP | DCIE | Multi-sector | | | 150,000 |
| Environment Resources Adviser for DCIE | Engaging a new Environment Resources Adviser for DCIE | National Allocation | 300,000 AUD | 300,000 | 2012-2014 | Government of Australia | | DCIE | Multi-sector | 150,000 | | |
| National climate change policy, JNAP & Nauru Energy Roadmap | Development of a climate change policy and the joint national action plan for climate change adaptation and disaster risk reduction and final draft Energy Roadmap | National Allocation | 60,000 AUD | 60,000 | 2012 | Government of Germany | SPC leading with technical assistance from SPREP & PIFS | DCIE | Multi-sector | 30,000 | 30,000 | |
| Nauru National Biodiversity Strategy Action Plan | Formulation of the Strategic Action Plan for Nauru's National Biodiversity Phase I (NBSAP) | National Allocation | 138,250 USD | 133,279 | 2005-2011 | GEF | UNEP, UNDP | DCIE | Multi-sector | | | 133,279 |
| Grant Assistance for Grassroots Human Security Project (GGP) - Phase I | Provision of solar powered water pumps, tanks, pipes and other equipment for grassroots communities | National Allocation | 200,000 USD | 192,808 | 2010-2011 | Government of Japan | | DCIE | Water | 192,808 | | |
| Nauru College Photovoltaic Project | Renewable energy for school | National Allocation | 300,000 euro | 374,438 | Nov 2007-Aug 2009 | EU | | NUC | Energy | | 374,438 | |
| Nauru Energy Efficiency Action Plan | Action Plan | National Allocation | 150,000 euro | 187,219 | Nov 2007-Aug 2010 | EU | | NUC | Multi-sector | | 187,219 | |
| Energy Efficiency project | Prepaid meters | National Allocation | 1,180,000 euro | 1,472,791 | Nov 2007-Aug 2010 | EU | | NUC | Energy | | 1,472,791 | |

| Project Title | Description/Objectives | Extent of Funding Allocation | Budget | Budget in AUD | Timeline/ Status | Donor Source | Implementing Agency & Partners | Executing Agency | Sectoral Theme | Adaptation (AUD) | Mitigation (AUD) | Other (AUD) |
|---|--|------------------------------|----------------|---------------|---------------------------|-------------------------|---|------------------|-----------------------------|------------------|------------------|-------------|
| Nauru Coastal Protection Immediate Response Project | To build resilience on four selected sites against coastal erosion | National Allocation | 500,000 AUD | 500,000 | Concept submitted in 2012 | Government of Australia | | DCIE | Coastal Protection | 500,000 | | |
| Nauru Third National Communication Project | Enabling activities to support the preparation of Nauru's Third National Communication to the UNFCCC | National Allocation | 500,000 USD | 482,021 | 2013-2016 | GEF | UNDP | DCIE | Multi-sector | 241,010 | 241,010 | |
| Grant Assistance for Grassroots Human Security Project (GGP) | The GGP project for 2013-2014 will be solar water purifiers | National Allocation | 100,000 USD | 96,404 | 2013-2014 | Government of Japan | | DCIE | Water | 96,404 | | |
| International Climate Change Adaptation Initiative Phase II | Expanding distribution of climate resilient crops an assisting with impact of climate change on oceanic and coastal fisheries | Regional Allocation | 350,000 AUD | 350,000 | 2011-2013 | Government of Australia | | DCIE | Agriculture & food security | | | |
| University of the South Pacific-EU Global Climate Change Alliance Project | Addresses the challenges of climate change impacts in the 15 Pacific ACP countries, including Nauru, through capacity building, community engagement, and applied research. The objective of this project is to develop and strengthen the Pacific ACP countries' capacity to adapt to the impacts of climate change | Regional Allocation | 8,000,000 euro | 9,985,022 | 2010-2014 | European Union | Intra-ACP | USP | Multi-sector | | | |
| Pacific Islands Greenhouse Gas Abatement through Renewable Energy Project | Supporting renewable energy to abate Greenhouse gas emissions | Regional Allocation | 5,725,000 USD | 5,519,136 | 2007-2013 | GEF | UNDP/SPREP | NUC | Energy | | | |
| Pacific-Australia Climate Change Science and Adaptation Planning Project | Supporting the Government of Nauru to develop improved climate change projections and adaptation planning activities | Regional Allocation | 32,000,000 AUD | 32,000,000 | Ongoing 2012-2013 | Government of Australia | Australian Bureau of Meteorology, CSIRO, Department of Climate Change and Energy Efficiency | DCIE | Multi-sector | | | |
| Pacific Climate Change Science Programme | Climate Change assistance | Regional Allocation | 20,000,000 AUD | 20,000,000 | 2009-2012 | Government of Australia | Australian Bureau of Meteorology, CSIRO, USP | DCIE | Multi-sector | | | |

| Project Title | Description/Objectives | Extent of Funding Allocation | Budget | Budget in AUD | Timeline/ Status | Donor Source | Implementing Agency & Partners | Executing Agency | Sectoral Theme | Adaptation (AUD) | Mitigation (AUD) | Other (AUD) |
|--|--|------------------------------|----------------|---------------|------------------|------------------------------|--|---|----------------|------------------|------------------|-------------|
| Climate and Oceans Support Program in the Pacific | Climate science, awareness and adaptation (includes Sea Level Monitoring Project Phase 5) | Regional Allocation | 32,000,000 AUD | 32,000,000 | 2012-2016 | Government of Australia | Australian Bureau of Meteorology, Geoscience Australia, SOPAC | DCIE | Multi-sector | | | |
| Pacific Adaptation Strategy Assistance Program | mainstreaming CC adaptation into national planning | Regional Allocation | 12,000,000 AUD | 12,000,000 | 2009-2012 | Government of Australia | Australian Department of Climate Change and Energy Efficiency, SPREP | DCIE | Multi-sector | | | |
| Implementation of the Strategic Action Programme (SAP) of the Pacific Small Island Developing States | SAP Implementation support for PSIDS | Regional Allocation | 12,290,000 USD | 11,848,067 | 2000-2005 | GEF | UNFP | SPREP | Multi-sector | | | |
| Pacific Islands Energy Policy and Strategic Action Planning | Energy Policy and Strategic Action Planning for the Pacific Islands including Nauru | Regional Allocation | 1,610,000 euro | 2,009,486 | 2004-2008 | Government of Denmark | UNDP | SOPAC | Multi-sector | | | |
| Pacific Islands Renewable Energy Project | Renewable Energy | Regional Allocation | 700,000 AUD | 700,000 | 2003-2006 | Government of Australia/ GEF | UNDP | SPREP | Energy | | | |
| Pacific Islands Climate Change Assistance Programme - Phase I | Provided assistance in the preparation of national communications as required under article 12 of the UNFCCC | Regional Allocation | 2,440,000 USD | 2,352,261 | 1997-2000 | GEF | UNDP & other agencies | SPREP | Multi-sector | | | |
| Pacific Islands Climate Change Assistance Programme - Phase II | Climate Change assistance | Regional Allocation | 1,000,000 USD | 964,041 | 2000-2004 | GEF | UNDP & other agencies | SPREP | Multi-sector | | | |
| South Pacific Sea Level and Climate Monitoring Project Phase IV | Installation of 12 sea-level monitoring stations across the Pacific Basin. All stations were operational by October 1994, with Nauru's station installed in June 1993. Ongoing phase with training and capacity building provided to Nauru officers. | Regional Allocation | 16,000,000 AUD | 16,000,000 | 2005-2016 | Government of Australia | Australian Bureau of Meteorology | Australian Bureau of Meteorology, Geoscience Australia, SOPAC | Multi-sector | | | |
| GEF/NAID Small Grants Programme | Small grants for community projects | Regional Allocation | 1,960,000 USD | 1,889,521 | 2007 - 2011 | GEF/New Zealand | UNDP, UNEP | UNDP, UNEP | Water, Energy | | | |

| Project Title | Description/Objectives | Extent of Funding Allocation | Budget | Budget in AUD | Timeline/ Status | Donor Source | Implementing Agency & Partners | Executing Agency | Sectoral Theme | Adaptation (AUD) | Mitigation (AUD) | Other (AUD) |
|--|---|------------------------------|---------------|---------------|------------------|--------------|--------------------------------|------------------|----------------|------------------|------------------|-------------|
| Enabling Activity Phase 2 Training Programme to support the implementation of the UNFCCC | Training and capacity building under UNFCCC | Global Allocation | 3,200,000 USD | 3,084,932 | 1995-1998 | GEF | UNDP | UNITAR, DCIE | Multi-sector | | | |

Attachment 1

**Pacific Climate Change Finance Assessment Framework
Preliminary Report (Provided Separately)**



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