



Vanuatu Climate Change Finance Review

Final Report
June 2018



Prepared by the Deutsche Gesellschaft für Internationale Zusammenarbeit,
the Pacific Community, the Pacific Islands Forum Secretariat, USAID Climate Ready,
and the United Nations Development Programme.



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Foreward by the Honourable Minister



Climate change (CC) is a major threat to Vanuatu. As a Small Island Developing State (SIDS) we are very vulnerable to the adverse effects of climate change and disasters.

Tropical Cyclone Pam in 2015 cost Vanuatu around 64 per cent of Vanuatu's Gross Domestic Product (GDP) and a number of human lives. Many people are still recovering from the losses and damages.

The Government of the Republic of Vanuatu is taking the resilient development agenda very seriously. This is articulated through the National Sustainable Development Plan 2016 - 2030 and respective sector plans and policies.

The Government's priorities include simplified access to scaled-up climate change finance for resilient development, capacity building, technology transfer, smart agriculture support, private sector engagement, traditional knowledge and gender mainstreaming. These are cornerstones of the Peoples Plan 2030.

My Ministry is committed to building an enabling environment through legislation and institutional strengthening, and enhance human and technical capacity to support national, sub-national and community resilience activities.

To implement these priorities, the Government will require external support. International climate change finance presents a key opportunity for Vanuatu to access finance to supplement domestic resources. However, there are also challenges associated with the stringent access and reporting requirements of multilateral funds.

The Government acknowledges the range of support that our partners have provided to Vanuatu in the past, including the team that undertook this climate change finance review, and we stand ready to engage in new partnerships to implement the Sustainable Development Goals and the Paris Agreement.



Honourable Ham LINI VANUAROROA, MP

Minister

Ministry for Climate Change Adaptation, Meteorology, Geo-Hazards, Environment, Energy and Disaster Management



Foreward by the Director General



The Ministry for Climate Change Adaptation, Meteorology, Geo-Hazards, Environment, Energy and Disaster Management recognises that this review will identify further opportunities for Vanuatu to strengthen its access to, and management of, international climate change financing.

This will complement the national priorities identified in the “Vanuatu 2030: The Peoples Plan” and the Climate Change and Disaster Risk Reduction Policy 2016 – 2030.

As a Small Island Developing State, access to adequate financing, capacity-building support and technology transfer are key priorities that will allow the Government of Vanuatu to effectively respond.

At the Ministry level, these priorities are articulated in the Corporate Plan 2016 – 2018 with a vision to “promote a resilient, sustainable, safe and informed Vanuatu”. The mission is to “develop sound policies and

legislative frameworks and provide timely, reliable scientific information for service delivery to enable resilient communities, a sustainable environment and economic development”.

The Ministry has undergone a number of initiatives to strengthen institutional arrangements, coordination mechanisms, legislation and human capacity. These include strengthening the National Advisory Board, establishing the national Climate Finance Taskforce, and developing a climate finance roadmap for Vanuatu. However, a number of challenges remain, which we are committed to progressing with the support of our partners.

Finally, I wish to convey my acknowledgement to the review team, key partners and national stakeholders that took part in this exercise. We are pleased to present this Report and its recommendations, which will assist in progressing our work and achieving a resilient development agenda in Vanuatu.

Tangkiu tumas.

Jesse Benjamin

Director General

Ministry for Climate Change Adaptation, Meteorology, Geo-Hazards, Environment,
Energy and Disaster Management



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- The core team that undertook the review and authored this report, including: Exsley Taloiburi (Climate Change Finance Adviser, Pacific Islands Forum Secretariat), Lisa Buggy (Climate Change Adviser, the Pacific Community (SPC)/United States Agency for International Development (USAID) Institutional Strengthening for Pacific Islands to Adapt to Climate Change – ISACC Project), Ledua Vakaloloma (Climate Finance Officer, GIZ/ Department of Foreign Affairs and Trade (DFAT) Climate Finance Readiness for the Pacific Project), Lilika Fusimalohi (Consultant, UNDP Pacific Risk Resilience Program), and Stephen Boland (Senior Policy and Finance Adviser, USAID Climate Ready project).



List of Abbreviations

ACP	African, Caribbean and Pacific Group of States
ACSE	GIZ/EU Adapting to Climate Change and Sustainable Energy
ADB	Asian Development Bank
AFD	Agence Française de Développement
AfDB	African Development Bank
AE	Accredited Entities
AF	Adaptation Fund
AGM	Annual General Meeting
AOSIS	Alliance of Small Island States
APTC	Australia-Pacific Technical College
AusAID	Australian Agency for International Development
BMZ	Federal Ministry of Economic Cooperation and Development (Germany)
BPA	Beijing Platform for Action
CBFF	Congo Basin Forest Fund (hosted by AfDB)
CBO	Community-Based Organisation
CC	Climate Change
CCA	Climate Change Adaptation
CCCPIR	Coping with Climate Change in the Pacific Islands Region Project
CCDRM	Climate Change and Disaster Risk Management
CCDRR	Climate Change and Disaster Risk Reduction
CCFWG	Climate Change Finance Working Group
CCM	Climate Change Mitigation
CDCCC	Community Disaster and Climate Change Committee
CDM	Clean Development Mechanism (implemented under the Kyoto Protocol)
CDP	Community Development Plans
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
CF	Climate Finance
CFR	Climate Finance Roadmap
CFRP	Climate Finance Readiness for the Pacific Project
CHAT	Congregational Hope Action Team
CIDA	Canadian International Development Agency
CIFs	Climate Investment Funds (implemented through WB, ADB, AfDB, EBRD and IADB)
CLEWS	Climate Early Warning Systems
CLiDE	Climate Data for the Environment
COP	Conference of the Parties
CPEIR	Climate Public Expenditure and Institutional Review
CROP	Council of Regional Organisations in the Pacific
CRPD	Convention on the Rights of Persons with Disabilities
CSO	Civil Society Organisation
CTF	Clean Technology Fund (implemented through WB, ADB, AfDB, EBRD and IADB)
DCCA	Defense Contract Audit Agency
DECC	Department of Energy and Climate Change (UK)
DEFRA	Department of Environment, Food and Rural Affairs (UK)
DFAT	Australian Department of Foreign Affairs and Trade
DFID	Department of International Development (UK)
DoFT	Department of Finance and Treasury



DEPC	Department of Environmental Protection and Conservation
DLA	Department of Local Authorities
DRR	Disaster Risk Reduction
DSA	Debt Sustainability Analysis
DSPPAC	Department of Strategic Policy, Planning and Aid Coordination
DWA	Department of Women Affairs
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
ESS	Environmental and Social Safeguards
EU	European Union
Ex-Im	Export-Import Bank of United States
FAO	Food and Agriculture Organisation
FCPF	Forest Carbon Partnership Facility
FFEM	Fonds Francais pour l'Environnement Mondial (French Global Environment Facility)
FI	Finance Instructions
FIP	Forest Investment Programme (implemented through WB, ADB, AfDB, EBRD and IADB)
FMIS	Financial Management Information System
FPA	Family Protection Act
FPR	Framework for Pacific Regionalism
FRDP	Framework for Resilient Development in the Pacific
FSF	Fast Start Finance (Japan)
GBE	Government Business Enterprise
GBV	Gender-Based Violence
GCCA	Global Climate Change Alliance
GCF	Green Climate Fund
GCCI	Global Climate Change Initiative (US)
GDP	Gross Domestic Product
GEF	Global Environment Facility
GEEREF	Global Energy Efficiency and Renewable Energy Fund (hosted by EIB)
GFG	Governance for Growth
GGGI	Global Green Growth Institute
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GRB	Gender Responsive Budgeting
GSI	Gender and Social Inclusion
IADB	Inter-American Development Bank
ICF	International Climate Fund (UK)
ICFI	International Climate Forest Initiative (Norway)
ICI	International Climate Initiative (Germany)
ICPD	International Conference on Population and Development
ICT	Information and Communications Technology
IFCI	International Forest Carbon Initiative (Australia)
IMF	International Monetary Fund
INDC	Intended Nationally Determined Contribution
INGO	International Non-Governmental Organisation
IOM	International Organisation for Migration
IPSAS	International Public-Sector Accounting Standards
IRCCNH	Increasing Resilience to Climate Change and Natural Hazards
ISACC	Institutional Strengthening of PICs to Adapt to Climate Change Project
IUCN	International Union for Conservation of Nature



JBIC	Japan Bank of International Cooperation
JI	Joint Implementation (implemented under the Kyoto Protocol)
JICA	Japan International Cooperation Agency
KfW	Kreditanstalt für Wiederaufbau (German Development Bank)
LDCF	Least Developed Countries Fund (hosted by the GEF)
MALFFB	Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity
MANGO	Management Accounting for NGO
MBC	Ministerial Budget Committee
MCCA	Ministry of Climate Change Adaptation, Meteorology and Geo-hazards, Energy, Environment and Disaster Management
MDB	Multilateral Development Bank
MDGs	Millennium Development Goals
M&E	Monitoring and Evaluation
MFEM	Ministry of Finance and Economic Management
MIPU	Ministry of Infrastructure and Public Utilities
MOFA	Ministry of Foreign Affairs (Japan)
MoTI	Ministry of Trade and Industry
MoU	Memorandum of Understanding
MTEF	Medium-Term Expenditure Framework
NAMA	Nationally Appropriate Mitigation Actions
NAB	National Advisory Board for Climate Change and Disaster Risk Reduction
NAB Sec	National Advisory Board for Climate Change and Disaster Risk Reduction Secretariat
NAP	National Adaptation Plan
NAPA	National Adaptation Programme of Action
NDA	National Designated Authority
NDC	Nationally Determined Contributions
NDMO	National Disaster Management Office
NGEF	National Green Energy Fund
NGO	Non-Governmental Organisation
NIE	National Implementing Entity
NORAD	Norwegian Agency for Development Cooperation
NPP	New Policy Proposals
NSDP	National Sustainable Development Plan
NTR	Non-Tax Revenue
ODA	Official Development Assistance
ODIN	Ministry of Foreign Affairs (Norway)
OPIC	Overseas Private Investment Corporation
PACCSAP	Pacific-Australia Climate Change Science and Adaptation Planning
PCCP	Pacific Climate Change Portal
PARTner	Pacific Risk Tool for Resilience Project
PCCFAF	Pacific Climate Change Finance Assessment Framework
PEFA	Public Expenditure and Financial Accountability
PFEM	Public Finance and Economic Management
PFM	Public Financial Management
PFTAC	Pacific Financial Technical Assistance Centre (IMF)
PICs	Pacific Island Countries
PIFS	Pacific Islands Forum Secretariat
PMO	Prime Minister's Office
PMU	Project Management Unit



PPCR	Pilot Programme for Climate Resilience (DFAT)
PRRP	Pacific Risk Resilience Programme (UNDP/DFAT)
PSC	Public Service Commission
PU	Public Utilities
R2R	Ridge-to-Reef
REDD+	Reducing Emissions from Deforestation and Forest Degradation
RRU	Risk Resilience Unit
SCCF	Special Climate Change Fund (hosted by GEF)
SCF	Strategic Climate Fund (implemented through WB, ADB, AfDB, EBRD and IADB)
SDGs	Sustainable Development Goals
SIDS	Small Island Developing States
SME	Small and Medium Enterprise
SOE	State-Owned Enterprise
SPC	The Pacific Community
SREP	Scaling-Up Renewable Energy Program (implemented through WB, ADB, AfDB, EBRD and IADB)
SPREP	Secretariat of the Pacific Regional Environment Programme
TAC	Technical Advisory Commission
TAFE	Technical and Further Education
TC	Tropical Cyclone
TOR	Terms of Reference
TVET	Technical Vocational Education and Training
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNISDR	United Nations Office for Disaster Risk Reduction
UNOHCHR	Office of the United Nations High Commissioner for Human Rights
UNREDD	United Nations Programme on Reducing Emissions from Deforestation and Forest Degradation
USAID	United States Agency for International Development
USP	University of the South Pacific
VAF	Vulnerability Assessment Framework
VANGO	Vanuatu Association of Non-Government Organisations
VCAN	Vanuatu Climate Action Network
VCAP	Vanuatu Coastal Adaptation Project
VIT	Vanuatu Institute of Technology
VMGD	Vanuatu Meteorology and Geo-Hazards Department
VPMU	Vanuatu Project Management Unit
VREP	Vanuatu Rural Electrification Project
WASH	Water, Sanitation and Hygiene
WB	World Bank
WHO	World Health Organisation
WMO	World Meteorological Organization



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Executive Summary

The provision of international climate change finance is expected to increase as we approach 2020 and beyond. This is in line with the pledges made at the fifteen session of the Conference of the Parties (COP 15) in Copenhagen in 2009 with a reaffirmation at COP 16 in Cancun, in 2010, where developed countries committed to jointly mobilise up to USD100 billion per year by 2020 from a wide range of sources to assist vulnerable developing countries. This is further confirmed in Article 9 of the Paris Agreement, including seeking a new quantitative target by 2025 to build on USD100 billion as the floor. However, this increase in funding opportunity is being accompanied by an increase in the complexity to access these funds and coordinate with a range of implementing agencies.

The range and scale of global climate change funding sources are substantial for small island developing states like Vanuatu, and the administrative requirements to access and manage these funds can be a challenge. However, Vanuatu is quite advanced as one of a few Pacific Island countries (PICs) to have already tapped into both readiness and project funding from the Green Climate Fund, as well as other sources. There are useful lessons learnt that could inform future engagement with bilateral and multilateral sources.

A joint mission by the Pacific Islands Forum Secretariat (PIFS) and its regional partners which included the SPC/USAID ISACC Project, GIZ/DFAT CFRP Project, UNDP PRRP and USAID Climate Ready conducted the review of the implementation of the Climate Public Expenditure and Institutional Review (CPEIR) in June 2017. Findings of this review were incorporated into the Report by the assessment team with an accompanying Executive Summary Report that covered the main recommendations of the climate change finance review.

The Vanuatu Climate Change Finance Review sought to assess actions that have been undertaken since the last Climate Public Expenditure and Institutional Review (CPEIR) completed in 2013 by UNDP. The review explored Vanuatu's experience in accessing and managing climate change finance, and identified opportunities to:

1. improve access to resources, so that Vanuatu might be able to solicit further support for implementing its response to climate change and disaster risk; and
2. improve the effectiveness with which available resources are utilised.

This review is timely as it complements the national priorities identified in the “Vanuatu 2030: The Peoples Plan” and the Climate Change and Disaster Risk Reduction Policy 2016 – 2030. In addition, the Ministry of Climate Change Adaptation has also taken a lead role through the National Advisory Board (NAB) to establish a Climate Finance Working Group. The Working Group is responsible for overseeing the implementation of a Climate Finance Roadmap.

Seven thematic areas under the key pillars of the Pacific Climate Change Finance Assessment Framework (PCCFAF) were analysed, namely: (i) Policies and Plans; (ii) Funding Sources; (iii) Public Financial Management and Expenditure; (iv) Institutions; (v) Human Capacity; (vi) Gender and Social Inclusion; and (vii) Development Effectiveness.

In line with these seven key pillars, the review came up with a number of findings and recommendations, which are summarised below and discussed in detail in the Report.

Policies and Planning Analysis

1. Utilise the Vanuatu's National Sustainable Development Plan (NSDP) M&E framework to guide the development of an aligned M&E framework for the Climate Change and Disaster Risk Reduction (CCDRR) policy, as a project management tool that includes and recognises the role of all actors and ensures all stakeholders are informed of the process.
2. As part of the CCDRR Policy Framework, ensure a process to track the integration and implementation of relevant CCDRR activities within other sectoral policies.



3. Strengthen sectoral policy inclusion of CCDRR to mainstream CCDRR as a cross-cutting priority issue.
 - a. Future updates to and development of new policies should also include actions, targets, indicators and costings as standardised components.
 - b. Policies should specifically highlight the linkages with other sectoral policies and with the NSDP to ensure a coordinated approach.
4. Progress with the development of a data management system within MCCA to provide necessary support for developing M&E processes and more efficient reporting.
5. Ensure consideration of the Climate Public Expenditure and Institutional Review (CPEIR) recommendations relevant to the development of a National Adaptation Plan (NAP). In particular, the need to ensure community engagement and identification of local level adaptation priorities within national processes, as well as comprehensive gender and social inclusion processes. The NAP process must be inclusive and be transparently led by the NAB and build on other planning processes such as the Nationally Determined Contributions (NDC), Vulnerability Assessment Framework (VAF) and Country Program under the Readiness Program and provincial strategies and plans.

Funding Source Analysis

1. Have a clear definition of 'climate finance' for budget tagging and ensure that this is understood by all stakeholders.
2. Support Government aspirations that a larger share of climate change-related funding and climate change funding information are channelled to the government financial system by donors and development partners in alignment with national policies and plans. Where funds are directly accessed by NGOs, private sector, community-based organisations or line ministries, ensure that the information is reported to inform the national budget planning process.
3. Develop tracking, monitoring and reporting instruments to account for off-budget finance flows (e.g. direct technical assistance to line ministries to supplement Government capacity in areas that require specialised expertise, or direct implementation by civil society in vulnerable communities).
4. Improve coordination and information sharing between central line agencies, such as the Aid Coordination Unit within the Prime Minister's Office (PMO), Ministry of Finance and Economic Management (MFEM) and the Ministry of Climate Change Adaptation.
5. Strengthen and develop capacity of existing staff handling climate change finance in the key central agencies at the national and sub-national level, in accordance with the overall public service human resource development plan.
6. Progress with a climate change financing tracking tool to better monitor the receipt and disbursement of climate change finance.
7. Strengthen existing financial accountability systems to ensure that these systems are operating effectively and efficiently to support decision making relating to climate change financing.
8. Explore potential financing opportunities for new climate change project proposals with non-traditional donors and the private sector through public-private partnership.
9. Develop and strengthen existing systems to ensure that all stakeholders, including the communities are aware of the processes for developing climate change proposals to be externally funded.
10. Incorporate climate change finance issues in the proposed Aid Policy for Vanuatu and strengthen existing development assistance database to be able to effectively record all climate change-related funding.



11. Set up a national climate change fund for Vanuatu as a mechanism for pooling all climate change funds to add value and help reduce the burden of recording, disbursing and reporting to the already limited capacities that exist in the central agencies of Government. The proposed national green energy fund is a good step in that direction.

Public Financial Management and Expenditure Analysis

1. Review and update the National Implementing Entity (NIE) accreditation roadmap to identify gaps for further readiness support from the Green Climate Fund (GCF) to achieve accredited entity status.
2. The updated NIE roadmap should build on key aspects of the Public Financial Management (PFM) Roadmap and the Climate Finance Roadmap and address certain aspects of GCF accreditation not currently identifying specific reforms. These would include:

Basic Fiduciary Criteria:

- i. Code of ethics
- ii. Disclosure and conflict of interest
- iii. Capacity to prevent or deal with financial mismanagement and other forms of malpractice
- iv. Investigation function
- v. Anti-money laundering and anti-terrorist financing

Specialized Fiduciary Criteria (depending on type of accreditation sought):

- i. Transparent eligibility criteria and evaluation
 - ii. Grant award decision and procedures
 - iii. Public access to information on beneficiaries and results
 - iv. Transparent allocation and implementation of financial resources (if not addressed by improvement to procurement regulations)
 - v. Good standing with regard to multilateral funding
 - vi. On-lending and/or blending
3. Use the budget circular more proactively to ensure that climate change issues are reflected in annual policy settings and to instruct all Ministries, even those not normally associated with climate change impacts, of the need to consider and reflect climate change issues in the formulation of ministry and departmental budgets. An improved climate change chart of account is needed.
 4. The Government should incorporate climate change finance considerations into the Medium-Term Expenditure Framework (MTEF) (under development), to harness the different sources of finance from Government, Official Development Assistance (ODA) and private resources to address national climate change priorities.
 5. Development and implementation of a debt management policy to manage, oversee and monitor debt obligations of the Government and government business enterprises where they provide material risk to the fiscal stability of the Government. If needed, enshrine these policies in regulations or through legislative amendment.
 6. Ministry of Finance and Economic Management (MFEM) should use the pending Aid Policy as an opportunity to ensure greater coverage of aid funding and reduction of “off-budget” aid by strengthening the budget process to ensure aid funding identified by Department of Strategic Planning, Policy and Aid Coordination (DSPPAC) is reflected in the national budget.



Institutional Analysis

1. A communication campaign targeting all levels of Government on the role of the NAB may help to clarify some misunderstanding around the functions of the NAB and help to re-emphasise the need for consistent cross-sectoral representation for its effectiveness.
2. The NAB's project brief form should also include information capture on the gender and social inclusion components of proposed projects. This would also assist with the NIE accreditation process and demonstrating processes in place to monitor gender and social inclusion within climate change activities.
3. Harmonise processes between DSPPAC and NAB where possible and ensuring strong channels of communication between the two entities so that relevant information is shared.
4. Establish a broad set of criteria (could be similar to the expenditure weighting methodology used in this review) for NAB to provide some clarity on what could be counted as climate change finance.
5. Ministry of Climate Change Adaptation, Meteorology and Geo-hazards, Energy, Environment and Disaster Management (MCCA) utilise criteria to also provide technical expertise to assist Department of Finance and Treasury (DoFT) in correctly identifying and coding climate change-related finances for better tracking of these flows through the existing Chart of Accounts.
6. Increase training in technical aspects of climate change to sub-national institutions, as well as promote Community Disaster and Climate Change Committees (CDCCCs) as key structures for capturing traditional knowledge relevant to preparedness and climate change adaptation.
7. Look at the options for increasing representation of sub-national representatives on the current or newly established NAB technical working groups.
8. Look at opportunities for undertaking readiness programs for local NGOs and Civil Society Organisations (CSOs), to ensure these institutions are also better able to manage and absorb climate change financing.
9. Longer term, consideration of other mechanisms to ensure funds are channelled to the community level, including small grants arrangements, would also be recommended.
10. Strengthen International Non-Governmental Organisation (INGO)/NGO and private sector engagement with the NAB or within the NAB's technical working groups, to further the dialogue and exchange of information between the Government and these partners.
11. Vanuatu to consider an NIE accreditation model that utilises the capacity and processes of a number of entities. This would require nominating either MCCA or MFEM as the entity, but developing processes and working arrangements (through a Memo of Understanding (MoU) or similar) with other key entities.
12. If MCCA is put forward as the recommended entity for accreditation, it is recommended that the National Designated Authority (NDA) function be shifted to another entity (possibly DSPPAC).
13. MCCA and MFEM to consider the GCF self-assessment tool as an immediate priority to determine current progress towards NIE accreditation and outstanding areas that need to be addressed.
14. Consider updating or revising the Climate Finance Roadmap with dedicated actions for achieving accreditation, as per the results of the above GCF self-assessment.
15. Once a nominated entity is chosen, request assistance through GCF for an institutional gap assessment and action plan.



Human Capacity Analysis

1. Capacity building and supplementation for climate change should remain a national priority for Vanuatu. It is recommended that all future climate change projects accessed by Vanuatu must have an embedded component related to capacity development and transfer of knowledge. This can also be considered for future assistance of climate change-related incubator posts within ministries to ensure the position is absorbed into a government agency. This will ensure external consultants provide an added value to Government.
2. MCCA to strengthen its staffing capacity in the NAB Secretariat so the Project Management Unit (PMU) is able to effectively coordinate, share information, monitor and evaluate projects and develop project pipelines. The operationalisation of the proposed Department of Climate Change will enhance this.
3. MCCA to develop a strategy on how to fully maximise and coordinate the range of technical expertise that sit in different line ministries, building on the NAB mechanism.
4. The NAB Secretariat to coordinate with the PMU, to serve as a 'one stop' for capacity-building training sessions and support to line ministries, provincial administrators and community representatives on grant writing for climate change funding.
5. Recognise and support the role of NGOs and private sectors in providing capacity-building initiatives to build the readiness of communities to access and absorb climate change project resources, and to raise on-going awareness.
6. Fast-track the Public Service Commission (PSC) reforms to provide additional incentives for public servants to attract the best expertise and retain existing human capacity.
7. Donors that provide direct scholarship opportunities to Vanuatu citizens must coordinate closely with the Ministry of Education and the Public Service Commission to ensure their support is tracked and aligned to the human capacity needs of the Government of Vanuatu. Donors are also encouraged to include climate change and disaster resilience as part of their scholarship priorities.

Gender and Social Inclusion Analysis

1. Strengthen representation at regional and international high-level forums on Gender and Social Inclusion (GSI) and CCDRR by aligning and linking objectives to the NSDP and existing corporate plans of government departments to track achievements over time for future reporting.
2. Continue strengthening of partnerships between key government agencies and non-government stakeholders to re-enforce commitments to the implementation of national plans and policies to support GSI in CCDRR and to ensure clear accountability.
3. Department of Women Affairs (DWA) to coordinate the link between government agencies to maximise on available resources but to also align to achieving government priority policies and action plans on GSI integration in CCDRR. This would allow for a more streamlined view of areas that require attention to better target resources but also to improve compliance with GSI criteria to access climate change finance.
4. Support the development of specific indicators to align the GSI action plans for CCDRR and the Gender Policy Action Plan to be included in the M&E framework for the NSDP.
5. Support DWA in the development of the strategic policy area 'Building a Foundation for Gender Mainstreaming' to allow for a national 'pool of experts' to undertake gender analysis and integrate GSI to all national planning and implementation processes.



6. The DWA to strengthen partnership with the consortium of partners, such as the Cluster System and Vanuatu Climate Action Network (VCAN) to pool resources for joint implementation of the GSI action plans of the CCDRR Policy.
7. Support DWA's role in Gender Mainstreaming between key government agencies, such as DWA, DSPPAC of PMO, MCCA and NAB with the consortium of partners.
8. Develop a guideline to support gender mainstreaming through the Gender Responsive Planning and Budgeting process in CCDRR
9. Establish a systemic process to collect, evaluate and report on GSI benefits/impacts recorded through project implementation. This would require the active role of the Prime Minister's Office in collaboration with DWA, MCCA and NAB to coordinate and administer this process to collect, assess and report on GSI information in CCDRR.
10. The NAB approval process for proposals in CCDRR to include a GSI criteria for implementation to be part of the design and estimated budget. A succession plan should also be included on skills transfer to local counterparts for sustainability purposes of project outcomes.
11. The M&E reporting template on projects submitted by agencies to DSPPAC on progress of projects to also include a section to report back on status of GSI benefits/impacts from the project.
12. The NAB portal to be used more effectively and efficiently to diffuse information on best practices and knowledge products in support of GSI integration. This can increase awareness for coordination and resource pooling.

Development Effectiveness Analysis

1. The Government should maintain its leadership on climate change at the national, regional and international levels. Where necessary, speeches by Director Generals, Ministers, the Honourable Prime Minister and H.E the President should have some reference to climate change.
2. There will be a growing influx of new players and non-traditional partners wanting to support Vanuatu on Climate Change and Disaster Risk Management (CCDRM) initiatives. Continuing the national Climate Finance Forum between the Government and its partners, every two years, will strengthen coordination between the Government and its donors on climate change.
3. All climate change support should be communicated to the NAB Secretariat and DSPPAC to ensure tracking and reporting. A streamlined reporting template will be needed and should be used by both NAB Secretariat and DSPPAC.
4. A donor-to-donor coordination mechanism will be useful to reduce duplication for small grants projects to communities or provincial governments.
5. Government must remain flexible and not limit its options on the kind of instruments that it can access for climate change. Building the capacity of government officials to write project proposals will be vital.
6. Due to capacity limitations, partners and regional organisations that wish to engage with the Government must consider joint missions and approaches. Missions should not be approved during critical periods of budget planning.
7. Government to enhance the M&E capacity of DSPPAC and line ministries to be able to measure, process and report on the tangible impacts and outcomes of all climate change support.
8. The Ministry of Climate Change Adaptation, in particular, the GCF National Designated Authority to engage with the private sector entities to raise awareness on access procedures for the GCF private sector facility.



Conclusion

The Government of Vanuatu is taking leadership in progressing climate change-related actions, and is already accessing climate change finance from a variety of sources, including the GCF. Going forward, there will be an increase in the volume of climate change finance flowing through the Pacific Islands region, including to Vanuatu. That increase will be accompanied by additional complexity for reporting and the need to coordinate different partners and players that wish to engage with Vanuatu. This review facilitates a comprehensive, consultative and validated baseline of information on the national climate change finance landscape for Vanuatu, which can inform policy decisions. It also provides opportunities to strengthen country systems, policies and plans, institutions and human capacity to be able to effectively access and manage climate finance. The Action Plan in the following section presents a tool to assist the Government of Vanuatu to be strategic in undertaking a whole-of-government approach towards improved climate finance readiness. It is linked to the Climate Finance Roadmap.



Vanuatu Climate Change Finance Action Review and Assessment – Action Plan

Recommendations Specific Initiatives	Link to CF Roadmap	Relevant PCCFAF Pillar	Priority	2018		2019			Indicative Outputs	Lead Agency	Potential Partners
				Q3	Q4	Q1	Q2	Q3			
Develop an M&E framework for the CCDRR Policy that is aligned to the NSDP M&E framework.	Activities 1.3 & 6.1.5	PP	High						M&E framework for the CCDRR is developed.	MCCA, NAB	SPC/ USAID ISACC, SPREP, USAID Climate Ready.
Formulate a process to track the integration and implementation of relevant CCDRR activities within other sectoral policies.	Activities 1.7.3 & 6.3.1	PP	High						Process of tracking the integration and implementation of CCDRR activities is formulated.	MCCA	UNDP, SPC/ USAID ISACC, USAID Climate Ready.
Strengthen sectoral policy inclusion of CCDRR to mainstream CCDRR as a cross-cutting priority issue.	Activities 5.6 & 5.7	PP	Medium						CCDRR issues are incorporated in the sectoral policies.	MCCA	UNDP, SPC/ USAID ISACC, USAID Climate Ready.
Develop a data management system within MCCA to provide necessary support for developing M&E processes and more efficient reporting.	Activities 6.3.1 & 6.3.2	PP	High						Data management is developed and staff trained on how to manage the information.	MCCA	ADB, UNDP, SPC/ USAID ISACC, USAID Climate Ready, SPREP.
Define 'climate finance' clearly to support budget tagging and ensure that this is understood by all stakeholders.	Activities 1.2.1 & 2.1	FS, PFME	High						Awareness is conducted on budget tagging.	MCCA, DoFT	DFAT/GIZ CFRP, SPC/ USAID ISACC, PFTAC.
Utilise the government financial system to channel all climate change-related funding by donors and development partners in alignment with national policies and plans.	Activity 6.3.2	FS, DE	High						Climate change-related support is properly recorded and information maintained.	MCCA, DoFT	GoV to lead.
Develop instruments to account for direct technical assistance provided by some partners to line ministries to supplement Government capacity in areas that require specialised expertise.	Activities 6.1 & 6.3.1	FS, PFME	Medium						Instrument to monitor direct TA support is developed and implemented.	MCCA, DoFT,	GoV to lead.

¹ PP – Policy and Planning; I – Institutions; FS – Funding Sources; PFME – Public Financial Management and Expenditure; GSI – Gender and Social Inclusion; HC – Human Capacity; DE – Development Effectiveness



Recommendations Specific Initiatives	Link to CF Roadmap	Relevant PCCFAF Pillar	Priority	2018		2019		Indicative Outputs	Lead Agency	Potential Partners
				Q3	Q4	Q1	Q2			
Improve coordination and information sharing between central line agencies, such as the Aid Coordination Unit, MFEM and MCCA.	Activities 4.2, 4.3, 4.4, 5.2, 5.3 & 5.5	FS, I	High					Coordination mechanism is included in the new aid policy.	MCCA, DoFT, DSPPAC	GoV to lead with support from PIFS, SPC/ USAID ISACC, UNDP.
Strengthen and develop capacity of existing staff handling climate change finance in key central agencies in accordance with the overall public service human resource development plan.	Activities 1.71 & 2.3	FS, I	High					Capacity building programmes are developed and implemented.	PSC, DoFT	GoV to lead with support from PIFS, SPC/ USAID ISACC, UNDP.
Develop a climate change financing tracking tool to better monitor the receipt and disbursement of climate change finance.	Activity 6.3.1	FS, PFME	High					Climate finance tracking tool is developed.	DoFT, MCCA, DSPPAC	SPC/ USAID ISACC, DFAT/GIZ CFRP, UNDP, PIFS.
Strengthen existing financial accountability systems to ensure that these systems are operating effectively and efficiently to support decision making relating to climate change financing.	Activity 6.3.2	FS, PFME	High					Improved public finance management system.	DoFT	ADB, PFTAC, World Bank, USAID Climate Ready, DFAT/ GIZ CFRP.
Explore potential financing opportunities for new climate change project proposals with non-traditional donors and the private sector through public-private partnership.	Activities 1.3.1, 1.9.3, 3.2.2 & 4.4.1	FS	Medium					Climate change project proposals are funded by potential donor and development partners.	DoFT, MCCA	ADB, PFTAC, World Bank, USAID Climate Ready, DFAT/ GIZ CFRP.
Develop and strengthen existing systems to ensure that all stakeholders, including the communities are aware of the processes for developing climate change proposals to be externally funded.	Activities 1.8, 2.5, 2.6 & 4.2.1	FS	Medium					Awareness is conducted for all stakeholders.	DoFT, MCCA	ADB, PFTAC, World Bank, USAID Climate Ready, DFAT/ GIZ CFRP.
Incorporate climate change finance issues in the proposed new Aid Policy for Vanuatu and strengthen existing development assistance database to be able to effectively record all climate change-related funding.	Activities 3.1, 5.2 & 5.3	FS	High					Climate finance is included in the aid policy and development assistance database is regularly updated.	DoFT, DSPPAC, MCCA	ADB, PFTAC, World Bank, USAID Climate Ready, DFAT/ GIZ CFRP.



Recommendations Specific Initiatives	Link to CF Roadmap	Relevant PCCFAF Pillar	Priority	2018		2019			Indicative Outputs	Lead Agency	Potential Partners
				Q3	Q4	Q1	Q2	Q3			
Develop an accreditation roadmap or action plan to achieve accredited entity status that would be related to the PFM Roadmap and the Climate Finance Roadmap.	Activities 1.3.1, 1.5, 3.2.4 & 6.3	PFME	High						Accreditation roadmap is developed.	DoFT	SPREP, DFAT/ GZ CFRP, USAID Climate Ready, UNDP, ADB.
Utilise the budget circular to ensure that climate issues are reflected in annual policy settings, such as the departmental and ministry budgets.	Activities 1.7.2 & 6.3	PFME	High						Allocation of resources in the budget.	DoFT	GoV to lead.
Develop a climate financial framework (CFF) to complement the Medium-Term Expenditure Framework (MTEF) to harness the different sources of finance from Government, ODA and private resources to address national CC priorities.	Activity 3.2.2	PFME	High						A climate financial framework is developed.	DoFT	ADB, PFTAC, DFAT/ GIZ CFRP, USAID Climate Ready, World Bank.
Formulate a debt management policy to manage, oversee and monitor debt obligations of the Government and government business enterprises where they provide material risk to the fiscal stability of the Government.	Activity 1.7.2	PFME	High						A debt management policy is formulated.	DoFT	Comm. Secretariat, World Bank, ADB, PFTAC, DFAT/ GIZ CFRP.
Strengthen the budget process to ensure more coverage of aid funding identified by DSPAC is reflected in the national budget.	Activities 6.1 & 6.3.1	PFME	High						Timely and accurate provision of aid-related information to the Budget team.	DoFT	UNDP, ADB, EU and bilateral partners.
Increase awareness at all levels of Government on the role of the NAB to alleviate any misunderstanding around this body and to re-emphasise the need for consistent cross-sectoral representation for its effectiveness.	Activities 4.2.1, 4.3 & 4.4	I	Low						Awareness of the NAB's role and process is conducted.	MCCA	SPC/ USAID ISACC, USAID Climate Ready and bilateral partners.
Include information captured on the gender and social inclusion components of proposed projects in the NAB project brief.	Activity 1.8.2	I, GSI	Medium						Revised NAB project brief with gender and social inclusion components incorporated.	DWA, MCCA	UNDP, SPC/ USAID ISACC and bilateral partners.



Recommendations Specific Initiatives	Link to CF Roadmap	Relevant PCCFAF Pillar	Priority	2018		2019			Indicative Outputs	Lead Agency	Potential Partners
				Q3	Q4	Q1	Q2	Q3			
Establish a broad set of criteria (could be similar to the weighting methodology used in this review) for NAB to provide some clarity on the definition of climate change-related projects.	Activity 6.3.1	I	Medium						A guide or set of criteria is developed to define climate change-related projects.	MCCA	PIFS, SPC/ USAID ISACC, USAID Climate Ready and bilateral partners.
Build technical capacity of DoFT officials in correctly identifying and coding climate change-related finances for better tracking of these flows through the existing Charter of Accounts.	N/A	I, PFME	High						Capacity building programme is developed and implemented.	MCCA, DoFT, PSC	PFTAC, World Bank, DFAT/ GIZ CFRP and bilateral partners.
Increase training in technical aspects of climate change to sub-national institutions, as well as promoting CDCCs as key structures for capturing traditional knowledge relevant to preparedness and climate change adaptation.	Activities 2.4, 2.5 & 2.6	I	Medium						Technical training on climate change to be part of the overall PSC training plan.	MCCA, PSC	SPREP, SPC/ USAID ISACC, USAID Climate Ready, UNDP.
Review and include representation of sub-national representatives on the current or newly established NAB technical working groups.	Activities 2.5, 2.6	I	Low						Inclusion of sub-national representatives in the NAB technical working groups.	MCCA	GoV to lead.
Explore opportunities of readiness programs for local NGOs and CSOs to ensure that these institutions are better able to manage and absorb climate change financing.	Activity 1.5.1	I	Medium						A local NGO or CSO is identified and approached for the readiness program.	MCCA	GoV to lead.
Consider use of long-term mechanisms to ensure funds are channelled to the community level, including small grants arrangements, also recommended.	Activity 1.8	I	Low						A feasibility study is conducted to determine the viable mechanism.	MCCA, DoFT	ADB, PFTAC, World Bank, USAID Climate Ready, SPC/ USAID ISACC.
Strengthen INGO/ NGO and private sector engagement with the NAB or within the NAB's technical working groups, to further the dialogue and exchange of information between the Government and these partners.	Activities 1.9.5, 4.4.1 & 5.4	I	Medium						Regular meeting between NAB and the INGO/ NGO & private sector.	MCCA, MoTI	GoV to lead.



Recommendations Specific Initiatives	Link to CF Roadmap	Relevant PCCFAF Pillar	Priority	2018		2019			Indicative Outputs	Lead Agency	Potential Partners
				Q3	Q4	Q1	Q2	Q3			
Develop an NIE accreditation model that utilises the capacity and processes of a number of entities that would require nominating either MCCA or MFEM as the entity, but developing processes and working arrangements (through an MoU or similar) with other key entities.	Activities 1.5.2 & 1.5.3	I	High						NIE accreditation model is developed that will include MoUs to formalise working arrangements between agencies.	MCCA, DoFT	ADB, UNDP, SPREP, USAID Climate CFRP, SPC/ USAID ISACC.
Review the Climate Finance Roadmap with dedicated actions for achieving accreditation, as per the results of the GCF self-assessment.	Activities 1.1 & 1.2	I	High						Climate finance actions relating to GCF accreditation are prioritised and implemented.	DoFT	USAID Climate Ready, DFAT/ GIZ CFRP and bilateral partners.
Undertake an institutional gap assessment and action plan through the support of GCF once a nominated entity is chosen.	Activity 1.5.2	I	Medium						Institutional gap assessment is conducted and action plan developed.	MCCA, DoFT	SPC/ USAID ISACC, USAID Climate Ready, SPREP and
Incorporate capacity development and knowledge transfer in all future climate change projects to be implemented in Vanuatu.	N/A	HC	Medium						Inclusion of capacity development and knowledge transfer in all climate change project proposals.	PSC, MCCA	GoV to lead.
Strengthen staffing capacity in the NAB Secretariat and PMU to be able to effectively coordinate, share information, monitor and evaluate projects and develop project pipelines.	Activities 1.7.1 & 2.3	HC	High						Capacity building programme is developed and implemented.	PSC, MCCA	GoV to lead with support from bilateral partners.
Develop a strategy on how to fully maximise and coordinate the range of technical expertise that sit in different line ministries, building on the NAB mechanism.	Activities 1.7, 5.2 & 5.3	HC	Medium						Strategy is developed to coordinate the technical support in other line ministries.	MCCA	GoV to lead.
Coordinate with the PMU, to serve as a 'one stop' for capacity-building training sessions and support to line ministries, provincial administrators and community representatives on grant writing for climate change funding.	Activities 2.2 & 2.3	HC	Medium						Capacity building programme is developed and implemented.	MCCA	GoV to lead.



Recommendations Specific Initiatives	Link to CF Roadmap	Relevant PCCFAF Pillar	Priority	2018		2019			Indicative Outputs	Lead Agency	Potential Partners
				Q3	Q4	Q1	Q2	Q3			
Provide support to NGOs and the private sector in capacity-building initiatives to build the readiness of communities to access and absorb climate change project resources, and to raise ongoing awareness.	Activities 1.8, 1.9, 5.4 & 5.5	HC	Medium						Capacity building programme is developed and implemented.	MCCA	ADB, UNDP and bilateral partners.
Fast-track the PSC reforms to provide additional incentives for public servants to attract the best expertise and retain existing human capacity.	N/A	HC	High						PSC reform programme is implemented.	PSC	GoV to lead with support from bilateral partners.
Coordinate scholarship opportunities between donors and the Ministry of Education, including the Public Service Commission to ensure their support is tracked and aligned to the human capacity needs of the Government of Vanuatu.	N/A	HC	Medium						Scholarships are reflective of the human capacity needs of the Government of Vanuatu.	PSC, MoE	GoV to lead with support from bilateral partners.
Support the development of specific indicators to align the GSI action plans for CCDRR and the Gender Policy Action Plan to be included in the M&E Framework for the NSDP.	Activity 6.1	GSI, I	High						M&E Framework for the NSDP to include GSI-related indicators.	MCCA, DSPPAC, DWA	GoV to lead with support from UNDP, SPC and bilateral partners.
Strengthen partnership with the consortium of partners, such as the Cluster System and Vanuatu Climate Action Network (VCAN) to pool resources for joint implementation of the GSI action plans of the CCDRR Policy.	Activity 1.7	GSI	Medium						Awareness of GSI action plans is conducted including regular meeting between DWA and consortium of partners.	DWA	UNDP, ADB, SPC and bilateral partners.
Develop a guideline to support gender mainstreaming through the Gender Responsive Planning and Budgeting process in CCDRR.	N/A	GSI, PFME	High						Guideline is developed.	DWA, DoFT, DSPPAC	UNDP, ADB, SPC and bilateral partners.

Recommendations Specific Initiatives	Link to CF Roadmap	Relevant PCCFAF Pillar	Priority	2018		2019			Indicative Outputs	Lead Agency	Potential Partners
				Q3	Q4	Q1	Q2	Q3			
Establish a systemic process to collect, evaluate and report on GSI benefits/impacts recorded through project implementation.	Activity 3.2	GSI	Low						A systemic process is established and implemented.	DWA	GoV to lead.
NAB approval process for proposals in CCDRR to include GSI criteria for implementation to be part of the design and estimated budget.	N/A	GSI	Medium						GSI criteria are formulated and included in the CCDRR proposal.	DWA	SPC, PIFS, ADB, USAID Climate Ready.
Include some reference to climate change in senior officials' speeches at national, regional and international meetings to maintain Government's leadership on climate change.	Activity 4.1.1	DE	High						Awareness conducted with all agencies to ensure speech writers include reference to climate change.	MCCA, PMO	GoV to lead.
Convene a national climate finance forum between Government and its partners every two years to strengthen coordination between the Government and its donors on climate change finance.	Activity 1.2.1	DE	Medium						Climate finance forum is convened.	MCCA, DoFT	USAID Climate Ready, DFAT/GIZ CFRP, SPC/USAID ISACC, PIFS, UNDP.
Develop a streamlined reporting template for all climate change support to ensure efficient tracking and reporting to the NAB.	Activities 5.2 & 5.3	DE	High						Streamlined reporting template.	MCCA	GoV to lead.
Establish a donor-to-donor coordination mechanism to reduce duplication for small grants projects to communities or provincial governments.	Activity 5.3	DE	Medium						Donor coordination mechanism included in the new aid policy.	DSPPAC, DoFT	GoV to take the lead and supported by UNDP, EU and bilateral partners.
Strengthen coordination of development partners and donors through joint missions and approaches.	N/A	DE	High						Awareness is conducted with all donors and development partners.	DSPPAC	GoV to lead.
Enhance the M&E capacity of DSPPAC and line ministries to be able to measure, process and report on the tangible impacts and outcomes of all climate change support.	Activity 6.1	DE	Medium						Training on M&E is conducted with relevant agencies involved.	DSPPAC	ADB, PFTAC, World Bank, USAID Climate Ready, DFAT/GIZ CFRP.



1 Introduction

1.1 Why is this Review Important to Vanuatu?

Climate change finance is a key priority to the Government of the Republic of Vanuatu. Gaining improved access to global climate change funds is critical to implement the resilient development agenda articulated in the National Sustainable Development Plan. Section 7.2 of the National Climate Change and Disaster Risk Reduction (CCDRR) Policy also recognises finance as a key priority to “ensure that adequate resourcing is available for climate change and disaster risk reduction activities, build financial capacity to manage resources, and enable access to increased international funding”. The CCDRR Policy also acknowledges the need for robust financial systems to gain access to and ensure accountable management of substantial climate change and disaster risk reduction funding.

Although Vanuatu is increasing its access to international climate change finance, including project and readiness grants from the Green Climate Fund (GCF), there are still challenges in terms of meeting the reporting requirements of different funding sources and donors. Nevertheless, the Government is taking leadership and currently engages with a range of international development partners and regional organisations to progress its national priorities.

For instance, the National Advisory Board has been operational for a number of years to coordinate climate change and disaster risk management actions in Vanuatu. In 2013, the Government established a dedicated Ministry of Climate Change Adaptation, Meteorology and Geo-hazards, Energy, Environment and Disaster Management. In that same period, the Government also requested UNDP to undertake a Climate Public Expenditure and Institutional Review (CPEIR). The report was finalised and adopted in 2014. After the twenty-second Conference of the Parties (COP 22) to the United Nations Framework Convention on Climate Change, the Government set up a Climate Finance Working Group followed by the convening of a national climate finance forum. A Climate Finance Roadmap is already in place and has strong linkages to the Public Financial Management (PFM) Roadmap.



This review assesses climate change finance actions that have been progressed since 2013 and will complement Vanuatu's efforts to:

- gain more clarity on their national climate change finance landscape;
- gain clarity on who the key partners are;
- manage and scale-up climate change finance;
- take stock of and update and strengthen current policies and plans, institutions, and public financial management systems;
- make informed decisions for budget planning prioritisation and effective coordination; and,
- identify entry points for implementation of selected recommendations by existing projects such as SPC/ USAID Institutional Strengthening to Adapt to Climate Change Project (ISACC), GIZ/ DFAT Climate Finance Readiness of the Pacific Project (CFRP), USAID Climate Ready, UNDP PRRP and other forms of support by regional organisations and international development partners.

1.2 Scope of this Review

This review builds on the CPEIR 2014 Report recommendations and was guided by the Pacific Climate Change Finance Assessment Framework (PCCFAF), which assessed the climate change finance programme of Vanuatu against seven key pillars: (i) policies and plans, (ii) funding sources, (iii) public financial management and expenditure, (iv) institutions, (v) human capacity, (vi) gender and social inclusion, and (vii) development effectiveness. As requested by the Government, the focus is primarily on climate change financing.

Consultations were undertaken with stakeholders at the national level in Port Vila and the Shefa Provincial administration.

Vanuatu is the sixth Pacific Island country to be assessed using the PCCFAF. Other PICs that have completed PCCFAF studies include Nauru (2012), Republic of the Marshall Islands (2014), Tonga (2015), Solomon Islands (2016), and Palau (2017) while the CPEIR led by UNDP was undertaken for Samoa (2012), Fiji (2014) and Vanuatu (2014).

1.3 How Information was Collected and Analysed

This review's findings are derived from two key sources:

1. review of available information on policies, plans, reports, budgets, studies, programmes, projects, national statements and submissions and approaches of the Republic of Vanuatu and key development partners; and
2. face-to-face and focus group consultations with national government officials, bilateral and multilateral development partners, private sector, and civil society actors (NGOs and community representatives).

A joint assessment team, comprising the Pacific Islands Forum Secretariat (PIFS), the SPC/USAID ISACC Project, the GIZ/DFAT CFRP Project, the UNDP PRRP and the USAID Climate Ready undertook a mission to Vanuatu in June 2017 to gather information and consult in-country stakeholders. The review was undertaken from 19 to 23 June 2017. Information gathered was validated, coded, analysed, and specific reports developed by key partners on each aspect of the assessment. A list of stakeholders that were consulted is included as Appendix 1.



1.4 Principles of Ownership and Inclusive Participation

This review would not be effective without country ownership and inclusive participation. Ownership of the report by the Government is critical. This was facilitated through a national workshop and focus group discussions for government and non-governmental stakeholders to provide input to this review. Adequate opportunity was also given for stakeholders to provide feedback on the draft review report. To ensure that stakeholder participation extends beyond the traditional climate change ministries and departments, consultations were undertaken with the civil society and private sector.

1.5 Structure of this Report

The chapters in this Report are structured according to the seven pillars of the PCCFAF; policies and plans, funding sources, public financial management and budget expenditure, institutions, human capacity, gender and social inclusion, and development effectiveness. The opportunities for improvement are interlinked and thus relevant across the different chapters.

A summary of the opportunities for improvement and recommendations are included at the beginning of this report. A general conclusion is at the end of the Report, in Section 9.





2 Policies & Planning Analysis

Key Messages:

- Vanuatu is taking a leading role on a number of core issues within the international climate change negotiations and regional discussions.
- At the national level, Vanuatu has made significant progress over the last few years in the development and endorsement of climate change specific policies, strategies and planning tools. Integrating these into sectoral policies is critical.
- Development of an M&E framework for the CCDRR Policy, which links to the NSDP M&E Framework, will assist to track and report on progress against the CCDRR Policy implementation.
- Future updates to and development of new policies should include actions, targets, indicators and costings as standardised components.



2.1 Vanuatu's International Position on Climate Change

With climate change and changing weather patterns already having a significant and negative impact on Ni-Vanuatu people, the Government of the Republic of Vanuatu has shown leadership in the region in proactively addressing this issue. This is evident through both national initiatives, such as the establishment of the National Advisory Board (NAB), discussed further in the Institutional Analysis, as well as in the engagement with international climate change negotiations and processes. Vanuatu is a signatory to the United Nations Framework Convention on Climate Change (UNFCCC) and has submitted a Second National Communication in 2016. Vanuatu ratified the Paris Agreement, along with a number of Pacific Island countries, on the initial signing day in New York in April 2016. Vanuatu also submitted their Intended Nationally Determined Contribution (INDC) in September 2015, which is now Nationally Determined Contribution (NDC), covering both its mitigation contributions, as well as adaptation priorities and goals.

Vanuatu has taken a leading role on a number of core issues within the international climate change discussions. As first chair of the Alliance of Small Island States (AOSIS), Vanuatu first introduced the issue of Loss and Damage to the UNFCCC in 1991. In recent years, the Republic of Vanuatu has continued to ensure strong provisions and requirements around Loss and Damage are met. Vanuatu has taken a lead on raising ambitions to reduce greenhouse gas emissions and limiting global temperature rise to 1.5 degree Celsius and supporting the continuation of the United Nation's (UN) gender and climate change program. Furthermore, Vanuatu has played an integral role in the discussions around climate change finance, pushing for direct access to climate financing mechanisms, such as the Green Climate Fund and for clear financial accounting rules to be in place at the international level.

At the regional level, Vanuatu has endorsed the Framework for Resilient Development in the Pacific (FRDP) and the recent Vanuatu Climate Change and Disaster Risk Reduction Policy 2016-2030 aligns with the three goals identified within the FRDP. These are:

- Goal 1: Strengthened integrated adaptation and risk reduction to enhance resilience to climate change and disasters;
- Goal 2: Low carbon development; and
- Goal 3: Strengthened disaster preparedness, response and recovery.

2.2 National and Sector Strategies

At the national level, Vanuatu has also made significant progress over the last few years in the development and endorsement of climate change specific policies, strategies and planning tools.

2.2.1 National Sustainable Development Plan 2016 to 2030

Vanuatu's National Sustainable Development Plan (NSDP) 2016 to 2030, also referred to as 'Vanuatu 2030 The People's Plan', is the overarching framework guiding sustainable development in Vanuatu for the next 15 years. It replaces the previous 'Priorities and Action Agenda 2006-2015'. The NSDP sets out a national vision of 'A stable, sustainable and prosperous Vanuatu' and is built around the three sustainable development pillars; society, environment and economy. The NSDP has undergone extensive consultation at national, provincial and community levels and provides a commendable example of locally contextualising the global Sustainable Development Goals (SDGs).

Within the environment pillar, a specific policy goal has been included for climate change and disaster resilience. The goal is for 'A strong and resilient nation in the face of climate change and disaster risks posed by natural and man-made hazards'. Five policy objectives are detailed within this.



- Env 3.1 Institutionalise climate change and disaster risk governance, and build institutional capacity and awareness.
- Env 3.2 Improve monitoring and early warning systems.
- Env 3.3 Strengthen post-disaster systems in planning, preparedness, response and recover.
- Env 3.4 Promote and ensure strengthened resilience and adaptive capacity to climate-related, natural and man-made hazards.
- Env 3.5 Access available financing for climate change adaptation and disaster risk management.

The development of the NSDP and the inclusion of this specific climate change policy goal aligns with the recommendation within the 2014 CPEIR Report, to integrate climate change as a cross-cutting development issue at the highest national level. This now provides an overarching framework for climate change and disaster resilience to be integrated across all sectors going forward.

It is notable that environment policy objective 3.5 sets out a clear goal to access available financing and provides the basis for undertaking this current review. This prioritisation of climate change financing has also been reflected in the Vanuatu 2018 Budget Policy Statement under Priority Outcome 6, which details the goal of 'Improved climate change adaptation and disaster management governance and practices, particularly the ability to leverage access to further donor financing in these sectors'. As such, the national Government, across key agencies, including the Ministry of Climate Change Adaptation (MCCA), Ministry of Finance and Economic Management, and the Department of Strategic Policy, Planning and Aid Coordination (DSPPAC) within the Prime Minister's Office (PMO), are presenting a coordinated position on climate change as a national and cross-cutting priority for Vanuatu.

In terms of the NSDP, it is also pertinent to point out the society pillar and the inclusion of society goal 3 for social inclusion, which states 'An inclusive society which upholds human dignity and where the rights of all Ni-Vanuatu, including women, youth, the elderly and vulnerable groups are supported, protected and promoted in our legislation and institutions'. This is notable in reference to the gender and social inclusion component of this review and mainstreaming of this within the climate change space. As with climate change and disaster resilience, the NSDP provides the national framework for considering social inclusion within every sector. Further discussion of this is undertaken in the Gender and Social Inclusion Analysis in Section 7.

2.2.2 Vanuatu Climate Change and Disaster Risk Reduction Policy

The imminent development of the Vanuatu Climate Change and Disaster Risk Reduction (CCDRR) Policy was highlighted in the 2014 CPEIR Report and this policy was officially launched in 2016. It exists as Vanuatu's first national climate change policy. In line with the NSDP, the CCDRR Policy stipulates the vision 'Vanuatu is a resilient community, environment and economy'. The policy sets out six strategic priority areas, including governance; finance; knowledge and information; climate change adaptation and disaster risk reduction; low carbon development; and response and recovery. It also identifies five cross-cutting issues of capacity building; gender and social inclusion; multi-hazard approach; partnerships; and mainstreaming. As previously mentioned, the CCDRR Policy is an integrated policy, bringing together climate change adaptation, disaster risk reduction, low carbon development and response and recovery. A diagram of the structure of the CCDRR Policy is presented in Figure 1.

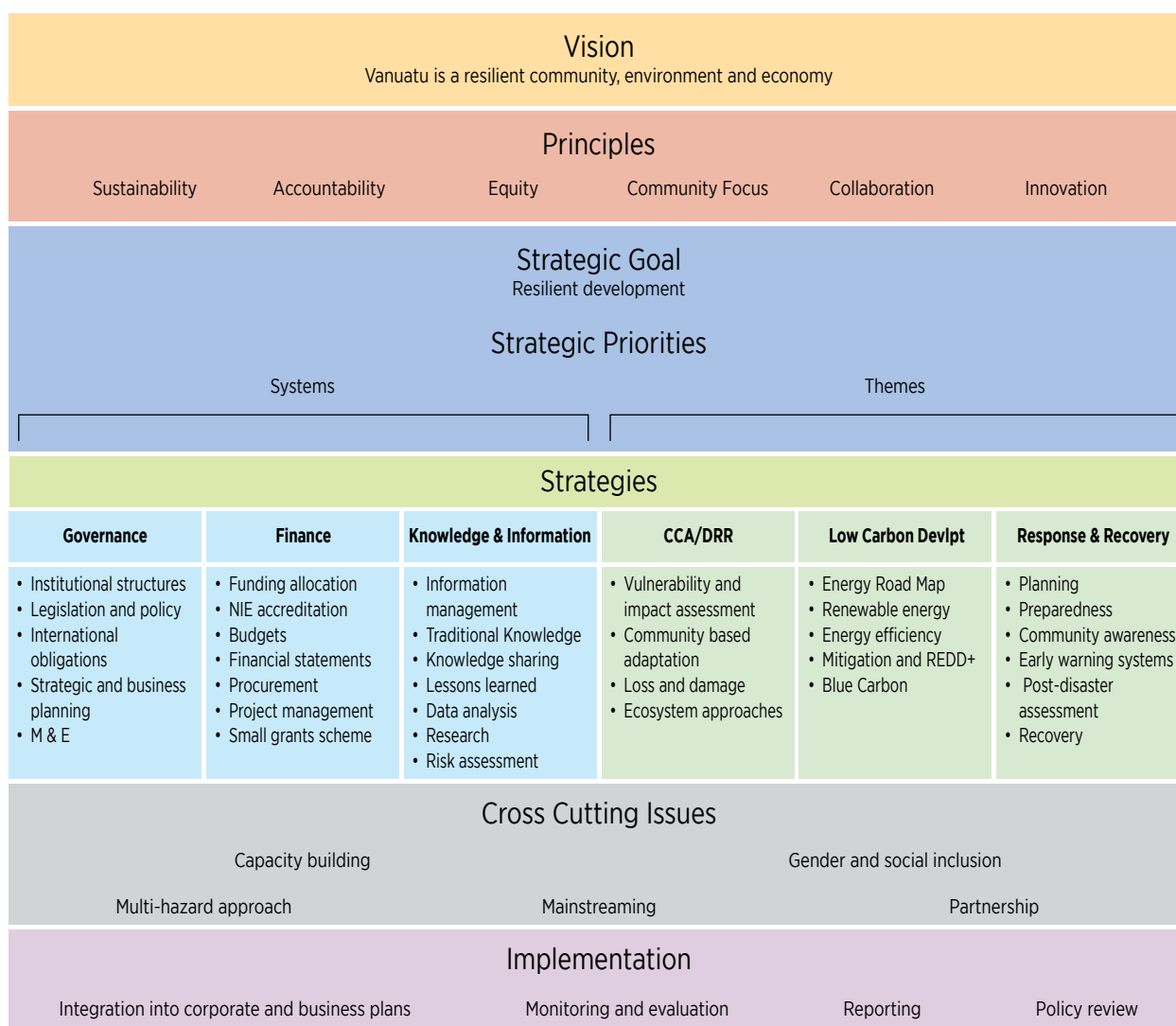


Figure 1. Structure of Vanuatu's CCDRR Policy

The policy outlines a number of specific actions under each of the six strategic priority areas. Like the NSDP, there is a dedicated priority area for finance and gaining direct access to the Green Climate Fund (GCF) through National Implementing Entity (NIE) accreditation. The strategic priority areas and corresponding actions have been placed in a stand-alone Summary of Actions document that can be easily referred to. However, a costed implementation plan does not currently exist to support the resourcing of these actions.

Based on similar assessments in other PICs, it is often the implementation of the policy and being able to effectively monitor this implementation that becomes challenging for national governments. This is largely due to the cross-cutting nature of the policy and the actions contained within and the need for effective coordination and communication across many sectors. Vanuatu's coordination mechanism, the National Advisory Board on Climate Change and Disaster Risk Reduction (NAB) will be discussed further in the Institutions Analysis in Section 5.

It is noted that the intention is for the policy to be integrated into corporate and business plans of all ministries and line agencies and, in doing so, budgets should also be allocated to this work. However, given the current lack of both an M&E framework for the policy and only one M&E staff member within the MCCA Project



Management Unit, these present constraints on effectively monitoring this integration and evaluating activity implementation progress. Commencing this process within the various MCCA departments would be a recommended first step. This should be undertaken in conjunction with the development of an M&E framework for the CCDRR Policy (discussed in the section below).

2.2.3 Other National Climate Change-Related Policies

The 2007 National Adaptation Programme of Action (NAPA) is discussed in detail in the 2014 CPEIR Report, thus will not be presented in depth here. Discussions are already in place to start the development of a National Adaptation Plan (NAP) for Vanuatu, which will provide a timely update to the NAPA. The CPEIR Report provided the following recommendations, with reference to the development of a NAP:

- include specific adaptation strategies and actions based on local risk analysis, rather than list potential scenarios and adaptation options broadly;
- provide for a process of community engagement, and include community adaptation strategies; and
- take account of social and gender inclusiveness in the adaptation options.

These recommendations are supported by this current review. Given Vanuatu's priority for ensuring that climate change finance reaches the local and community level, a dedicated process for ensuring identification and integration of local adaptation priorities into national planning processes is essential. NAP processes could also support capacity building for local NGOs and CSOs in order to build their readiness for effectively managing increased climate change finance flows. The NAP process must be inclusive and be transparently led by the NAB and build on other planning processes, such as the NDC, the Vulnerability Assessment Framework and the Country Programme under the GCF Readiness Program and provincial strategies and plans.

In the area of climate change mitigation, Vanuatu has a National Energy Roadmap 2016-2030, which was first endorsed in 2013 and was updated in 2015. This update includes Green Growth as a new priority area for Vanuatu and the Roadmap also now highlights climate change as one of five priority areas for the energy sector. In conjunction to this, Vanuatu has its NDC and Nationally Appropriate Mitigation Actions (NAMA) defined in the document 'Rural Electrification in Vanuatu'. These policies complement the Low Carbon Development objectives included within the CCDRR Policy. The establishment of a Green Energy Trust Fund is currently under discussion between the Global Green Growth Institute, Department of Energy and Department of Finance and Treasury, as an opportunity to channel dedicated resourcing to Vanuatu's energy priorities as outlined in the Energy Roadmap and the other policy documents mentioned here.

While the focus of this report is largely on climate change, a brief mention will be made of the disaster-related policy frameworks, given their undeniable linkages with climate change and climate change financing. Vanuatu's National Action Plan on Disaster Risk Reduction and Disaster Management 2006-2016 is currently being reviewed and updated. This will align with the recent review of the National Disaster legislation that aims to provide a strengthened legislative environment for disaster management in light of lessons learned from recent Tropical Cyclone Pam. The National Disaster Management Office (NDMO) is also working closely with the International Organisation for Migration (IOM) on a draft National Policy on Climate Change and Disaster-Induced Displacement. The aim of this policy is to reduce the impacts of internal displacement stemming from disasters and climate change. This will act as an overarching framework to help inform mainstreaming of this issue into sectoral policies. This is a proactive initiative and one of only a few examples in the region of a national level policy on climate change-related displacement issues. Given the complexities and sensitivities of this issue, it will also be important to ensure this policy aligns with (and does not duplicate) similar initiatives being nationally undertaken. This includes current work by the Ministry of Lands and Natural Resources in conjunction with the World Bank, looking at sustainable social housing and issues of resettlement.

Finally, the Vanuatu National Environment Policy and Implementation Plan 2016-2030 should also be mentioned,



given Vanuatu's legislative mandate within the Environmental Management and Conservation (Amendment) Act No. 28, which specifies the consideration of climate change adaptation and mitigation issues within the scope of all environmental management activities. As such, this policy includes climate change as a key policy objective area and stipulates supporting the implementation of the CCDRR Policy and mainstreaming CCDRR into policies, strategies, budgets and planning at all levels. Notable, this environment policy includes an implementation plan with targets, proposed activities, indicators and key partners. This provides an example of how national policies could include these as standardised elements, to assist in the appropriate resourcing and monitoring of policy objectives.

2.2.4 Sectoral Integration of Climate Change

As per the previous discussions on the NSDP and CCDRR Policy, Vanuatu has made significant progress since 2014 in bringing climate change to the fore as a cross-cutting issue. With these relatively new national policies now in place, it will be important to ensure their objectives are reflected in updates to sectoral plans and policies going forward.

The CCDRR policy highlights a number of sectoral policies where mainstreaming of CCDRR has been successful, including the National Forest Policy, Agriculture Sector Policy, and the National Curriculum Statement, as some examples. It also details the need for undertaking multi-sector impact assessments and adopting multi-sectoral approaches. It is beyond the scope of this review to provide an in-depth analysis of each of the sectoral policies that exist in Vanuatu and the mainstreaming of climate change within these. Nevertheless, it is recommended that sectoral policy makers are encouraged to include not only a narrative around the impacts of climate change on the sector, but also tangible and costed actions that align with both the CCDRR policy and the NSDP. This will strengthen the sectoral ownership of progression towards solutions for these cross-cutting issues. The development of a NAP process can also complement this, by ensuring adaptation is mainstreamed throughout sectors, as well as at a sub-national level within provincial and area council development or sector-based plans.

2.3 Agency-level Policies and Planning for Climate Change

The 2014 CPEIR Report highlighted the need for an approved long-term corporate plan to help the MCCA become strategic in driving the climate change policy agenda across Government. A number of initiatives have been put in place that address this concern. Specifically, the Ministry of Climate Change Adaptation Corporate Plan 2016-2018 has been developed, detailing objectives, activities, funding needs, human resources and indicators to guide the work of the Ministry from 2016 through to 2018. Furthermore, the MCCA 2016 Annual Report compliments this Corporate Plan by providing a comprehensive review of Ministry planning in 2016 and some of the challenges and opportunities for the Ministry. These provide the foundation for a greater focus on strategic planning, as well as enabling stronger linkages and alignment of work across the various departments. The CPEIR Report also identified the need for a standardised data management system within the Ministry to support evidence-based policy making and prioritisation. This is still a work in progress and is recommended as an integral part of effective monitoring and evaluation for the Ministry.

With climate change financing a key strategic priority of the CCDRR Policy, the NAB Secretariat, in conjunction with a number of partners, has developed and recently endorsed a Climate Finance Roadmap (CFR). This document maps out priority outputs and activities and key partners who are currently supporting these initiatives. This current climate change finance review will also contribute to this Roadmap. Progression of activities within the Roadmap is also being supported through Technical Assistance provided by the Commonwealth Secretariat, DFAT/ GIZ, USAID, PIFS and the development of standard operating procedures, guidelines and handbooks to assist in streamlining processes within MCCA for more effective climate change finance management. The NAB recently established a Climate Finance Working Group that oversees and progresses activities under the Climate Finance Roadmap.



2.4 Monitoring and Evaluation for Climate Change

Effective monitoring and evaluation (M&E) of climate change activities is a consistent challenge across many Pacific Island countries due to limited human capacity, technical and financial constraints, among a number of other issues. It also requires effective coordination across key agencies, such as central development planning and climate change entities, especially when these are separate ministries as is the case in Vanuatu.

The Implementation and Monitoring Framework for the National Sustainable Development Plan 2016 to 2030 was recently launched. This provides the necessary indicators, targets and outcomes for all NSDP policy goals and objectives, including the relevant climate change and disaster resilience objective. Yearly evaluation of the NSDP will continue to be reflected in the Annual Development Reports produced by DSPPAC, and there are also plans to establish a scorecard snapshot on the DSPPAC website to provide a visual depiction on progress within each of the NSDP pillars. The finalisation and implementation of this Implementation and Monitoring Framework will provide important guidance for the development of the CCDRR Policy M&E framework. Effectively aligning the indicators will result in reduced duplication and more streamlined reporting.

The lack of an M&E framework for the CCDRR Policy and a vacant M&E position in the NAB Secretariat have already been identified as key constraints within a number of recent planning and assessment documents (including the CPEIR Report, the recent NAB Capability Assessment, the MCCA Corporate Plan and the Climate Finance Road Map). The Project Management Unit (PMU) in MCCA currently has two occupied M&E positions assigned with the Increasing Resilience to Climate Change and Natural Hazards (IRCCNH) Project and the Vanuatu Coastal Adaptation Project (VCAP). The IRCCNH project is administered by the World Bank, whilst UNDP administers the VCAP. However, there is an urgent need for both dedicated capacity and standard frameworks and processes to be established within the Ministry.

A similar issue highlighted in the 2014 CPEIR Report is the lack of impact analysis that exists for the many climate change-related development projects that have been implemented in Vanuatu over the years. This is a common challenge across Pacific Island countries and links to issues of monitoring and evaluation, as well as coordination and tracking of different climate change funding flows (discussed in the Funding Source Analysis in Section 3). This is an ongoing challenge; however the establishment of the M&E Unit in the Prime Minister's Office, the development of the NSDP and the finalisation of the Implementation and Monitoring Framework for this, as well as Vanuatu's current and ongoing discussions around the need to better track climate change financing, all indicate important progress in this regard.

2.5 Recommendations

1. Utilise the NSDP M&E framework to guide the development of an M&E framework for the CCDRR Policy, as a project management tool that includes and recognises the role of all actors and ensures all stakeholders are informed of the process.
2. As part of the CCDRR Policy Framework, ensure a process to track the integration and implementation of relevant CCDRR activities within other sectoral policies.
3. Strengthen sectoral policy inclusion of CCDRR to mainstream CCDRR as a cross-cutting priority issue.
 - a. Future updates to and development of new policies should also include actions, targets, indicators and costings as standardised components.
 - b. Policies should specifically highlight the linkages with other sectoral policies and with the NSDP to ensure a coordinated approach.



4. Progress with the development of a data management system within MCCA to provide necessary support for developing M&E processes and more efficient reporting.
5. Ensure consideration of the CPEIR recommendations relevant to the development of a NAP. In particular, the need to ensure community engagement and identification of local-level adaptation priorities within national processes, as well as comprehensive gender and social inclusion processes. The NAP process must be inclusive and be transparently led by the NAB and build on other planning processes, such as the NDC, the VAF and Country Program under the Readiness Program and provincial strategies and plans.





3 Funding Source Analysis

Key Messages:

- Since 2013 until mid-2017, Vanuatu has had about 63 per cent of its climate change finance from multilateral sources, while 37 per cent from bilateral channels. The main multilateral sources for climate change-related activities include the World Bank, Asian Development Bank (ADB), Global Environment Facility (GEF) and, most recently, GCF. Australia is Vanuatu’s largest bilateral donor for climate change followed by Japan, China and New Zealand.
- Vanuatu currently receives climate change funding primarily as grants, concessional loans and technical support.
- Over the past 3–5 years, approximately 21.4 billion Vatu (-USD200 million) was approved for climate change-related activities in Vanuatu from a wide range of sources.
- 89 per cent of funds accessed were for climate change adaptation, 9 per cent for mitigation and 2 per cent for others.
- Infrastructure-related response to TC Pam and climate proofing of major roads and wharves account for 56 per cent of the funds accessed. Environment (including agriculture, water resources management, biodiversity and conservation) benefitted from 27 per cent, and energy (8 per cent) as top three beneficiary sectors.



3.1 International Climate Change Finance Landscape

Although there has been significant commitment to increase the flow of climate change finance from developed to developing countries to USD100 billion per year by 2020, improved access to these climate change financing sources remains a key challenge for PICs. This is due to the complexity and variety of requirements imposed by these climate change funding sources, which may cause duplication of efforts at the national level. Traditional multilateral and bilateral financing intermediaries, such as the World Bank, the Asian Development Bank and UN Agencies have played an important role in distributing and channelling climate change finance to Vanuatu. However, direct access has been limited by Vanuatu’s inability to meet the strict fiduciary standards required by international climate change funders.

Having a better understanding of climate change finance flows is essential to addressing the constraints of developing countries, such as the Pacific region in the development of climate change financing opportunities. The commitment to increase the flow of climate change finance from developed to developing countries has added to the already existing complexities of the global climate change finance landscape. For the Pacific, a total of USD 748 million in finance was reported to have been committed between 2010 and 2014, targeting climate change activities (WRI, 2017)².

Figure 2 below depicts the global financial flows from various sources through bilateral and multilateral mechanisms, including the private sector in the forms of grants and loans that are related to climate change activities. For the purpose of the ‘funding sources’ analysis of this review, it is to be noted that ‘bilateral sources’ refers to institutions and countries that provide direct assistance to Vanuatu, which are usually specific and clearly defined. For ‘multilateral sources’, institutions identified, such as the World Bank, ADB and UN Agencies, are generally classified as multilateral funding sources due to their executing and facilitating roles in large infrastructure projects. Technically, some of these projects are co-financed by other partners and supported by financial institutions or lending arms of these multilateral organisations. Therefore, this is an area that will require thorough review before any funding through these multilateral channels is reported.

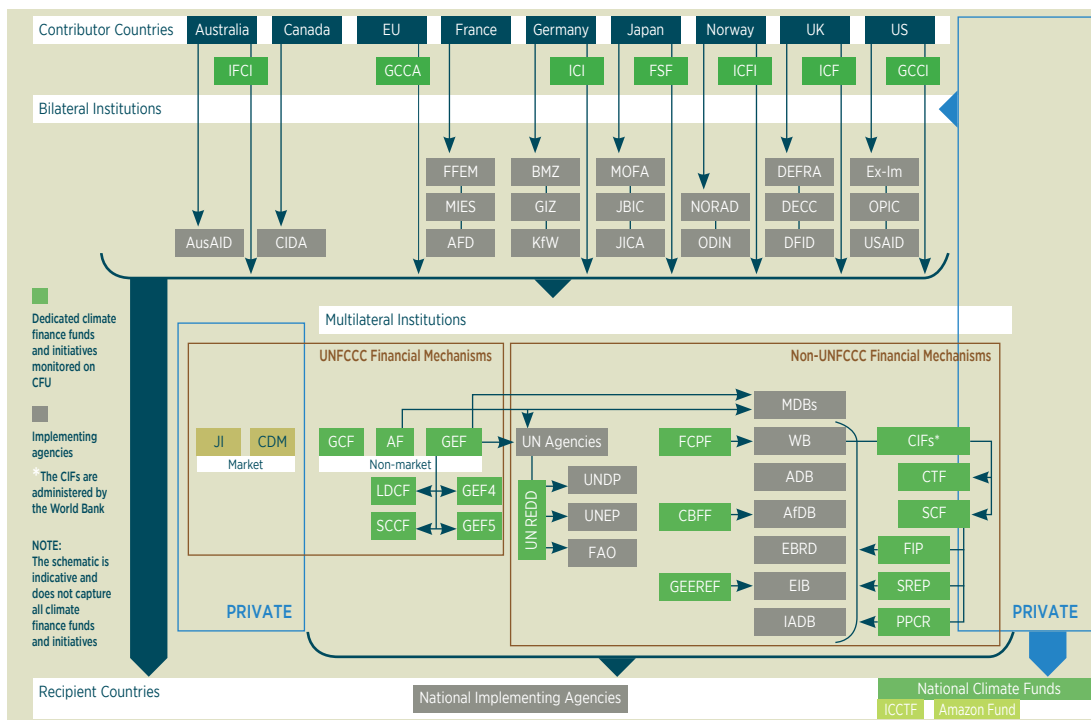


Figure 2. Global Architecture of Climate Finance

Source: Climate Funds Update

² Stockholm Environment Institute, WP 2017-04



3.1.1 Bilateral – Existing and Emerging Sources

A large share of public climate change finance is bilaterally accessed, administered largely through traditional development agencies. Australia is Vanuatu's largest bilateral donor for climate change followed by Japan, China and New Zealand, according to the analysis of bilateral sources from 2014 to present.

Australia has directly supported major activities in Vanuatu, relating to the Recovery and Development Program, Roads for Development Program, Water, Sanitation and Hygiene (WASH) in schools, and through regional projects, such as the Pacific Risk Resilience Program (PRRP), Pacific-Australia Climate Change Science and Adaptation Planning (PACCSAP) programme, Governance for Growth Program and the Pacific iCLIM Project.

Germany has supported Vanuatu in CC activities since 2009 through various programmes, including an adaptation-focused SPC-GIZ joint programme, a GIZ-European Union (EU) Adaptation to Climate Change and Sustainable Energy programme, a GIZ- International Union for Conservation of Nature (IUCN) Marine Adaptation programme, a GIZ-SPC REDD+ programme and, most recently, Germany has provided support through a GCF Readiness programme and a DFAT-GIZ Climate Finance Readiness for the Pacific Project. Most of the German climate finance is channelled through regional modalities (most programmes are regional).

The Government of Japan provided support for the installation of Himawari satellite receiving system to obtain more frequent and clear satellite weather information through the Vanuatu Meteorology and Geo-Hazard Department. Other projects supported include the development of the Port Vila Lapetasi International Multipurpose Wharf through the Ministry of Infrastructure and Public Utilities and Poverty Reduction Program through the Prime Minister's Office. These are climate proofed.

China supported Vanuatu through a concessional loan for road upgrading in Tanna and in North Malekula while New Zealand has provided funding for the Tourism Infrastructure Project, Pacific Risk Tool for Resilience (PARTner Project) and co-financing for the Vanuatu Rural Electrification Project (VREP). Other bilateral donors that have provided funding for renewable energy, climate change adaptation and natural resource management and community preparedness in Vanuatu include the European Union, United Arab Emirates, United States of America, Germany and France.

There are opportunities for climate change funding for Vanuatu under the new Australian support to Pacific countries over four years (2016-2020) to help build climate resilience, reduce emissions and support the implementation of commitments under the Paris Agreement. A total of AUD300 million has been committed for this work. In addition, there is scope for Vanuatu to explore and leverage emerging sources of financing, such as the private sector facility of the Green Climate Fund, non-DAC³ donors (China and India) and philanthropic sources and foundations.

3.1.2 Multilateral – Existing and Emerging Sources

The World Bank is the largest multilateral source for Vanuatu and has implemented a range of climate change-related projects, such as the reconstruction and improvement of public assets damaged by Tropical Cyclone (TC) Pam, institutional strengthening and support of the energy sector and the Vanuatu REDD Plus Readiness Project. ADB is the second largest multilateral source and supports the Port Vila Urban Development project to improve drainage, roads and sanitation systems that would contribute to climate-resilient and sustainable urban development. A feasibility study on the development of hydro-power stations on Malekula and Santo was also supported by ADB, including the upgrade of port facilities in Port Vila with improved berthing facilities. ADB, through the Regional Technical Support Mechanism funded from the regional programme of the Pilot Programme for Climate Resilience (PPCRP) has also supported Vanuatu through the provision of technical assistance to develop a proposal to the Green Climate Fund.

² Stockholm Environment Institute, WP 2017-04



The Green Climate Fund (GCF) has become the newest channel through which international public climate change finance will flow over time. In 2016, a grant of USD23 million was approved by GCF for a climate services project in Vanuatu. The implementing entity for this Project is the Secretariat of the Pacific Regional Environment Program (SPREP) and it is executed by the Government of Vanuatu through the Vanuatu Meteorology and Geo-hazards Department.

Similarly, GEF has been supporting Vanuatu in a number of environmental sustainability initiatives, such as the integrated sustainable land and coastal management; coastal zone adaptation and community resilience to climate change and natural hazards; Vanuatu's National Communications to the UNFCCC, as well as the Intended Nationally Determined Contribution (INDC). Other UN Agencies, such as the World Meteorological Organization (WMO) and Food and Agriculture Organisation (FAO), as well as other countries, such as Germany and Australia are supporting Vanuatu with the TC Pam recovery programme. Agencies, such as the Australian Bureau of Meteorology supported the set-up of a Climate Data for the Environment (ClIDE) database. Other multilateral support is geared towards the construction of a 2.75 MW wind farm on Efate Island by the European Investment Bank and technical support by Global Green Growth Institute to the Department of Energy.

Alternatively, the setting up of a National Climate Change Fund for Vanuatu as a mechanism for pooling all climate change funds could add value and help reduce the burden of recording, disbursing and reporting to the already limited capacities that exist in the central agencies of Government. This could also attract donors' direct support, hence strengthening coordination and a multi-stakeholder approach that would lead to improved systems and processes. However, it will require proper consultation with the necessary stakeholders, including the Ministry of Finance and Economic Management to ensure it does not divert public funds from other social priorities of the Government.

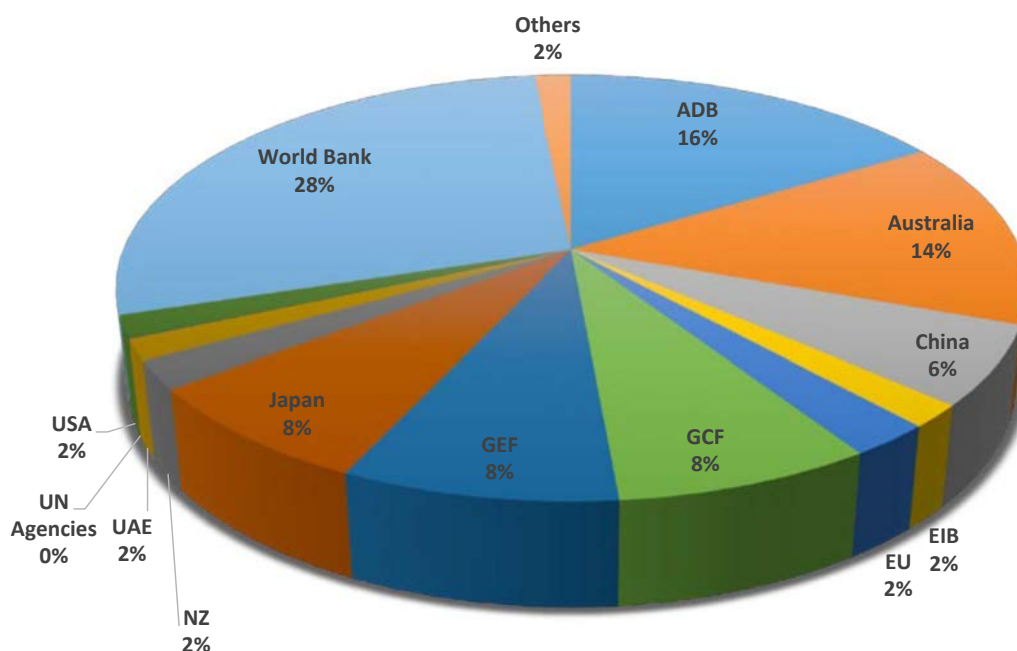


Figure 3. Key Bilateral and Multilateral Sources for Climate Change-Related Funding to Vanuatu (2014-2016)



3.2 External Climate Change Funding in Vanuatu

3.2.1 Funding Modalities for Climate Change

Vanuatu currently receives climate change funding primarily as grants, concessional loans and technical support. These funds and assistance are either channelled through the Government financial system that can be tracked or provided directly to the beneficiaries through an implementing organization which is, without the proper reporting mechanism, outside the Government of Vanuatu’s purview. Additionally, the risks associated with these modalities (also common to other PICs), include double counting of climate change funding by source donors, intermediaries and on-ground implementing agencies. Many community groups, NGOs and private sector organisations, including some donors will continue to prefer direct access to funding, recognising the bureaucratic processes of government financial systems. This is unavoidable but important to ensure that reporting of such support feeds to the national budget planning processes. Lack of a common definition and understanding of climate change finance constitutes major concern of what counts and what should be reported. As a result, the format and level of detail presented to the Government of Vanuatu is different, making it more challenging to find consistency.

3.2.2 Amount of Funding Accessed and Bilateral vs Multilateral

Around 78 climate change-related projects with clear national allocations to Vanuatu were reviewed for the period 2014 to present from a range of sources, including the 2014-2016 Annual Budget Estimates, Aid Coordination Unit and project information from development partners. Regional projects with unclear national allocations for Vanuatu were not counted. Over the past 3–5 years, approximately 21.4 billion Vatu (-USD200 million) was approved for climate change-related activities in Vanuatu from a wide range of sources.

It is important to underscore that there are a number of large multi-million resilient infrastructure projects, which may inflate the reported figures. Also, it is not clear how much of these approved funds have actually been disbursed to Vanuatu or expended.

It was also noted that the funds accessed were largely in the form of grants and aid-in-kind (88%) and concessional loans (12%). Vanuatu’s experience is unique from other PICs because there is a large focus on concessional loans.

The estimated volume of funding related to climate change for Vanuatu was calculated by weighting the individual project according to the proportion of climate change relevance from a scale of 0-100%. This methodology is in accordance with the CPEIR and PCCFAF Methodologies (see Appendix 2) and consistent with past assessments conducted in other PICs.

Appendix 2 provides a guide on how the weighting is carried out, which is also applicable to the expenditure analysis in the Report. A list of selected climate change-related projects are provided as Appendix 6. From Figure 4 below, about 63 per cent of the total weighted value of climate change projects were funded by multilateral sources and the remaining 37 per cent by bilateral sources.

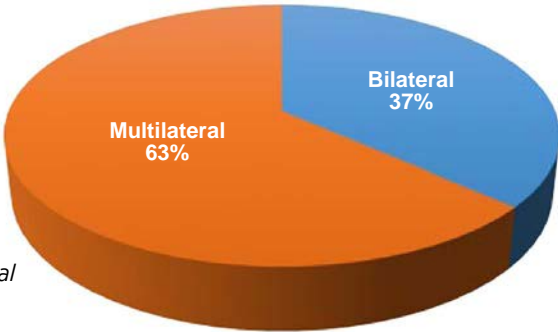


Figure 4. Bilateral versus Multilateral Breakdown (2014-2016)



3.2.3 Adaptation and Mitigation

Climate change is likely to impact all sectors in Vanuatu, including agriculture, water, coastal and marine resources, infrastructure and tourism. Of the climate change finance accessed during 2014–2016, 89 per cent has been for climate change adaptation activities while 9 per cent was for mitigation activities. The other 2 per cent was related to disaster risk reduction and supporting mechanisms for mitigation and adaptation, such as capacity development, institutional and systems strengthening and governance (see Figure 5). This is in line with Vanuatu’s priority where adaptation is the immediate issue. Adaptation expenditure is high because of the large capital infrastructure projects that focus on port development, road infrastructures, sustained livelihoods and increased food security.

Although a large share of funding has been for adaptation activities, Vanuatu has continued its efforts in the reduction of greenhouse emissions through renewable energy, energy efficiency and conservation. The Vanuatu National Energy Roadmap 2016–2030 implemented by the Department of Energy has provided a strategic direction on energy, including climate change mitigation through increased use of renewable and geothermal energy and promoting sustainable uses of land and forests. The NDC target of Vanuatu also focuses on renewable energy and the cost for implementing the conditional NDC targets is at least USD400 million.

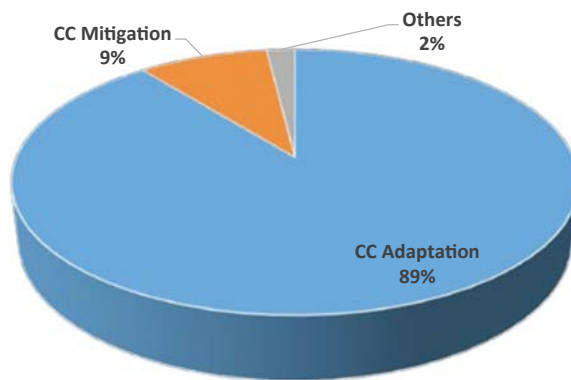


Figure 5. Breakdown of Climate Change Adaptation and Mitigation Funding Based on the 78 Projects (2014–2016)

3.2.4 Sectoral Funding

Sectoral funding was aligned to the key sectors in the Peoples Plan 2030. In Figure 6 below, a large share of climate change financing has been focused on infrastructure (56%). This is due to TC Pam recovery programmes and investment in major roads and wharves improvement works. Sectors, such as environment, which include agriculture, water resources management, biodiversity, conservation (27%) and energy (8%) received a fair share of financing, while the tourism, social, energy, health, education, forestry, governance and ICT sectors received between 1 per cent and 3 per cent of the total funding.

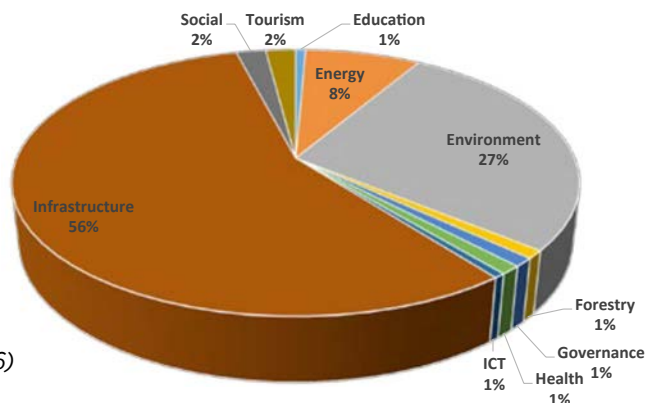


Figure 6. Beneficiary Sectors (2014–2016)



3.2.5 Climate Change Support Reflected On-Budget vs Off-Budget

Information gathered from various sources (the Government of Vanuatu Program Budget Estimates, Aid Coordination Unit database, NAB Secretariat record and key development partners) show that only 42 per cent of climate change-related funding are tracked and reported in the government financial system. The off-budgeted financing of 58 per cent could have utilised other modalities, such as Technical Assistance provided by some donors, or direct funding to implementing agencies like NGOs, line ministries, private sector and community-based organisations (refer to Figure 7). This is a broad representation of all climate change finance accessed between 2014 and present and a common observation from completed assessments in other PICs.

Without robust tracking, monitoring and reporting systems, funding that falls outside the direct purview of the Government budget poses a challenge for the Government to coordinate, provide oversight and sustain pilot activities beyond the timeframe of projects. At the same time, inadequately tracked financial flows are a disadvantage to the donors and implementing agencies because their efforts will not be reported and recognised by the Government.

Nevertheless, the review has also noted that, in reality, some line ministries, NGOs and Community-Based Organisations (CBOs) will still prefer to have direct interaction and access to donor funds for climate change and disaster resilience. This is recognition of bottlenecks within the processes for drawing down on project funds from the Ministry for Finance, which may delay the implementation of projects. Whilst the Government prefers all future CCDRM projects to be channelled through the government system, there will be some funding and/or technical assistance that would best be delivered directly to line ministries, NGOs or CBOs. The key issue is to report those funding or value of technical support through to the NAB coordination mechanism and the DSPPAC Aid Coordination Unit so that they are captured, tracked and reported in the government budget planning process.

In addition, the Government is faced with the challenge of adequately recording and monitoring all climate change finance sources due to resource constraints. There is a need for additional support to strengthen coordination of key government agencies in climate change finance and upgrading its central aid database housed with the Aid Coordination Unit within DSPPAC.

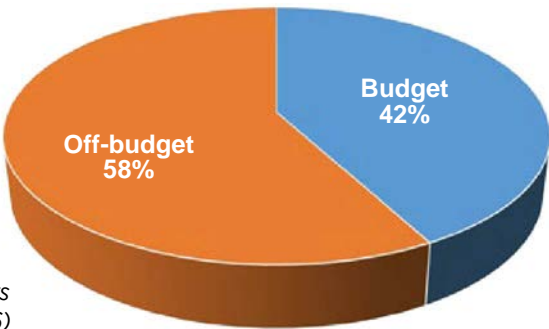


Figure 7. Climate Change-Related Projects Identified in the Budget vs Off-Budgeted Projects (2014-2016)

3.3 Domestic Climate Change Funding

The objective of the CCDRR Policy 2016-2030 in relation to finance is to ensure that adequate resourcing is available for climate change and disaster risk reduction activities, build financial capacity to manage resources and enable access to increased international funding. It is also expected that robust financial systems are in place and operating effectively for Vanuatu to gain access and ensure accountability in managing climate change and disaster risk reduction funding. These objectives could only be effectively achieved with commitment from all levels of Government and stakeholders, and with the support of development partners and donors.



The establishment of NAB is critical and a key component in the governance of climate change finance where it is responsible for policy formulation and advice to the Government of Vanuatu on climate change and disaster risk-related matters. Its role also includes facilitation and endorsing new Disaster Risk Reduction (DRR) and CC initiatives, projects and programs and coordinating the development of national climate change finance processes.

More recently, the Global Green Growth Institute (GGGI) and the Government of Vanuatu embarked on a joint-initiative aimed at accelerating financial flows to increase electricity access in off-grid areas, renewable energy and energy efficiency investments in furtherance of the country's NDC under the Paris Agreement. In June this year, the Vanuatu Council of Ministers formally approved the National Green Energy Fund's design and overall structure, including the establishment of a task force. The National Green Energy Fund (NGEF) Task Force comprises the Prime Minister's Office, the Ministry of Climate Change Adaptation, Ministry of Finance and Economic Management and the Ministry of Internal Affairs with GGGI acting as the Government advisor, providing support on fund design and technical aspects.

3.4 Recommendations

1. Have a clear definition of 'climate finance' for budget tagging and ensure that this is understood by all stakeholders.
2. Support Government aspirations that a larger share of climate change-related funding and climate change funding information are channelled to the government financial system by donors and development partners in alignment with national policies and plans. Where funds are directly accessed by NGOs, private sector, community-based organisations or line ministries, ensure that the information is reported to inform the national budget planning process.
3. Develop tracking, monitoring and reporting instruments to account for off-budget finance flows (e.g. direct technical assistance to line ministries to supplement Government capacity in areas that require specialised expertise, or direct implementation by civil society in vulnerable communities).
4. Improve coordination and information sharing between central line agencies, such as the Aid Coordination Unit within the Prime Minister's Office, Ministry of Finance and Economic Management and the Ministry of Climate Change Adaptation.
5. Strengthen and develop capacity of existing staff handling climate change finance in key central agencies at the national and sub-national level, in accordance with the overall public service human resource development plan.
6. Progress with a climate change financing tracking tool to better monitor the receipt and disbursement of climate change finance.
7. Strengthen existing financial accountability systems to ensure that these systems are operating effectively and efficiently to support decision making, relating to climate change financing.
8. Explore potential financing opportunities for new climate change project proposals with non-traditional donors and the private sector through public-private partnership.
9. Develop and strengthen existing systems to ensure that all stakeholders, including the communities are aware of the processes for developing climate change proposals that are to be externally funded.
10. Incorporate climate change finance issues in the proposed Aid Policy for Vanuatu and strengthen the existing development assistance database to be able to effectively record all climate change-related funding.
11. Set up a national climate change fund for Vanuatu as a mechanism for pooling all climate change funds to add value and help reduce the burden of recording, disbursing and reporting to the already limited capacities that exist in the central agencies of Government. The proposed national green energy fund is a good step in that direction.



4 Public Financial Management and Expenditure Analysis

Key Messages:

- If the Government is keen to pursue National Implementing Entity (NIE) accreditation, it will require robust PFM systems to be put in place. These systems include both basic fiduciary responsibilities, such as planning, budgeting, procurement, controls, auditing and reporting – among other things – and specialized fiduciary requirements in the form of project management procedures.
- The Government of Vanuatu's PFM System is well regarded around the region, having displayed a willingness to pursue and implement significant reforms in recent years. The Government has undertaken a number of reviews, including a 2013 Public Expenditure and Financial Accountability (PEFA) Assessment and, more recently in 2015, a PEFA Self-Assessment. These have led to the launching of a PFM Roadmap for 2017-2021.
- Vanuatu continues to perform well in managing its overall budget despite the pressures TC Pam had recently imposed. The Budget has reasonable credibility, which reflects positively on MFEM capacity in relation to budget credibility of the PFM system.
- In terms of meeting GCF NIE fiduciary standards, the key administrative and financial capacities are being addressed by either the PFM Roadmap or the Climate Finance Roadmap or, in some cases, both. However, there is limited action on a number of transparency and accountability requirements. There is a need to develop i) a code of ethics; ii) disclosure and conflict of interest policies; iii) policies to deal with financial mismanagement and malpractice; iv) an investigation function; and v) actions to put in place anti-money laundering and anti-terrorist financing.
- Despite prioritising climate change in policy statements and political interventions, the average government expenditure on climate change-related expenditure for 2012-2016 was only 7.6 per cent vs non-climate change-related expenditure (e.g. health, education, etc.) of 92.4 per cent. However, this is common across other PICs and is at the higher range of the trend in other PICs already assessed.



4.1 Importance of PFM to Climate Change Finance and NIE Accreditation

In the Pacific, Public Financial Management reform is being increasingly linked with PIC efforts to achieve direct access to global climate funds. It has, to a certain degree, elevated PFM reform from being seen as a “finance” issue to, more appropriately, being viewed as a “governance” issue. As such, the Public Financial Management (PFM) reform efforts are now able to gain broader support as they are seen as being able to deliver tangible benefits, such as direct access to global climate funds.

For PICs, PFM reform is an end in itself. It provides many benefits, including increased efficiency and effectiveness in the delivery of public services and greater accountability in the delivery of these services. These are among the requirements that contributors to global climate funds demand in ensuring funds are appropriately used.

Access to two of the most prominent global climate funds, the Adaptation Fund and the Green Climate Fund (GCF) can only be achieved through an accredited entity. Accredited entities can take a number of forms, such as a Multilateral Implementing Entity (e.g. World Bank, ADB and UNDP), a Regional Implementing Entity (e.g. SPREP) or a National Implementing Entity (e.g. Micronesia Conservation Trust in FSM and Fiji Development Bank). Accredited Entities (AEs) must meet stringent fiduciary standards as part of the accreditation process.

Where Government entities seek accreditation as National Implementing Entities (NIEs), this then requires robust PFM systems to be put in place. These systems include both basic fiduciary responsibilities, such as planning, budgeting, procurement, controls, auditing and reporting – among other things – and specialized fiduciary requirements in the form of project management procedures.

The purpose of this section is to look at the PFM system in Vanuatu through a climate finance lens to see how the system can access and effectively use this finance. The review builds on the assessment from the 2014 CPEIR⁴, which had as its focus accreditation to the Adaptation Fund (AF). While accreditation to the AF is still important, the accreditation to the Green Climate Fund, with its much greater financial resources, has become the new focus. It is also important to recognise that although the emphasis of the assessment is on climate finance, the observations and recommendations apply more generally to the access to and use of development finance.

4.1.1 The PFM System in Vanuatu (PFM Reforms and PFM Roadmap)

The Government of Vanuatu’s PFM System is well regarded around the region, having displayed a willingness to pursue and implement significant reforms in recent years. The Government has undertaken a number of reviews, including a 2013 Public Expenditure and Financial Accountability (PEFA) Assessment⁵ and, more recently in 2015, a PEFA Self-Assessment⁶.

The PEFA framework⁷ is an internationally accepted framework that assesses national (and sub-national) PFM systems. It does not make recommendations. PEFA assessments grade the capacity of a country’s PFM system across a range of criteria. Within this framework, there are a number of indicators that reflect the ability of a country to effectively use climate change finance but also relate to the fiduciary requirements associated with NIE accreditation, both for the Adaptation Fund and the GCF.

⁴ Climate Public Expenditure and Institutional Review, Vanuatu, April 2014.

⁵ Pretorius, C. and Schofield A., 2013. Government of Vanuatu: Public Financial Management Performance Report, August 2013.

⁶ MFEM, 2015. Vanuatu PEFA Self-Assessment. Unpublished Internal Document.

⁷ The PEFA framework was updated and reorganised in 2016. For the purposes of this analysis, the 2011 PEFA framework will be used since the most recent PEFA Assessments for Vanuatu use this framework.

The 2011 PEFA framework assessed PFM systems across six core dimensions, namely:

- 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.

From the PEFA Assessments, the Government formulated the Public Financial Management (PFM) Reform Roadmap, 2017-2021 to address many of the weaknesses identified during these assessments.

4.1.2 Public Financial Roadmap and Climate Finance Roadmap

The PFM Reform Roadmap identifies 18 Reform Strategies/ Actions, covering five critical areas to be undertaken over the next five years with many of these actions also supporting MFEM's efforts to progress towards a possible application for GCF Accreditation. Table 1 outlines these areas and strategies, which address the weaknesses identified in the PEFA assessments.

1. Develop/ enhance fundamental controls and ensure adequate compliance	
1.1	Improve procurement regulations and processes
1.2	Improve payroll control
1.3	Establish an effective oversight of State-Owned Enterprises (SOEs)
1.4	Improve monitoring and reporting of debt arrears, and contingent liabilities
1.5	Focus internal audit on material fiscal risks
1.6	Strengthen PFM Regulatory Framework
1.7	Strengthen independence and relevance of external audit
1.8	Improve legislative scrutiny (of audit)
2. Develop capacity and processes towards establishing an integrated and medium-term plan and budget	
2.1	Improve the planning and budgeting process for the donor-funded projects
2.2	Develop a medium-term budgeting capacity
3. Develop alternative sources of revenue generation and intensify collection	
3.1	Rebase the non-tax revenue (NTR) rates and intensify collection
3.2	Implement risk management plan
3.3	Introduce income taxation regime
4. Strengthen budget accountability of all public sector entities	
4.1	Improve transparency of budget execution reporting
4.2	Improve timeliness and quality of financial statements
4.3	Improve timeliness of external audit
5. Improve public investment and asset management	
5.1	Improve public investment and non-financial asset management
5.2	Improve cash management

Table 1. PFM Roadmap Reform Strategies/Actions



In addition, the Government has also outlined a Climate Finance Roadmap 2016-2020 (CFR) based on the recommendations of the 2014 CPEIR, the 2016 CCDRR Policy, the PFM Reform Roadmap and on-going consultations with key stakeholders. The broad objectives of the CFR are set out in Table 2 with more detail of the roadmap outlined in Appendix 3.

Climate Finance Policy Objectives	
1. Access to Climate Change Finance:	Vanuatu has access to direct and indirect new sources of climate and disaster finances to adapt to and mitigate the impacts of climate change.
2. Capacity Building:	National, provincial and community capacity strengthened to manage the impacts of climate change and disasters through new tools, systems, knowledge and approaches.
3. Prioritisation:	Ensuring allocation of resources is based on real vulnerabilities, gaps and needs.
4. Awareness and Communications:	Increased awareness on accessing and implementing climate (and disaster) finance at the national, provincial and community levels.
5. Coordination:	Enhanced coordination with NGOs, CSOs and local communities to access and implement multi-sectoral, innovative approaches in addressing climate and disaster risks.
6. Project Management:	Project Management capacity at the national and provincial levels are strengthened to address multi-sector and sectoral responses to climate change and disaster risks by end of 2020.

Table 2. Objectives of Climate Finance Roadmap, 2016-2020

4.2 Review of the PFM System

As mentioned, the Government has undertaken recent PEFA assessments of the PFM system in Vanuatu. As background, it is useful to review the main findings of these assessments across the categories most relevant to climate change finance. This section quickly reviews the PEFA assessments, reporting on the findings most relevant to accreditation requirements.

4.2.1 Credibility of the Budget

A core aspect of any PFM system is the budget and how believable the figures in the budget are. If budget figures do not reasonably reflect actual outturns, then the whole credibility of the system is undermined. The credibility of the budget is a fundamental component of ensuring fiscal stability and reflects on the capacity of the relevant agency. It also helps to establish a basis from which can be determined the fiscal space that a country has to address issues, such as climate change and absorb the resources needed to address development concerns.

The 2015 PEFA self-assessment (2015 PEFA) showed that the indicators for the credibility of the budget were high, especially with respect to the aggregate outturn of expenditure and the composition of expenditure (see Table 3). Although the 2015 PEFA did not, at the time, have data to cover the impact of Tropical Cyclone Pam, internal estimates would suggest that Vanuatu continued to perform well in managing its overall budget despite the pressures this imposed. Even allowing for those impacts, PEFA guidelines allow for an “outlier”

⁸ MFEM, 2017. Public Financial Management (PFM) Reform Roadmap, 2017-2021.

year in the review period, resulting from exceptional circumstances, such as the impacts of natural disasters. As such, the scores for expenditure outturn would not likely have been impacted. The overall result did, however, show that the Budget has reasonable credibility which reflects positively on MFEM capacity in relation to this aspect of the PFM system.

Performance Indicator No.	PFM Performance Indicator	2012 PEFA		2015 PEFA (Self-Assessment)	
		Overall Score	Component Scores	Overall Score	Component Scores
PI-1	Aggregate expenditure out-turn compared with original approved budget	A	A	A	A
PI-2	Composition of expenditure out-turn compared with original approved budget	A	AA	B+	AB
PI-4	Stock and monitoring of expenditure payment arrears	A	AA	D	NR ⁹ ,D

Table 3. PEFA Scores for Credibility of the Budget¹⁰

However, an area of significant concern for credibility is the stock and monitoring of arrears (PI-4) which, if not done properly, introduces a significant unknown into the system. This could potentially threaten the fiscal stability and the raised uncertainty about fiscal space that exists to deal with climate-related impacts. Recognising this weakness, the PFM Roadmap seeks to address this concern with high priority given to improving the monitoring and reporting of debt arrears, and contingent liabilities (Reform Action 1.4 in Table 1).

4.2.2 Comprehensiveness and Transparency

The 2015 PEFA scored MFEM well on most components related to comprehensiveness and transparency, though with obvious areas in need of improvement (see Table 4). MFEM was seen to perform well with respect to the comprehensiveness of information included in the budget documentation (PI-6), though the 2017 Budget documentation did not include the extent of detail on debt financing that had been available in 2015. The extent of unreported government operations (PI-7) scored well again with the assessment, indicating that these unreported operations were minimal.

⁹ NR – Not reviewed.

¹⁰ PEFA Scores are allocated on a basis of “A” to “D” with “A” being high achievement and “D” being low achievement. The Indicators are based on the 2011 PEFA Framework under which the assessments were undertaken.



Performance Indicator No.	PFM Performance Indicator	2012 PEFA		2015 PEFA (Self-Assessment)	
		Overall Score	Component Scores	Overall Score	Component Scores
PI-5	Credibility of the Budget	B	B	C	C
PI-6	Comprehensiveness of information included in the budget documentation	B	B	A	A
PI-7	Extent of unreported government operations	B+	AB	A	AA
PI-9	Oversight of aggregate fiscal risk from other public sector entities	D↑	D↑D	D+	CD
PI-10	Public access to key fiscal information	C	C	C	C

Table 4. PEFA Scores for Comprehensiveness and Transparency

The classification of the budget (PI-5) has room for improvement since it does not include a functional classification, though it does include administrative and economic classifications. The access to key financial information (PI-10) was limited in that, while in-year budget execution reports were produced, a number of other key pieces of information were not made available. These included the annual budget only being publicly available after legislative approval and the lack of timely presentation of audited financial statements to Parliament.

The main area of concern under this dimension was the oversight risk from other public-sector entities, such as state-owned enterprises (SOEs) and local councils (PI-9). This is seen as a weakness that could potentially jeopardize the Government’s fiscal standing. This relates to the oversight of the risks associated with Government Business Enterprises (GBEs) and local councils. Recognizing this, the Government of Vanuatu has established a GBE Unit in MFEM and introduced a GBE Bill into Parliament in late 2016. In addition, the PFM Roadmap foreshadows significant actions in this area. Section 4 of the PFM Reform Roadmap is dedicated to strengthening “the budget accountability of all public sector entities”, as well as Action 1.3 that stipulates the establishment of an effective oversight of SOEs and local councils to deal with these concerns. This area can be of significant relevance to climate finance in that GBEs can be engaged for project implementation (for projects related to climate change) while councils can potentially be a conduit of climate finance to the community level.

4.2.3 Policy-Based Budgeting

MFEM conducts an orderly budget formulation process (PI-11) with the publication of a clear and timely budget calendar complemented by a detailed circular outlining parameters for the budget, including budget ceilings. This is reflected in the solid scores for this indicator (see Table 5). The Budget’s approval is normally timely but it has been delayed in some instances, normally due to national elections.

Performance Indicator No.	PFM Performance Indicator	2012 PEFA		2015 PEFA (Self-Assessment)	
		Overall Score	Component Scores	Overall Score	Component Scores
	Policy-Based Budget				
PI-11	Orderliness and participation in the Budget process	A	BAA	B	BAC
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	C+	CBCC	D+	C↑DDC

Table 5. PEFA Scores for Policy-Based Budgeting

As climate change becomes a more prominent issue, with an increasing impact on the budget, the issuance of the budget circular provides an opportunity to ensure that climate issues are reflected more prominently in annual policy settings. The Budget circular can be used more proactively to instruct all Ministries, even those not normally associated with climate change impacts, of the need to consider and reflect climate change issues in the formulation of ministry and departmental budgets. The 2018 Budget Statement (released in May 2017) specifically mentions climate finance, which would appear to be a move in this direction¹¹.

The lack of a medium-term perspective in budgeting (PI-12) is a weakness of the budget process. A medium-term expenditure framework (MTEF) is under development, though it is not published as part of the 2017 budget documentation. Additionally, debt arrears are not tracked on a regular basis, although the International Monetary Fund (IMF), as part of its 2016 Article IV report, includes a Debt Sustainability Analysis (DSA). The DSA showed that debt, while currently increasing, is manageable. However, natural disasters have potential to worsen the situation in the wake of a Cyclone Pam-type event, with debt often being used for reparations and rehabilitation. The PFM Roadmap seeks to address this concern with high priority given to improving the monitoring and reporting of debt arrears, and contingent liabilities (Reform Action 1.4). A debt management policy should be part of the reforms considered in the PFM Reform Roadmap.

4.2.4 Predictability and Control in Budget Execution

The PEFA assessment framework has a heavy focus on measuring controls within the PFM system to ensure that funds are systematically committed, spent, monitored and reported. This relates closely to the GCF requirements for strong control frameworks. The relevant PEFA indicators to fiduciary requirements are listed in Table 6 below with their corresponding PEFA scores.

¹¹ MFEM, Finance and Treasury, 2017. Budget Policy Statement 2018, May 2017, p. 8.



Performance Indicator No.	PFM Performance Indicator	2012 PEFA		2015 PEFA (Self-Assessment)	
		Overall Score	Component Scores	Overall Score	Component Scores
PI-16	Predictability in the availability of funds for commitment of expenditures	B+	BAA	C+	CCA
PI-17	Recording and management of cash balances, debt and guarantees	C+	CBC	C+	CB↑C
PI-19	Competition, value for money and controls in procurement	D	DDDD	D+	ADDD
PI-20	Effectiveness of internal controls for non-salary expenditure	C	CCC	C+	CC↑B
PI-21	Effectiveness of internal audit	D+	CCD	C+	C↑BC

Table 6. PEFA Scores for Predictability and Control in Budget Execution

Scores on all these areas can be improved and would suggest that the systems are not currently at the level required for effective PFM, let alone to meet the GCF requirements.

In recognition of this, Section 1 of the PFM Roadmap places primary emphasis on improving control frameworks (see Table 1). The development of “fundamental controls and adequate compliance” is the key reform in the roadmap.

Of specific interest in this respect are:

- i) Control frameworks;
- ii) Procurement; and
- iii) Internal Audits.

A number of actions have already been undertaken to improve the control framework. Most notably, the passage of amendments to the Government Contracts and Tenders Act, which significantly strengthened the legal framework around public procurement but still leaves significant work. In addition, in the PFM Roadmap Action 1.1 highlights the need to “Improve procurement regulations and processes” by developing all required regulations and documentation and establishing a procurement database.

The PFM Roadmap also foreshadows broader improvement to the PFM regulatory framework (Action 1.6) and controls. This will be initially achieved by defining a framework for new Finance Instructions (FIs) followed by approval of new FIs based on this outline and aligned with the Government’s Financial Management Information System (FMIS). Complementing these improvements will be strengthening of internal audits with greater focus in scrutinizing procurement systems for larger purchases (Action 1.5).

4.2.5 Accounting, Recording and Reporting

The accounting and reporting systems scored poorly (PI-22, PI-24 and PI-25) in the 2015 PEFA and, although the scores deteriorated from the previous assessment, this was largely due to a more critical view of the criteria by the assessment team (see Table 7). Of particular concern were the issues surrounding the preparation of annual financial statements, which are critical to the assessment of the Government's financial performance. In-year reporting continued on a timely basis but the reports suffered from limited detail.

The timeliness of the financial statements is directly addressed in the PFM Reform Roadmap under Action 4.2. Section 25(1) of the Public Finance and Economic Management Act (2009), which requires the Director General of MFEM to send complete financial statements to the Auditor General within three months of the completion of the financial year. While this is achievable, it will take some time to meet this goal. In the interim, the PFM Reform Roadmap seeks to ensure that the financial statements are sent to the Auditor General within 6 months, while simultaneously improving the quality of the statements. The PFM Roadmap has not set the goal of meeting the legal requirement of having the financial statements with the Auditor-General within three months and, as such, MFEM will be in breach of the law through at least 2021.

Performance Indicator No.	PFM Performance Indicator	2012 PEFA		2015 PEFA (Self-Assessment)	
		Overall Score	Component Scores	Overall Score	Component Scores
PI-22	Timeliness and regularity of accounts reconciliation	B	BB	B	BB
PI-24	Quality and timeliness of in-year budget reports	B+	AAB	C+	BAC↑
PI-25	Quality and timeliness of annual financial statements	B+	ABB	D+	BDB

Table 7. PEFA Scores for Accounting, Recording and Reporting

The timeliness of the financial statements is directly addressed in the PFM Reform Roadmap under Action 4.2. Section 25(1) of the Public Finance and Economic Management Act (2009), which requires the Director General of MFEM to send complete financial statements to the Auditor General within three months of the completion of the financial year. While this is achievable, it will take some time to meet this goal. In the interim, the PFM Reform Roadmap seeks to ensure that the financial statements are sent to the Auditor General within 6 months, while simultaneously improving the quality of the statements. The PFM Roadmap has not set the goal of meeting the legal requirement of having the financial statements with the Auditor-General within three months and, as such, MFEM will be in breach of the law through at least 2021.

4.2.6 External Scrutiny and Audit

Linked closely to the quality and timeliness of the production of the Government's financial statements is the preparation of a timely audit of these statements. Any delay in the financial statements from Government will limit effective scrutiny of public finances. Weaknesses in both MFEM and the Office of the Auditor General appear to have compounded the delays.

Audit scores continue to lag acceptable levels and this is likely a combination of capacity issues in both MFEM and the Office of the Auditor General, along with the lack of an effective audit committee. Not surprisingly, given the poor PEFA scores for audit (PI-26 and PI-28) the PFM Roadmap highlights the need for attention



to these areas (see Table 8). Action 4.3 highlights the need for “catch-up” and then a process to ensure the timeliness of the audit. At present, the most recent completed audit is from 2013 (requires verification) with audits still outstanding for 2014 and 2015.

Performance Indicator No.	PFM Performance Indicator	2012 PEFA		2015 PEFA (Self-Assessment)	
		Overall Score	Component Scores	Overall Score	Component Scores
PI-26	Scope, nature and follow-up of external audit	D	DDD	D+	DDC
PI-28	Legislative scrutiny of external audit reports	D+	DCD	D+	DCC

Table 8. PEFA Scores for Predictability and Control in Budget Execution

4.3 GCF Fiduciary Requirements, PFM Roadmap and Climate Finance Roadmap

Having briefly reviewed the PEFA criteria, focusing on areas most relevant to climate finance, it is instructive to also apply a similar approach to the PFM Roadmap and the Vanuatu Climate Finance Roadmap.

Table 9 lists the broad areas in which the Green Climate Fund demands that accredited entities meet strict fiduciary requirements, both basic and specialized. Table 9 sets out these broad areas identified by the GCF and lists any corresponding actions to address these areas outlined, either in the PFM Roadmap or the Climate Finance Roadmap. This identifies areas where action is already taking place to address the GCF accreditation requirements but, more importantly, shows where gaps may exist that may still need to be addressed.

Referring to Table 9, it appears that the key administrative and financial capacities are being addressed by either the PFM Roadmap or the CFR or, in some cases, both. However, there is an apparent lack of action on a number of transparency and accountability requirements. This suggests that action is needed to develop i) a code of ethics; ii) disclosure and conflict of interest policies; iii) policies to deal with financial mismanagement and malpractice; iv) an investigation function; and v) actions to put in place anti-money laundering and anti-terrorist financing.

With respect to the “specialized” fiduciary standards, the project management issues are being addressed in the actions largely set out in the climate finance roadmap, working in collaboration with MFEM. However, if the designated accredited entity plans to sub-grant funds or undertake on-lending or blending of funds, there will need to be a number of improvements to establish the appropriate procedures to manage these grants.

4.4 Review of 2014 CPEIR Recommendations

The Government has been moving to access more climate finance for a number of years. One of the key contributing factors in this move was the completion of the 2014 CPEIR. This review made a range of recommendations related to PFM reforms and the strengthening of accreditation requirements for direct access to the Adaptation Fund. As a consequence, the report outlines these recommendations in Table 7.3 Preliminary Actions required for NIE Accreditation¹². A review of these recommendations is included in “Appendix 4: Status of recommendations from Table 7.3 of 2014 Vanuatu CPEIR Report”.

¹² Climate Public Expenditure and Institutional Review, p45.



GCF Fiduciary Standard	Actions: PFM Roadmap (PFM)/ Climate Finance Roadmap (CFR)
1. Initial Basic Fiduciary Standards	
1.1. Key Administrative and Financial Capacities	
1.1.1. General management and administrative capacities	PFM - 1.6 Strengthen PFM Regulatory Framework (PFM)
1.1.2. Financial management and accounting	PFM - 4.2 Improve transparency of budget execution reporting (PFM)
1.1.3. Internal and External Audit	PFM - 4.1 Improve transparency of budget execution reporting (PFM) PFM - 4.2 Improve timeliness and quality of financial statements (PFM)
1.1.4. Control framework	PFM - 1.1 Improve procurement regulations and processes (PFM) PFM - 5.2 Improve cash management (PFM)
1.1.5. Procurement	CFR - 6.1.4 Develop, strengthen project closure guidelines (CFR) PFM - 1.1 Improve procurement regulations and processes (PFM) PFM - 6.3.3 Development Central Tenders Board website (CFR)
1.2. Transparency and Accountability	
1.2.1. Code of ethics	No specific action
1.2.2. Disclosure and conflict of interest	No specific action
1.2.3. Capacity to prevent or deal with financial mismanagement and other forms of malpractice	No specific action
1.2.4. Investigation function	No specific action
1.2.5. Anti-money laundering and anti-terrorist financing	No specific action
2. Initial Specialized Fiduciary Standards	
2.1. Initial Specialized Fiduciary Standards Relating to Project Management	
2.1.1. Project preparation and appraisal	PFM - 2.1 Improve the planning and budgeting process for the donor-funded projects CFR - 6.1.2 Develop/ strengthen project preparation and appraisal guidelines
2.1.2. Project oversight and control	PFM - 2.1 Improve the planning and budgeting process for the donor-funded projects CFR - 6.3.2 Strengthen MFEM and MCCA's PFM systems to improve implementation of current projects
2.1.3. Monitoring and Evaluation	CFR - 6.1 Develop M&E Guidelines
2.1.4. Project-at-risk systems and related project risk management capabilities	CFR - 6.1.3 Develop Risk Assessments and Appraisal Guidelines
2.2. Grant Award Mechanisms	
2.2.1. Transparent eligibility criteria and evaluation	No specific action
2.2.2. Grant award decision and procedures	No specific action
2.2.3. Public access to information on beneficiaries and results	No specific action
2.2.4. Transparent allocation and implementation of financial resources	1.1 Improve procurement regulations and processes (PFM)
2.2.5. Good standing with regard to multilateral funding	No specific Action
2.3. On-lending and/ or blending	

Table 9. GCF Fiduciary Standards Matched to Action from PFM Roadmap or Climate Finance Roadmap



4.5 Expenditure Analysis

4.5.1 Budget Formulation and Planning Process

As mentioned previously in the assessment of the PFM system, the Government of Vanuatu scores well with respect to the budget process. While processes can always be improved, the overall PEFA scores reflect an orderly and structured budget process that allows an appropriate timeframe and sequencing of tasks. In that respect, the process has remained relatively unchanged for a number of years, as the Government has addressed other, more pressing, PFM issues.

The Government uses the calendar year for its fiscal year (January-December). As a consequence, MFEM commences the budget preparation process in February-March for the upcoming financial year with the issue of the financial circular outlining the budget timetable for the preparation and submission of the annual budget¹³. The formal process commences in March-April with MFEM developing the fiscal aggregates and macroeconomic framework to establish the parameters for the upcoming budget year. This leads to discussions between the main central agencies (MFEM and PMO) to prepare the Budget Policy Statement, setting the main policy parameters to determine the appropriate ceilings for Ministries. Until recently, these policy statements gave little prominence to climate change and no mention of climate finance. As mentioned earlier, with the publication of the Budget Policy Statement 2018 in May 2017, climate change has been given greater prominence, with special mention of climate change finance.

In May, the budget ceilings are approved by the Council of Ministers and communicated to line ministries who have approximately four weeks during the June-July period to prepare their recurrent budget submissions, including new policy proposals (NPPs). Simultaneously, the Government will undertake initial consultations with development partners.

With the submission of the budget proposals from the line ministries, MFEM collates the information and undertakes discussions with the ministries about their submission and NPPs. This process takes place during the August-September period and corresponds with discussions with development partners.

With the incorporation of the outcomes from the discussions with line ministries and development partners, the Ministerial Budget Committee (MBC) considers the updated budget in September, before submission to the Council of Ministers in October. The Council will review and seek approval before the submission to Parliament in November.

Variations and delays in these steps occur but, overall, the process will follow this approximate timeline. A simple outline of these steps is presented in Table 10 below with a more detailed diagrammatic representation of the approach provided in Appendix 5.

¹³ The most recent financial circular for the preparation of the budget on the Finance and Treasury website is February 2014 for the 2015 Budget year.



Step	Action	Agencies
Step 1: March-April	Fiscal Aggregates and Macroeconomic Framework prepared	MFEM
Step 2: April	Budget Policy Statement prepared after MFEM and PMO consultations	MFEM, PMO
Step 3: May	Ministry ceiling set	Ministerial Budget Committee
Step 4: May-June	Ministry ceilings approved	Council of Ministers
Step 5: June-July	Budget submissions prepared – recurrent and New Policy Proposals (NPPs) (initial donor consultations)	Line Ministries
Step 6: August	Budget submissions due	Line Ministries to MFEM
Step 7: August-September	Budget submissions reviewed and discussions with Ministries (donor consultation)	MFEM, PMO, Line Ministries
Step 8: September	Ministry budgets presented to Ministerial Budget Committee	Ministerial Budget Committee
Step 9: October	Final draft of budget to Council of Ministers	Council of Ministers
Step 10: November	Appropriation Bill submitted to Parliament	Parliament

Table 10. Simplified Budget Calendar

As the 2013 and 2015 PEFA assessments have indicated, this budget process has worked quite well but not without issues. There are occasionally delays in these deadlines, though the budget tends to be submitted on time and approved before the end of the fiscal year. Even so, there have been occasions when the budget has been delayed, usually associated with elections.

4.5.2 Vanuatu's Expenditure on Climate Change – Budget Analysis

4.5.2.1 Methodology

This section analyses recent budget expenditure in Vanuatu based on data provided by MFEM. The analysis tries to determine the amounts of spending that has supported the Government's achievement of its climate change objectives, both through the recurrent and development budgets. While the focus of the assessment is on climate change expenditure, the analysis will also incorporate Disaster Risk Resilience (DRR) with climate change adaptation (CCA) since, in most cases, the two are inextricably linked. Where possible, distinctions will be made but, overall, CCA will be considered to include DRR. In many cases, the difference between CCA and DRR is negligible and is often a case of perspective.

For the purposes of the analysis, climate change finance is broadly defined as all financial flows considered beneficial to Vanuatu's climate change response, whether or not this was the primary objective of the funding. Climate change covers both mitigation and adaptation activities. The methodology for the analysis follows the Pacific Climate Change Finance Assessment Framework (PCCFAF), which builds on and expands the UNDP's Climate Public Expenditure and Institutional Review (CPEIR), so it is more appropriate to the needs of Pacific Island countries (PICs)¹⁴.

¹⁴ Pacific Islands Forum Secretariat (PIFS), 2013. Pacific Climate Change Finance Assessment Framework, Final Report, May 2013.



With regard to assessment of the recurrent national budget, the analysis covers the fiscal years from 2012-2016 for which data was provided by MFEM. The analysis uses actual expenditures for the 2012-2015 fiscal years and the preliminary numbers for fiscal year 2016.

The analysis attempts to estimate climate change spending by assigning a weighting to each program, roughly approximating the estimated time that staff would be expected to assign to climate change issues in their work. Given that staff wages are the biggest components of most Government programs, the time assigned to addressing climate change issues is considered to be a reasonable proxy for the share of expenditure on these issues.

For example, most of the staff in the Ministry of Climate Change Adaptation would be expected to spend 100 per cent of their time working on climate change-related issues and, as such, most programs in this Ministry are assigned a 100 per cent weighting. However, staff, such as teachers might only spend 5 per cent of their time working on climate change issues as part of their teaching. Many staff would have little or no time dedicated to climate change matters and their expenditure is assigned a “zero” weighting. This is a rough way of trying to determine Government recurrent expenditure and, while it is not definitive, it provides a guide to the Government, indicating approximate expenditure on addressing CC issues. The estimated budget numbers that have been adjusted for CC percentage weighting are referred to as “weighted” expenditures.

The weightings are approximate and based on limited knowledge about each program. These weightings are, therefore, somewhat subjective and approximate. These weightings could be refined with additional time and further consultation with ministries and departments; however, time did not permit detailed review of programs to allow for more accurate analysis. As such, percentages assigned are approximations and, in the absence of more detailed information, should be treated with caution.

4.5.2.2 Analysis of Recurrent Expenditure

This section provides a brief review of the recurrent expenditure of the Vanuatu Government’s budget based on recent expenditure data provided by MFEM. The period covers 2012 to 2016, using actual expenditure figures with the exception of 2016 that are preliminary. The analysis replicates analyses undertaken in other PCCFAF assessments and will not be directly comparable to the 2014 CPEIR figures.

Figure 8 provides the overall estimate of the share of climate change expenditure across the recurrent budgets over the period 2012-2016. This indicates that recurrent spending on climate change is estimated to be around 7.6 per cent in the Government of Vanuatu Budget. Climate change-related expenditure includes expenditures on sectors, such as energy, adaptation, agriculture and food security, water, fisheries, infrastructure and fisheries, while non-climate change expenditure relates to expenditure assigned to social sectors, such as education and health. This is guided by the weighting methodology discussed in Appendix 2. Vanuatu’s climate change-related expenditure of 7.6 per cent is at the upper end of the average range (5-8%) observed in other Pacific Island countries. This likely reflects the emphasis placed on climate change matters in Vanuatu with its high vulnerability. It also reflects the elevation of climate change issues to a level that has resulted in the passage of climate change legislation and the creation of a standalone Ministry responsible for climate change and disaster management. The creation of standalone entities is part of a trend around the region where PICs are increasingly seeing the need for standalone legislation and administrative structures (with dedicated budgets) to address climate change and related issues. Generally, to have small expenditure on climate change-related activities is not an indication that the climate change impacts are also low, and would be good to increase expenditure on adaptation costs to build resilience and disaster preparedness.

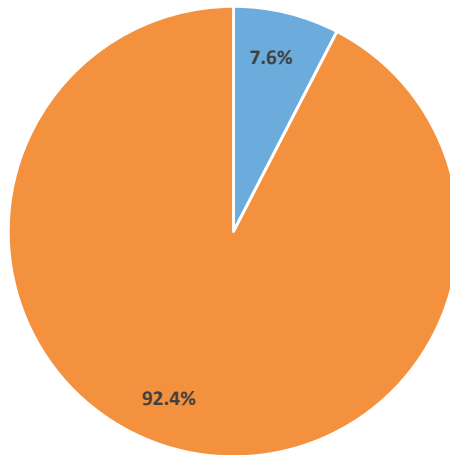


Figure 8. Recurrent Expenditure Weighted for CC, 2012-2016

■ CC Expenditure ■ Non-CC Expenditure

The share of recurrent expenditure has been relatively stable over the period under analysis, though it masks an overall increase in nominal recurrent expenditure in 2015 and 2016 (see Figures 9 and 10). The stability of the share of climate change-related expenditure over the period is somewhat surprising given that Tropical Cyclone Pam occurred in 2015 and would likely have been expected to impact the share of climate change (inclusive of Disaster Risk Management) recurrent spending. The fact that this does not seem to have happened may have a number of possible explanations, including:

- recurrent spending takes time to adjust and increased spending may have been one-off and related to capital and one-off expenditures (see Section 4.5.2.3 – Analysis of Development Estimates);
- spending to address the impacts of TC Pam was spread evenly across the Government because its impacts were cross-cutting; and
- there was no specific need to increase the share of climate change and disaster risk management since the allocation share was already at an appropriate level.

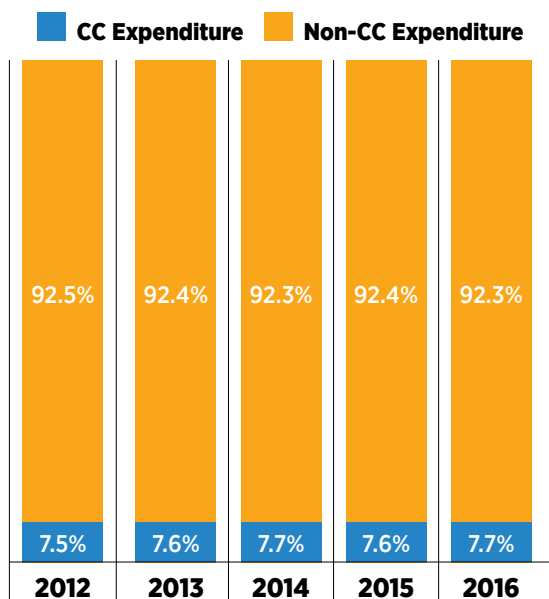


Figure 9. Share of Recurrent Expenditure Weighted for CCDRM per year, 2012-2016

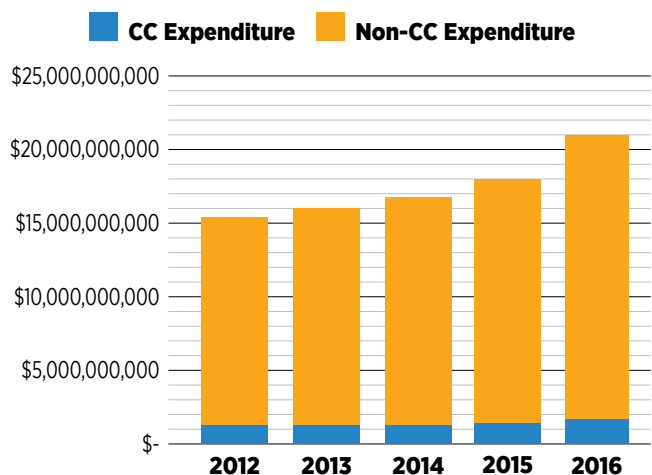


Figure 10. Recurrent Expenditure Weighted for CCDRM Per Year, 2012-2016



Despite the share of climate change-related expenditure being relatively stable, the overall recurrent budget showed a significant increase in 2015 and a much larger increase in 2016 (see Figure 11). The exact reason for this increase is not clear though one would expect it is related to TC Pam. In 2015, the growth in overall expenditure was 7.7 per cent as supplementary appropriations were used to meet immediate recovery expenses. In 2016, as the full impacts were built into the budget, the climate change-related expenditures were estimated to increase by 19.8 per cent while overall expenditure also jumped by a significant 16.3 per cent.

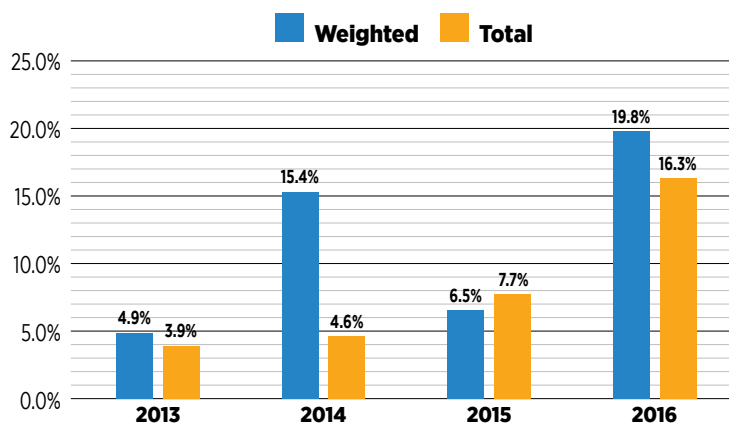


Figure 11. Percentage Increase in Weighted-CCDRM Expenditure versus Total Recurrent Expenditure, 2012-2016

Looking at the weighted expenditure in a little more detail, and splitting the expenditure between Climate Change Adaptation, Mitigation and Enabling¹⁵, Figure 12 shows the dominance of climate change adaptation expenditure. The fact that this is a large share of total spending is no surprise, but the overwhelming size of the share is somewhat surprising. This is consistent with the earlier discussion under the Funding Sources Analysis in Section 3. This figure includes disaster risk reduction/ management-related expenditure, which was difficult to distinguish from climate change adaptation. Strict disaster risk reduction spending for the disaster-related functions of Government was less than 1 per cent so it is not a major area of spending, though it is likely that some of the disaster risk reduction expenditures are subsumed into climate change adaptation and enabling expenditure. Mitigation is also unusually low as it largely reflects the spending on the Energy-related offices of Government.

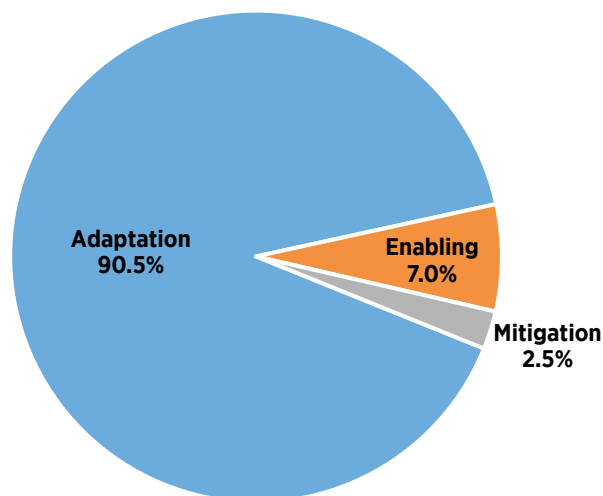


Figure 12. Type of Climate Change Weighted Expenditure in Recurrent Budget, 2012-2016

¹⁵ “Enabling” generally refers to climate-related actions that support Government policy, planning and administrative processes associated with climate change activities.



Figure 13 below also shows how the absolute expenditures have been growing over this period.

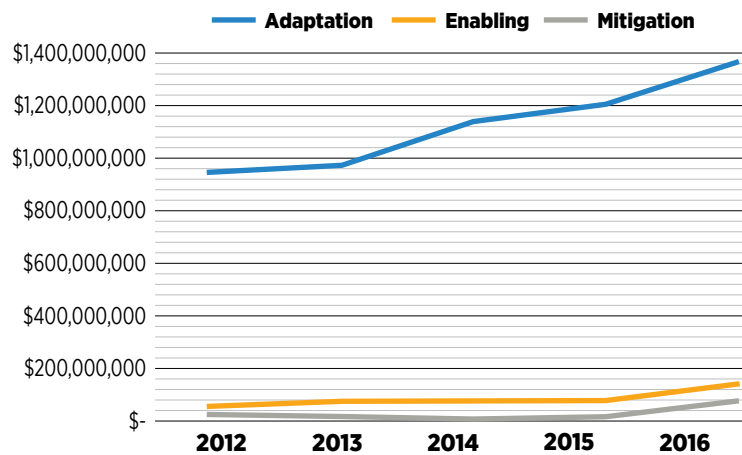


Figure 13. Type of Climate Change Expenditure in Recurrent Budget, 2012-2016 (Vatu)

4.5.2.3 Analysis of Development Estimates

Volume 2 of the annual budget includes Section 3 “Forecast Funding from Donors”. This section outlines the anticipated funding to be received from development partners for the upcoming year. Actual figures are difficult to establish, as a large part of this funding is directed outside of country systems, making it difficult for countries to measure the actual impact of much of this support.

This has been highlighted earlier in the Funding Sources section, which estimated that approximately 55 per cent of climate finance is off-budget (Figure 7 under the Funding Source Analysis in Section 3). This level of “off-budget” development financing is a pattern across the Pacific and can lead to significant issues. For instance, if the Budget does not capture development funding for major infrastructure (e.g. roads, coastal protection, buildings) then the likelihood that this infrastructure will have the necessary maintenance budgets is low, thereby leading to much shorter useful lifespans for this infrastructure. There is, therefore, an obvious need for much better coverage of climate change finance, and development spending in general, in the Government budget.

The analysis of the development side of the budget focuses on the “Development Estimates”, as published in the budget papers, rather than using or estimating “actuals” as done in the previous section on the recurrent budget.

The analysis covers the period 2014-2017, using the quoted figures in Section 3 of Volume 2 of the 2014-2017 Budget documents – “Forecast Funding from Donors”. As is often the case for development partner estimates, the figures must be analysed with considerable caution as they are based on anticipated donor funding support, which tends to be optimistic and subject to significant delays. That said, the figures can provide some insight into the direction of development priorities and suggest areas for attention.

In undertaking the analysis, the Pacific Climate Change Finance Assessment Framework uses a methodology to allocate weightings to each project, depending on each project’s “relevance” to climate change – high relevance (80% of project budget is counted), medium relevance (50%), low relevance (25%) and marginal relevance (5%). This methodology is crucial to ensure consistency with similar country assessments completed in the region. It attempts also to avoid exaggerations of the amount of climate change finance being accessed, as well as recognizing that there is no internationally agreed definition for climate change finance. Examples of how the weightings are assigned are provided in Appendix 2.



After compiling the projects from the 2014-2017 Budget documents, and applying these weightings, it is possible to estimate the amount of the development budget that is climate change-related. Figure 14 shows that over the period 2014-2017, it is estimated that 29.3 per cent of the development budget is climate change-related. This is a significant but not an unusually high proportion.

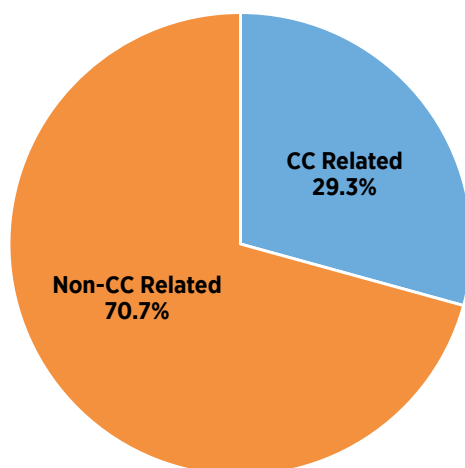
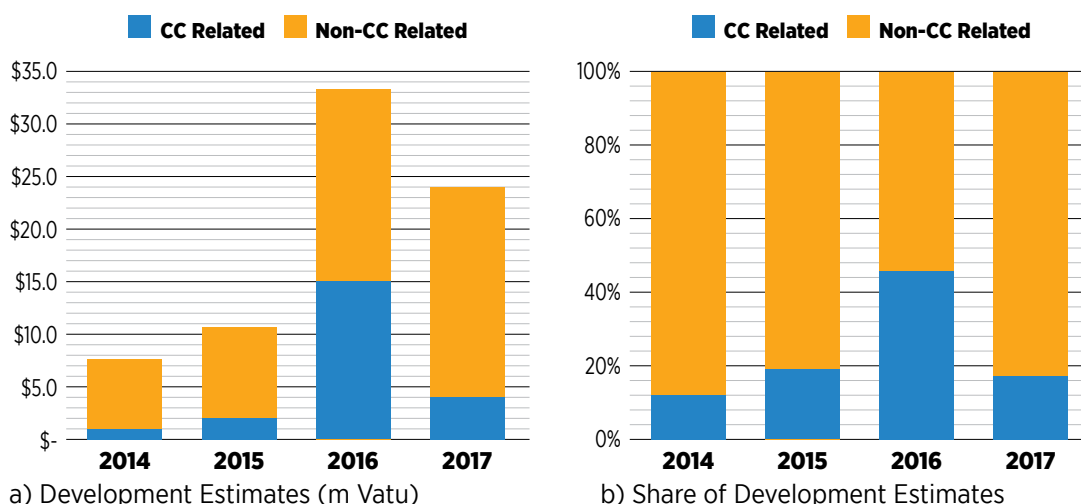


Figure 14. Climate Change Weighted Expenditure as Share of Development Budget

However, this figure hides significant yearly variations in the proportion of the development budget assigned to climate change-related estimates. Figures 15 a) and b) indicate the variations in spending, and the proportions over the period. Of particular note is the growth in the development estimates post-TC Pam and the increase in the proportion of CC-related estimates. This would include the estimates of the value of projects associated with rehabilitation and reconstruction. The proportion of CC-related estimates jumps from below 20 per cent in 2014 and 2015 to almost 50 per cent in 2016, before dropping back to around 20 per cent in 2017.



Figures 15. Climate Change Estimates versus Non-Climate Change Estimates



For the purposes of the development estimates, the climate change-related expenditure can be classified as adaptation, mitigation and enabling, while also including a classification for disaster risk reduction (DRR). When the weighted development estimates are classified in this way, the development estimates are dominated by adaptation projects. Figure 16 shows that adaptation covers 75 per cent of the estimates over the analysis period. DRR estimates cover around one-fifth of the estimates. This is not unusual.

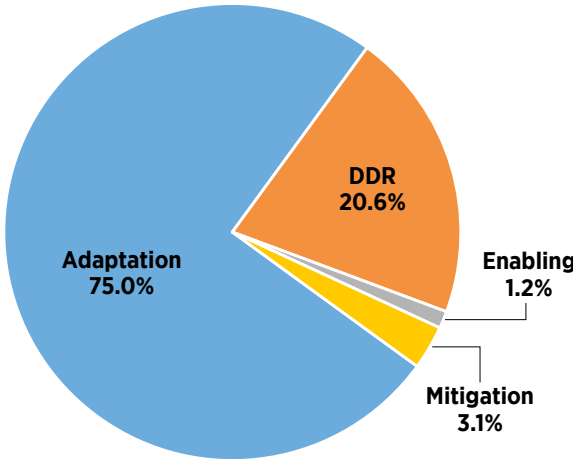


Figure 16. CC-Weighted Expenditure Disaggregated by Type, 2014-2017

However, this figure hides an interesting and startling figure. Figure 17 shows that project estimates in 2016 were dominated by those classified as DRR – the year after TC Pam. The growth in the adaptation estimates in that same year (2016) are likely also to include significant amounts of estimated funding related to the impacts of TC Pam.

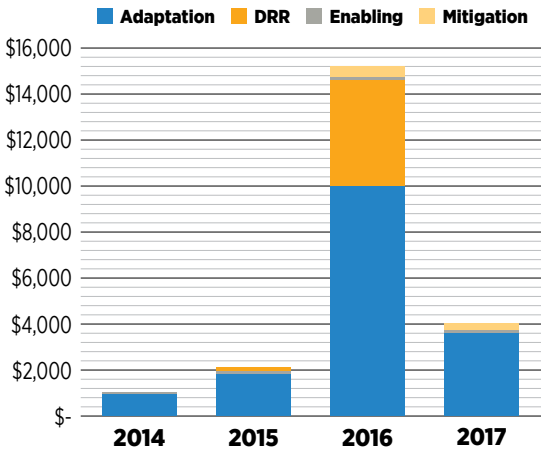


Figure 17. CC-Weighted Expenditure Disaggregated by Type and Year, 2014-2017 (m Vatu)

Surprisingly, the “Forecast Funding from Donors” section of the Budget does not identify the development partner or funding source for most projects. While this information is not provided, it can often be determined by using other sources of information. As a consequence, in undertaking the analysis, additional research has been done to assign development partners to individual projects although, in some cases, the development partner or source was unable to be identified.



In reviewing the data and attempting to assign development partners to each of the projects, it appears that the World Bank is currently the biggest contributor to climate change-related estimates, contributing more than one-third of the assistance (see Figure 18). The other major development partners providing assistance are ADB, Australia, Japan and China. The majority of development assistance is being sourced through multilateral sources (see Figure 19). However, this picture is significantly distorted by the multilateral assistance estimated in 2016 in the wake of TC Pam, with large rehabilitation and reconstruction projects being supported by the World Bank and ADB. In previous years, climate change-related estimates showed that bilateral sources are much more important.

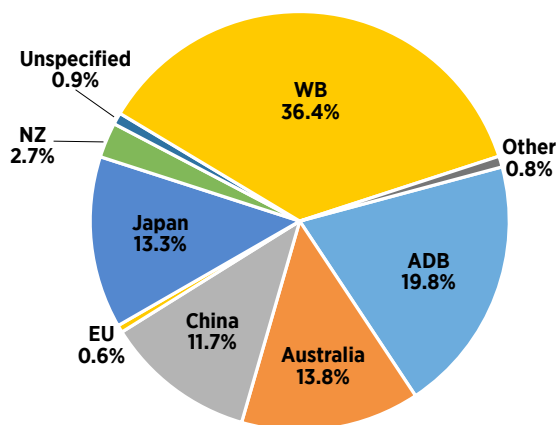


Figure 18. CC Weighted Expenditures by Development Partners

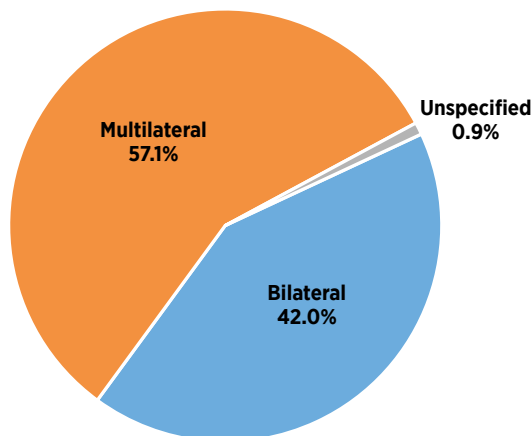


Figure 19. CC Weighted Expenditures - Bilateral versus Multilateral

It is important to note that development partners do not equate to funding sources. In the field of climate change funding, development partners, working as accredited entities, are often merely a conduit for funds sourced from elsewhere. This is becoming an increasingly important distinction to make as funds such as GCF, AF, GEF and other climate and disaster funding sources become larger players in the development finance landscape.

Of additional importance is the form in which funds are provided, especially those provided as loans. The development estimates in the Government of Vanuatu budget provide a breakdown of the assistance into three categories: i) cash grants; ii) aid in-kind; and iii) external loans. Figure 20 shows the overall jump in the 2016 budget, regarding the development estimates as a result of both a jump in the cash grants and loans, with loans continuing to be the dominant form of assistance in 2017.



However, when this assistance is weighted for climate change impacts (Figure 21), the increase in climate change assistance in 2016 is dominated by cash grants, suggesting that most of the development assistance in the wake of TC Pam was in the form of cash, but supplemented with significant loan assistance, most likely on concessional terms.

Although cash is a major component of the assistance, the amount of loans is of concern. While, as discussed earlier, Vanuatu's debt situation is manageable, substantial loans will obviously impact the situation and this reinforces the need for the Government and MFEM to adopt a debt management policy.

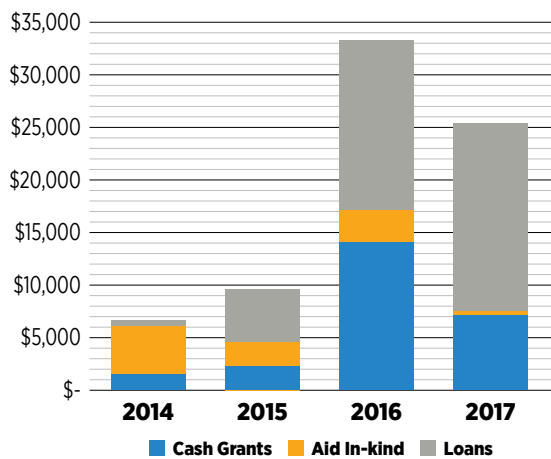


Figure 20. Total Development Estimates by Type of Assistance, 2014-2017 (in m Vatu)

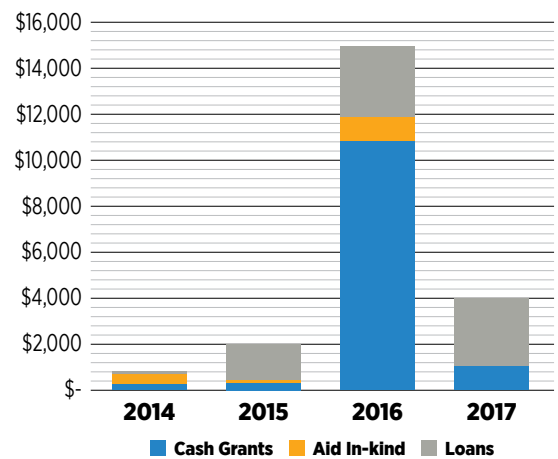


Figure 21. Weighted Development Estimates by Type of Assistance, 2014-2017 (in m Vatu)





4.6 Recommendations (for both PFM and Expenditure)

1. Review and update the NIE accreditation roadmap to identify gaps for further readiness support from the GCF to achieve accredited entity status.
2. The updated NIE roadmap should build on key aspects of the PFM Roadmap and the Climate Finance Roadmap and address certain aspects of GCF accreditation not currently with specific reforms identified. These would include:
 - Basic Fiduciary Criteria:
 - i. Code of ethics
 - ii. Disclosure and conflict of interest
 - iii. Capacity to prevent or deal with financial mismanagement and other forms of malpractice
 - iv. Investigation function
 - v. Anti-money laundering and anti-terrorist financing
 - Specialized Fiduciary Criteria (depending on type of accreditation sought):
 - vi. Transparent eligibility criteria and evaluation
 - vii. Grant award decision and procedures
 - viii. Public access to information on beneficiaries and results
 - ix. Transparent allocation and implementation of financial resources (if not addressed by improvement to procurement regulations)
 - x. Good standing with regard to multilateral funding
 - xi. On-lending and/ or blending
3. Use the budget circular more proactively to ensure that climate change issues are reflected in annual policy settings and to instruct all Ministries, even those not normally associated with climate change impacts, of the need to consider and reflect climate change issues in the formulation of ministry and departmental budgets. An improved climate change chart of account is needed.
4. The Government should incorporate climate change finance considerations into the Medium-Term Expenditure Framework (MTEF) (under development), to harness the different sources of finance from Government, ODA and private resources to address national climate change priorities.
5. Development and implementation of a debt management policy to manage, oversee and monitor debt obligations of the Government and government business enterprises where they provide material risk to the fiscal stability of the Government. If needed, enshrine these policies in regulations or through legislative amendment.
6. MFEM should use the pending Aid Policy as an opportunity to ensure greater coverage of aid funding and reduction of “off-budget” aid by strengthening the budget process to ensure aid funding identified by DSPPAC is reflected in the national budget.



5 Institutional Analysis

Key Messages:

- Operationalising and resourcing the newly proposed Department of Climate Change is a priority, but it will be necessary to harmonise with the current institutional arrangements (role of PMU in MCCA) and the CCDRR Policy context.
- The establishment of the NAB as a high-level advisory body, supported by its Secretariat and a national communications platform through the NAB portal provides a good case study for the region in establishing dedicated processes for coordination at the national level.
- Other entities that play a key role in climate change-related activities and work alongside MCCA include the Ministry of Lands and Natural Resources, as well as the Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity (MALFFB). The Department of Finance and Treasury, the Prime Minister's Office through the Department of Strategic Policy, Planning and Aid Coordination (DSPPAC), the Department of Women's Affairs, as well as the Ministry of Foreign Affairs also play key roles.
- Currently, there is stakeholder confusion around the NAB process and how it differs or aligns with processes implemented by DSPPAC. Going forward, clarification on the role of different entities and how each is capturing and sharing data and information will be necessary to inform more aligned and effective information management processes.
- Strengthening NAB's relationship and information sharing with existing coordination mechanisms at the community level, such as the Community Disaster and Climate Change Committee (CDCCC) and the Technical Advisory Commission (TAC) at the provincial level would benefit coordination at different levels, including the national, sub-national and community level.
- NGOs, including the INGO consortium, play a key role for climate change coordination in Vanuatu and should be proactively engaged by the Government.
- In terms of GCF NIE accreditation, MCCA remains the preferred option. However, MFEM should also be considered and part of the discussions going forward, given the centralised finance system in place in Vanuatu. Unlike the 2013 CPEIR recommendations, Vanuatu Project Management Unit (VPMU) is currently not in a position to pursue GCF NIE accreditation.



5.1 Ministry of Climate Change Adaptation

As discussed in the 2014 CPEIR Report, the Ministry of Climate Change Adaptation is relatively new, established in March 2013, and brings together a number of existing departments and units under the one climate change-focused Ministry. The CPEIR Report provides detail around each of the departments and units of the Ministry, which will not be repeated in depth here. The Ministry Organogram, current as of August 2016, is presented in Figure 22 below. This section outlines some of the changes since 2014, as well as some proposed reforms.

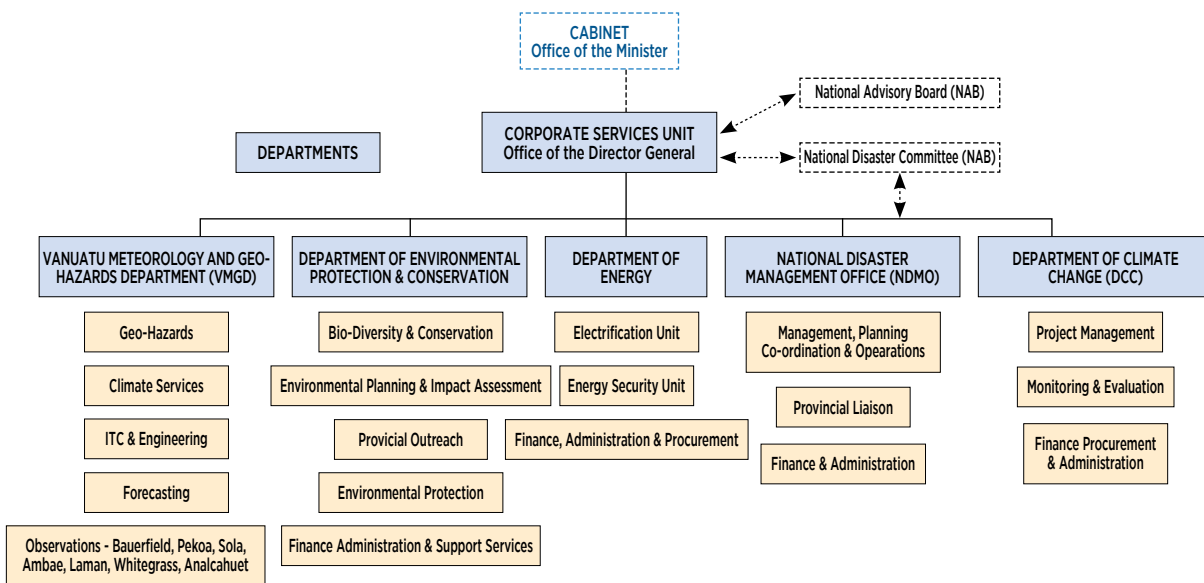


Figure 22. MCCA Organogram

5.1.1 Proposed Department of Climate Change

Most relevant to this analysis is the 2018 Government priority to operationalise and staff a Department of Climate Change within MCCA. This department is depicted in the current Ministry Organogram in Figure 22. The department does not currently exist and, at the present time, a Project Management Unit (PMU) sits within the Vanuatu Meteorology and Geo-Hazards Department (VMGD) that is responsible for implementing a number of climate change-related projects. One of the key advantages of establishing a standalone Department of Climate Change is the benefit of allocating core staff positions within this department, thereby aiming to address some of the human capacity challenges as discussed in the Human Capacity Analysis in Section 6. This proposed Department of Climate Change may also have a role to play in terms of NIE accreditation, discussed further at the end of this chapter. However, the Government may need to assess how this new department will align to the CCDRR Policy, which was based on almost two years of stakeholder consultations.

5.1.2 National Advisory Board

The 2014 CPEIR Report mentions only briefly the National Advisory Board on Climate Change and Disaster Risk Reduction (NAB) and its Secretariat (NAB Sec). However, these are both key entities for climate change coordination within the MCCA. The establishment of the NAB as a high-level advisory body, supported by its Secretariat and a national communications platform through the NAB portal¹⁶ provides a good case study for the region in establishing dedicated processes for coordination at the national level.

¹⁶ The NAB portal is accessible at www.nab.vu



There is some lingering confusion around the roles of the PMU and the NAB Secretariat, largely due to the PMU previously acting as the NAB Secretariat until a separate entity was established. While the NAB Secretariat and the PMU continue to work closely together, their roles are distinct. The PMU focuses solely on project implementation and the NAB Secretariat is tasked with strategic and policy advice related to CCDRM, implementation of international obligations under the UNFCCC and national coordination for CCDRM.

The 2016 Meteorology, Geological Hazards and Climate Change Act provides the legislative mandate for the NAB, emphasising joint governance of climate change related issues. The NAB has been established as a cross-sectoral body with the Board consisting of the following members (as per the new legislation, with provisions for additional observers):

- the Director General of the Ministry responsible for Meteorology, Geological-hazards and Climate Change Adaptation;
- the Director of the Department of Meteorology;
- the Director of the Department for Climate Change;
- the Director of the Department for Geological Hazards;
- the Director of the Department of Forestry;
- the Director of the Department of Energy;
- the Director of the Department of Provincial Affairs;
- the Director of the Department of Environment;
- the Director of the Department of Foreign Affairs;
- the Director of the Department of Strategic Management;
- the Director of the National Disaster Management Office;
- the Director of the Department of Finance;
- the Director of the Department of Women's Affairs;
- the Director of the Department of Public Works; and
- the Chief Executive Officer of the Vanuatu Association of Non-Government Organisations (VANGO).

While the NAB exists as a high-level advisory body, in recent times, Directors have been delegating attendance at meetings to other technical staff members. This may be causing some challenges in terms of the flow of information, as well as the broader understanding of the role of the NAB. Given the need for strong coordination on climate change issues across sectors, a re-emphasis on the key role of the NAB and the need for consistent representation may be needed. At the same time, recent efforts by the NAB to open its membership to other non-traditional climate change departments and extending to the private sector is a positive move.

The NAB Secretariat plays a key role in aligning national CCDRR activities with the NSDP. It also oversees four working groups, including a Climate Finance Working Group, a UNFCCC Task Force, a Project Screening Committee and an Information, Educational and Communication Materials Working Group. These working groups provide the platform for more technical-based discussion on specific issues related to the work of the NAB. A capability assessment has recently been completed for the NAB Secretariat, which outlines a number of challenges and key recommendations going forward. One of the key challenges for the NAB Secretariat at the present time is the lack of staff to effectively fulfil its responsibilities.

5.1.3 Other Core Government Agencies

Other entities that play a key role in climate change-related activities and work alongside MCCA include the Ministry of Lands and Natural Resources, as well as the Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity (MALFFB). A Risk Resilience Unit (RRU) has recently been established within MALFFB to assist in developing a more resilience-based approach for the work of the Ministry. This provides an excellent example of a mechanism to support dedicated mainstreaming of risk resilience into the overall functioning of the Ministry, aligning with the NSDP, the CCDRR Policy and the Ministry's own policies. The RRU also works closely with MCCA, and is presently participating in initial discussions around the development of Vanuatu's NAP.



The Department of Finance and Treasury, the Prime Minister’s Office through the Department of Strategic Policy, Planning and Aid Coordination (DSPPAC), as well as the Ministry of Foreign Affairs also play key roles, particularly with reference to negotiating, receiving, disbursing, tracking and advocacy related to climate change financing. The role of each of these entities is highlighted in the next section in the discussion around coordination.

5.2 Coordination of Climate Change

As previously discussed in the Policy and Planning Analysis in Section 2, climate change is a cross-cutting issue and, as such, requires effective action and strong coordination and communication across sectors. This is also relevant to accessing, managing and tracking increased climate change financing flows. Vanuatu has taken a forward-thinking approach within the region, in establishing the NAB as the national coordination mechanism. However, the NAB’s interaction and alignment with other entities, including the Department of Finance and Treasury, DSPPAC and the Department of Foreign Affairs, are also integral to the effective functioning of this mechanism. Current challenges exist around the clarification of roles of each of these agencies and the need to streamline processes to capture the required information and reduce duplication.

One of the key coordination components of the NAB has been the establishment of a process that aims to capture information on the variety of climate change projects being implemented within Vanuatu. As such, all proposed climate change projects in Vanuatu are now required to go through an endorsement process by the NAB, before implementation. A project brief form has been developed to capture the relevant information on the project and the NAB’s Project Screening Committee undertakes the appraisal and recommendation process, in line with the NSDP and CCDRR Policy. The form also captures information on the project’s funding source and total funding allocation. A significant number of climate change-related projects have been endorsed through this process and the collection of this data provides an important foundation for understanding resources being committed to climate change action within Vanuatu. It is recommended that the project brief form also include information captured on the gender and social inclusion components of proposed projects.

A number of challenges have been identified, including stakeholder confusion around the NAB process and how it differs or aligns with processes implemented by DSPPAC. Going forward, clarification on the role of different entities and how each is capturing and sharing data and information will be necessary to inform more aligned and effective information management processes. Given the Government has outlined accessing climate finance as a key priority, the NAB project coordination mechanism provides a key function in gathering the information, which can inform progress on this Government priority. The key will be to ensure harmonisation with DSPACC and appropriate channels of communication, so that the relevant information is shared between these entities. The following subsections aim to provide some clarity on the current roles of DSPPAC, Department of Finance and Treasury and Foreign Affairs in this regard.

5.2.1 Department of Strategic Policy, Planning and Aid Coordination, PMO

DSPPAC is the key entity in coordinating aid and development planning at the national level. The Department has an established process for capturing information on all development projects being implemented within Vanuatu. Project profile forms exist for projects above 10 million vatu (large projects), as well as all other projects up to the value of 10 million vatu (small projects). Projects are provided with project codes, which then enables the Department of Finance and Treasury to track the funding for the projects through the government system. It is understood that the project profile form and process are generally used for Government projects. The Aid Coordination Unit is also developing a database that captures information on all assistance being received by Vanuatu, including finance flows that may not come through the government system.

The current issue is that the NAB project approval process is seen as a duplication of the existing functions of DSPPAC. Going forward, it will be important for DSPPAC and NAB to align and harmonise their processes



(particularly project profile/ project brief forms where possible) and ensure project information can be shared between the two entities where necessary. As a first step, clarification on the methodology for defining climate change-related projects, as to be endorsed by the NAB, may be needed. Furthermore, DSPPAC's Sector Analysts provide a key link between DSPPAC and the NAB Secretariat. As a representative on the NAB's project screening committee, the Sector Analyst positions can be a conduit for feeding the necessary project information from NAB back through to DSPPAC and the Aid Coordination Unit as needed.

5.2.2 Department of Finance and Treasury

As outlined above, the Director of the Department of Finance and Treasury (DoFT) is a mandated board member of the NAB. Within the Expenditure Analyst Unit, DoFT has also established dedicated focal point positions for each of the line ministries. These positions support the budgetary processes, as well as expenditure reports for each of their assigned ministries. This position can play a key role in helping to support ongoing discussions around identifying and tracking climate change finance flows within Vanuatu. The Expenditure Analyst for MCCA is currently a member of the Climate Change Finance Working Group.

MCCA and DoFT need to continue working closely together to strengthen the tracking of climate change financing. MCCA can provide the technical expertise to assist DoFT in correctly identifying and coding climate change related-finances (for example, a weighting system, such as that used within the Expenditure and Funding Sources sections of this analysis, could provide a starting point), utilising existing mechanisms, such as an amended Chart of Accounts. Ensuring information is flowing to DoFT from both the NAB Secretariat and DSPPAC will help to ensure that relevant project and programme-funding data can also be captured within this.

5.2.3 Ministry of Foreign Affairs

The Ministry of Foreign Affairs also needs to be mentioned, due to the relationships with traditional and emerging development partners, as well as Council of Regional Organizations in the Pacific (CROP) Agencies providing support for climate change-related projects and programmes. The Department of Foreign Affairs has a role in negotiating partner support for areas of work, including climate change-related activities and the UNFCCC negotiations. This information needs to also be fed through to the NAB and DSPPAC. Department of Foreign Affairs can also play a key role in advocating for support from partners for key priority areas as outlined in the NSDP and CCDRR.

5.3 Local Government Structure

The 2014 CPEIR Report provides an overview of the relevant local government structure and the role of the Decentralisation Amendment Act in aiming to build governance capacity at the sub-national level. This current review did not undertake an in-depth analysis at the sub-national level due to time constraints. However, given the priority of ensuring climate change financing reaches those at the local level who are already feeling the impacts of climate change, strengthening this local government structure is of particular importance. Notable positive work is being undertaken with Community Disaster and Climate Change Committees (CDCCCs), particularly by international non-governmental organisations (INGOs) and the National Disaster Management Office. Strengthening these local-level institutions is key to sustaining community-based resilience building activities going forward. Increasing training in technical aspects of climate change, as well as promoting these committees as key structures for capturing traditional knowledge relevant to preparedness and climate change adaptation should be a focus.

Furthermore, consideration of different modalities that channel funds to the community level, such as small grants programs and national climate change trust funds as two examples, may also be worth further analysis going forward. While the CPEIR Report did recommend the establishment of a small grants program for CCDRM



projects, it seems this has not been followed through. However, the Adaptation Fund and, increasingly, the GCF are looking favourably on different mechanisms that are successful in getting funds to the community level.

Provincial authorities have also indicated an interest in being more engaged with the NAB. This would suggest better information flow from the Department of Provincial Affairs through to provincial authorities is needed. Currently, the provinces have Technical Advisory Commissions (TAC), which comprise provincial-based line agencies, NGOs and community leader reps (i.e. women, youth, and people with special needs). TAC plays a technical role at the provinces and can be further equipped to deal with climate change issues, and also serves as the mechanism by which strengthened linkages can be made with the NAB. However, the NAP process and consultations could be used to address this issue.

5.4 Role of Non-State Actors

Vanuatu has a number of very strong INGOs leading on climate change, resilience building and inter-related development work at the local and community level. Furthermore, these INGOs partner and support a larger number of local NGOs and CSOs working within communities. To date, INGOs have provided significant assistance in financial and fiduciary management processes for smaller NGOs and CSOs. However, a key opportunity exists for undertaking readiness programs for local NGOs and CSOs, to ensure these institutions are also better able to manage and absorb climate change financing. This is especially relevant in the context of ensuring climate change finance reaches the local/ community level.

Significant climate change adaptation (CCA) and disaster risk reduction (DRR) programming has been ongoing since the mid-2000s by a number of INGOs. However, a number of programs have recently ended and traditional funding streams for this work are becoming less readily available. This has presented a key challenge for continuity of this very necessary work led by non-state actors. There is a current process for the development of a GCF proposal by a consortium of INGOs to address community-based adaptation for vulnerable and marginalised groups. Other innovative financing streams are also being considered to ensure the continuation of work. More generally, these organisations have the technical and human resource capacity to continue supporting Vanuatu in its climate change-related work and are prepared to partner and coordinate on new climate change financing opportunities.

In the consultations with a number of the INGOs, it was highlighted that dialogue with the NAB was good; however, the issue of representation on this body was currently challenging due to the issues facing VANGO (the national umbrella body for NGOs and the link between INGOs and Government). This may need to be addressed, to ensure continued effective coordination with NGOs going forward. Furthermore, there was some confusion on whether the NAB or DSPPAC was the focal point for project reporting and, to-date, it seems that INGOs have not been reporting climate change-related projects through the NAB endorsement process. This is exacerbated by the fact that many projects have an overarching development focus with CCA and DRR elements. However, this also suggests that the NAB may need to provide further guidance on the parameters for projects that are to be provided to the NAB (e.g. such as a weighting criteria). Going forward, it is recommended that INGOs provide information on relevant projects to the NAB, to ensure this work is being captured and acknowledged at the national level.

To date, private sector engagement in the climate change space has been minimal. This is due to a number of challenges, including the make-up of Vanuatu private sector being largely small and medium enterprises (SMEs), as well as key issues related to development-based consultation processes taking away from core business and seeing little return on investment within the short term. These are common challenges for increasing private sector engagement across the Pacific. However, two recent activities aim to improve the engagement of private sector within the climate change space. Technical assistance was recently funded through GIZ to undertake a private sector mapping process for Vanuatu, identifying which organisations are currently active in climate change-related activities. Furthermore, the recent launch of the Vanuatu Business



Resilience Committee provides a key entry point for discussion of potential partnerships and roles of private sector going forward. Following the example of Fiji and other PICs, entry points for private sector can include sub-contracting opportunities for SMEs, looking at business resilience, and partnerships within the disaster preparedness and response space. Providing representation on the NAB or within the NAB's technical working groups would also be recommended, to further the dialogue and exchange of information between the Government and the private sector to identify potential entry points.

5.5 Progression Towards NIE Accreditation

The Vanuatu Government and MCCA specifically, have undertaken a number of measures to progress NIE accreditation since 2014. As previously outlined, this has been identified as a priority policy objective in a number of high-level documents, including the NSDP, the CCDRR Policy and the 2018 National Budget Statement.

The 2014 CPEIR Report identified two potential entities for accreditation to the Adaptation Fund – the Ministry of Climate Change Adaptation as the most viable option and the Vanuatu Project Management Unit (VPMU) as a backup. In undertaking the current review and conducting discussion with the VPMU, it does not seem that NIE accreditation has been something pursued internally within VPMU since 2014. While VPMU has dedicated staff in environmental and social safeguards (ESS) and large-scale project management experience, it does not have the necessary legal status (apart from a Council of Ministers decision) to be considered for GCF accreditation. Furthermore, it does not currently have internal ESS or gender policies (as it relies on various donor standards, depending on the project), to comply with the GCF requirements. As such, it is suggested that the VPMU is not currently in a position to progress NIE accreditation. However, it would be recommended that VPMU provide important input and support to an identified entity, given the experience in overseeing large infrastructure projects requiring rigorous risk assessment processes.

As such, this analysis suggests that MCCA remains the preferred option. Nevertheless, in line with the terms of reference of this review, specifically in identifying new entities where necessary, it is also recommended that the Ministry of Finance and Economic Management (MFEM) is also considered and part of the discussions going forward. This is particularly the case, given the centralised finance system in place in Vanuatu.

Table 11 below provides an overall summary of the analysis of both MCCA and MFEM against the relevant GCF criteria. Some of these points are further discussed in the analysis below. It should also be mentioned that there is a possibility to continue progressing with Adaptation Fund accreditation in the first instance and utilising this as a fast-track mechanism to GCF accreditation.



GCF Criteria	Ministry of Climate Change	Ministry of Finance and Economic Management (MFEM)	Preferred Candidate Additional Comments
<p>Fiduciary Standards</p> <p>See Table 9, for listing of these)</p>	<p>Given the centralised budget system of Vanuatu, it is unlikely MCCA as an individual entity would have the autonomy or capacity to currently meet the necessary basic fiduciary criteria, especially in areas, such as transparency and accountability.</p>	<p>While the system is well regarded, there are a number of issues that still need addressing to meet the stringent GCF requirements.</p> <p>PFM Reform Roadmap 2017-2021 in place but key elements would need to be fast-tracked to meet GCF requirements.</p> <p>For a comprehensive look at MFEM's progress on PFM reform, refer to the PFM Analysis in Section 4.</p>	<p>MFEM would currently be better placed to meet these standards.</p>
<p>Specialised Fiduciary Standards</p>	<p>The PMU is currently well placed to meet some of these criteria, and is currently managing projects worth 3 billion vatu.</p> <p>However, the establishment of standard operating procedures, such as project risk management systems, project appraisal, as well as M&E are still works in progress.</p>	<p>These are areas where MFEM currently fall short – not having the capacity or mandate around project management.</p> <p>If MFEM were to apply as NIE, it may need a dedicated unit to be established for project management as this is not something that could be added to current staff, given workload requirements.</p>	<p>MCCA would currently be better placed to meet these standards.</p>



GCF Criteria	Ministry of Climate Change	Ministry of Finance and Economic Management (MFEM)	Preferred Candidate Additional Comments
ESS	<p>No internal ESS policy currently exists for climate change-related projects. The VMGD PMU only uses the World Bank ESS processes. This also recognizes the application of Department of Environmental Protection and Conservation's (DEPC's) ESS framework.</p> <p>The Department of Environment within the Ministry, does have ESS frameworks.</p> <p>MCCA has instigated discussions around the development of a national ESS process.</p>	<p>No current ESS policy or process.</p>	<p>Neither currently meets these criteria. However, MCCA has progressed work on this.</p> <p>Given existing ESS processes within other agencies (including Ministry of Infrastructure and Public Utilities (MIPU) and Department of Environment) there may be an opportunity for working with these agencies initially (through MoUs), while a national ESS is established and implemented.</p> <p>Level of effort will depend on what Category of ESS accreditation is sought. Higher levels of ESS require more stringent safeguards. Recommend seeking low-level ESS accreditation to be upgraded later.</p>
Gender Policy	<p>No gender policy within the Ministry</p> <p>Current PMU (and other departments) may be able to show evidence of implementing gender and social inclusion aspects into current/ recent projects/ programs, given the requirement of many donor-funded projects in this regard.</p>	<p>No gender policy within the Ministry.</p>	<p>Neither – however, MCCA may be able to show implementation of GSI components through previous projects.</p> <p>However, evidence of a gender policy would also be required. This may require working with the Department of Women's Affairs to show adoption/ implementation of this.</p>



GCF Criteria	Ministry of Climate Change	Ministry of Finance and Economic Management (MFEM)	Preferred Candidate Additional Comments
Capacity/ Leadership	<p>MCCA has taken leadership on progressing this since 2014, with Director General as champion.</p> <p>Some human capacity and absorptive challenges exist, especially given that most positions within PMU are currently project funded. The establishment of a Department of Climate Change may help to relieve this (having core positions allocated within the structure) and does create a dedicated unit for managing GCF projects and funding.</p>	<p>NIE accreditation has not been an active priority for MFEM, other than through broader processes of improving overall systems for greater donor confidence. May need champion inside MFEM to effectively progress.</p> <p>It is highlighted in the 2018 Budget Policy Statement – however, this seems to be more an overarching Government priority rather than directly related to MFEM.</p> <p>May require establishment of a dedicated “project management” unit within MFEM to ensure dedicated capacity.</p>	<p>MCCA would currently be better placed.</p>
Other	<p>At present, the DG MCCA is the NDA to the GCF. While there is precedent for the NIE being the same entity as the NDA, this requires establishing procedures to avoid conflicts of interest.</p>		<p>If MCCA is to apply for NIE, it would be recommended that, to reduce complications, the NDA responsibility be shifted to another entity – possibly DSPPAC.</p>

Table 11. Summary Analysis of Both MCCA and MFEM against the Relevant GCF Criteria



The review team has not made a direct recommendation on which entity should be put forward, rather are presenting this analysis as a current situational analysis for the Government of Vanuatu to consider. Nevertheless, MCCA has taken an active approach to progressing NIE accreditation, tracking a number of activities from 2014 through to 2016 in line with the Adaptation Fund accreditation requirements. Furthermore, a number of initiatives are currently being driven by MCCA, including the establishment of a Climate Finance Working Group, the development and endorsement of the Climate Finance Roadmap and the procurement of Technical Assistance from the Commonwealth Secretariat with a specific mandate to help progress NIE accreditation. The proposed establishment of the Department of Climate Change may also see increased capacity for project management, M&E as well as financial processes within this Ministry. While the feedback from MFEM is that NIE accreditation has not currently been at the top of their priority agenda, they are working more holistically to improve processes to ensure greater donor confidence in the system. As such, this section should also be read in conjunction with the Public Financial Management Analysis in Section 4, which also provides recommendations aligned with the requirements for NIE accreditation.

Based on recent advice received by the Vanuatu Government at the GCF meeting in July 2017 and the analysis provided in Table 11, one way forward is for Vanuatu to consider an NIE accreditation model that utilises the capacity and processes of a number of entities. This would require nominating either MCCA or MFEM as the entity, but developing processes and working arrangements (through an MoU or similar) with other key entities. If Vanuatu is successful in this, it could become an example model for other countries within the Pacific. Along with MFEM and MCCA, other entities, including the Department of Women's Affairs, the Department of Environment, the Auditor General's Office and the Ministry of Infrastructure and Public Works would also need to be called upon for components, such as the national gender policy, auditing and environmental and social safeguard processes that are currently already in place in these other entities. It should also be noted that the DG of MCCA is currently the NDA to the GCF. If MCCA is to be put forward as the NIE, clear controls will need to be established and demonstrate that no conflicts of interest will be allowed to occur. However, it is recommended that if MCCA be nominated, shifting the NDA to another entity, such as DSPPAC, may be a more viable option.

As an immediate next step, it is also recommended that both MCCA and MFEM utilise the GCF self-assessment tool¹⁷ to determine the current gaps that each entity faces. The results of this should also be incorporated into the Climate Finance Roadmap as key priority action areas. This could assist Vanuatu to seek additional GCF readiness grants to address the institutional gaps. Moving forward, close discussion and consultation will be required between MCCA and MFEM, and it is likely both will still require support from continuing readiness activities and development partners. There is also the opportunity for GCF to support a gap assessment and action plan for accreditation, once an entity is nominated. Furthermore, discussion on the role of other agencies in filling the outstanding gaps and how best to establish robust coordination and collaboration between these agencies will be needed if Vanuatu decides to adopt this multi-agency model. It will also be important to consider both the project size and risk level of projects that will be applied for, as this may also impact on the criteria that needs to be met. It is recommended that a relatively basic accreditation level is initially applied for, with low-level ESS (for example Category C/13 but no greater than B/12) and possibly small (USD10-50m) or micro (up to USD10m) finance levels. From there, upgrades can be applied for, as necessary processes are developed.

¹⁷ The GCF self-assessment tool is available online at <http://www.greenclimate.fund/how-we-work/getting-accredited/self-assessment-tool>



5.6 Recommendations

1. A communication campaign targeting all levels of Government on the role of the NAB may help to clarify some misunderstanding around this body and help to re-emphasise the need for consistent cross-sectoral representation for its effectiveness.
2. The NAB's project brief form could also include information capture on the gender and social inclusion components of proposed projects. This would also assist with the NIE accreditation process and demonstrating processes in place to monitor gender and social inclusion within climate change activities.
3. Harmonise processes between DSPPAC and NAB where possible and ensuring strong channels of communication between the two entities so that relevant information is shared.
4. Establish a broad set of criteria (could be similar to the weighting methodology used in this review) for NAB to provide some clarity on the definition of climate change-related projects.
5. Utilising this, MCCA could also provide technical expertise to assist DoFT in correctly identifying and coding climate change-related finances for better tracking of these flows through the existing Charter of Accounts.
6. Increase training in technical aspects of climate change to sub-national institutions, as well as promote CDCCs as key structures for capturing traditional knowledge relevant to preparedness and climate change adaptation.
7. Look at the options for increasing representation of sub-national representatives on the current or newly established NAB technical working groups.
8. Look at opportunities for undertaking readiness programs for local NGOs and CSOs, to ensure these institutions are also better able to manage and absorb climate change financing.
9. Longer term, consideration of other mechanisms to ensure funds are channelled to the community level, including small grants arrangements, would also be recommended.
10. Strengthen INGO/ NGO and private sector engagement with the NAB or within the NAB's technical working groups, to further the dialogue and exchange of information between the Government and these partners.
11. Vanuatu could consider an NIE accreditation model that utilises the capacity and processes of a number of entities. This would require nominating either MCCA or MFEM as the entity, but developing processes and working arrangements (through an MoU or similar) with other key entities.
12. If MCCA is put forward as the recommended entity for accreditation, it is recommended that the NDA function be shifted to another entity (possibly DSPPAC).
13. MCCA and MFEM to consider the GCF self-assessment tool as an immediate priority to determine current progress towards NIE accreditation and outstanding areas that need to be addressed.
14. Consider updating or revising the Climate Finance Roadmap with dedicated actions for achieving accreditation, as per the results of the above GCF self-assessment.
15. Once a nominated entity is chosen, request assistance through GCF for an institutional gap assessment and action plan.



6 Human Capacity Analysis

Key Messages:

- Having the appropriate technical expertise and number of staff to deal with the associated complexity for access and ability to manage accessed funds is extremely critical. This is in light of the expected proliferation of new global funding sources for climate change as we approach 2020 when developed countries will jointly mobilise up to USD100 billion per year.
- Further boosting the capacity of MCCA is vital to effectively coordinate Vanuatu's climate change and disaster risk management program. For the whole of Government, Vanuatu has the right set of expertise and adequate human capacity to understand and engage in climate change financing, compared to other PICs. The key challenge is how to fully maximise and coordinate the range of technical expertise that sits in different line ministries. The NAB could assist to strengthen this.
- Strengthening capacity building and information sharing on climate change and climate finance opportunities is needed from MCCA (NAB Secretariat) to the sub-national and community levels. One entry point is the full utilisation of the existing provincial TACs and Community Disaster and Climate Change Committees (CDCCCs).
- Absorbing project-funded staff has been a challenge. There is a need to ensure that all future CCDRM projects have an integral component or focus on capacity building and transfer of knowledge, particularly if it involves external consultants.
- Fast tracking a national Human Resources Development Plan/Strategy is crucial.
- Donors providing scholarships to Vanuatu need to coordinate closely with the Ministry of Education and the Public Service Commission to ensure their support is tracked and aligned to the human capacity needs of the Government of Vanuatu. Donors are encouraged to include climate change and disaster resilience as part of their scholarship priorities.



6.1 The Importance of Human Capacity

With the proliferation of new global funding sources for climate change, there is also an associated complexity for access, which requires specialised technical capacity to manoeuvre the different reporting processes and templates. With the scale of the Green Climate Fund, it will be critical for Vanuatu to have the optimal number of staff and, in particular, with the right set of skills and expertise in order to be able to effectively access and manage international climate change finance.

Although the Paris Agreement on Climate Change recognises the special capacity constraints of small island developing states and least developed countries like Vanuatu, the access procedures to global climate funds are still cumbersome, costly and elusive. As the global commitment of mobilising USD100 billion per year by 2020 draws near, Vanuatu will expect to see an influx in the number of partners that want to engage, thus coordination will be a key challenge. Without the right human capacity, Vanuatu will be faced with either not effectively accessing available funding opportunities, or face the risk of slow implementation of activities from funds accessed. This is a common challenge among many PICs, and is even more serious in the smaller island states of the Pacific. It is important to understand that limited capacity is often cited by donors as the main reason for not allocating greater volumes of assistance or delivering support through a limited range of modalities.

It is encouraging to see that the Government fully recognises the challenges of human capacity and is taking steps to address this. For instance, MCCA is planning to enhance its staffing capacity over the next few years as outlined in the Ministry's Corporate Plan 2016–2018. The Government has also taken steps to ensure their scholarship awardees complete tertiary studies on time and there have been recent improvements in the process for scholarship application.

6.2 Dedicated Technical Capacity at the National Level

Although there are challenges in providing staffing or operational budget for activities approved for the Ministry of Climate Change Adaptation, the Ministry is adequately capacitated to access and manage international climate change finance. Currently, MCCA has a total staff of just over 100, including staff in the headquarter office in Port Vila and the provinces. A number of these positions are not permanent – either contracted or temporary. For the purpose of accessing, managing, evaluating and reporting on climate change finance, the Ministry will need to strengthen its capacity in coordination and information sharing (NAB Secretariat with DSPPAC/ Aid Coordination), monitoring and evaluation and project development expertise in the Project Management Unit (PMU).

For the whole of Government, Vanuatu has the right set of expertise and adequate human capacity to understand and engage in climate change financing, compared to other PICs. The key challenge is how to fully maximise and coordinate the range of technical expertise that sit in different line ministries. MCCA's recent engagement with the Risk Resilience Unit in the Ministry of Agriculture for the development of the National Adaptation Plan (NAP) is a positive example that should be replicated across Government.

Over the past couple of years, GIZ and other project partners have directly supported the Ministry with back-stopping and additional initiatives to engage with other line agencies and stakeholders to raise the awareness of climate change and climate change financing. Training, inductions and debrief meetings for Vanuatu's national delegation to UNFCCC COP meetings have proven very useful in exposing representatives from other ministries and stakeholders to the international discussions on climate change and climate change financing. Vanuatu also has a number of very experienced climate change negotiators that the Government must capitalise on to advocate the needs of Vanuatu and its people, regarding vulnerability, access to finance, capacity building and technology transfer.



Vanuatu must be commended as one of few PICs to have a specific working group on climate finance. The work of the working group is supported by the Climate Finance Roadmap. In November 2016, the working group convened a National Climate Finance Forum, which was well attended by representatives from government, private sector and civil society. These efforts have assisted to raise the general awareness and profile of climate change finance across line ministries, NGOs and private sector. This is a positive development, which is different to other PICs. In many PICs, the awareness about climate change finance is mostly limited to the ministry responsible for climate change issues.

Currently, resources dedicated to the management of Vanuatu's climate change program are primarily focussed within the Ministry for Climate Change Adaptation, Meteorology, Geo-Hazards, Environment, Energy and Disaster Management. Additional resources are also available from the Ministry of Agriculture, Livestock, Fisheries, Forestry and Biosecurity, Ministry of Land and Natural Resources, Ministry of Finance and Economic Management, Department of Women's Affairs, and Ministry of Foreign Affairs, Department of Local Authority and Department of Strategic Policy, Planning and Aid Coordination in the Prime Minister's Office. Table 12 below lists the key positions, below ministerial level, that the Government can utilise to support the national climate change and disaster resilience program. Note that this table is not an exhaustive list and attempts to identify government officers with specific, highly relevant climate change responsibilities.

Ministry for Climate Change Adaptation, Meteorology, Geo-Hazards, Environment, Energy and Disaster Management

- i. Director General – oversight, strategic engagement, partnership and climate change negotiation. GCF National Designated Authority and technical focal point for UNFCCC.
- ii. Director, Department of Energy – mitigation-related activities, including design of the national energy fund.
- iii. Director, Department of Meteorology and Geo-hazards – climate services, weather forecasting and climate change PMU.
- iv. Director, NDMO – disaster resilience and management and working with cluster groups and CDCCCs.
- v. Director, Department of Environment Protection and Conservation – biodiversity and conservation to build resilience.
- vi. NAB Secretariat Manager – coordination, policy advice, information sharing.
- vii. PMU Manager – climate change project management and M&E oversight.
- viii. Manager, Energy Security – sustainable/ renewable energy and energy efficiency.
- ix. PMU M&E expert – support with M&E reporting for climate change projects implemented by MCCA.
- x. Principal Scientific Officer, Energy Security – sustainable/ renewable energy and energy efficiency.
- xi. Operations Manager, NDMO – supports cluster groups and relief and recovery efforts for disaster resilience.
- xii. Disaster Risk Reduction/ Camp Coordination Management Officer – disaster risk reduction and coordination of disaster evacuation efforts.
- xiii. Principal Environment Impact Assessment Officer – environmental management and related assessments.
- xiv. Principal Officer (Biodiversity & Conservation) – support for biodiversity and conservation efforts to build resilience.
- xv. Manager, Climate Services – support for climate services and implementation of Vanuatu's first GCF project on climate services worth USD23 million.
- xvi. GCF Readiness Coordinator – support to NAB Secretariat and implementation of GCF readiness grant implemented by GIZ.
- xvii. Commonwealth Secretariat-funded National Climate Finance Adviser – policy support and capacity building for Government on climate change financing.



- xviii. GIZ Cooperation through Coping with Climate Change in the Pacific Islands Region (CCCCPIR) Technical Adviser – capacity building on climate change and climate change financing issues and project oversight.
- xix. GIZ National Coordinator – oversight of GIZ climate change-related activities in Vanuatu.
- xx. UNDP PRRP Coordinator – risk informed development and mainstreaming.

Ministry of Finance and Economic Management

- i. Director General – oversight for budgeting, receipt of funds, disbursement tracking and financial acquittal to donors. Advice to the Forum Economic Ministers Meeting, which is the principal regional forum that discusses climate change and disaster risk financing. Focal point for the multilateral development banks, such as ADB and World Bank. Also support for Pacific Central Bank Governors meeting.
- ii. Expenditure Analyst – member of the Climate Finance Taskforce and directly responsible for MCCA expenditures.

Ministry of Agriculture, Livestock, Fisheries, Forestry and Biosecurity

- i. Director General – oversight for direct implementation of activities related to agriculture and fisheries (adaptation) and forestry (mitigation, REDD+). Responsible for setting up the Risk Resilience Unit.
- ii. Director for Agriculture – smart agriculture and resilient crops for food security.
- iii. Director for Fisheries – coastal and offshore management of fisheries and food security/ nutrition to build resilience.
- iv. Director of Forestry – REDD+ efforts.
- v. Manager, Risk Resilience Unit – risk governance and mainstreaming support and also direct involvement with the formulation of Vanuatu’s NAP.
- vi. Disaster Risk Reduction Officer, Risk Resilience Unit – support to mainstream risk resilience into Ministry of Agriculture plans and policies.
- vii. PMU and M&E officer – M&E project considerations.

Ministry of Foreign Affairs

- i. Director General – political focal point for development partners, bilateral donors and regional organisations. Also political focal point for the UN agencies and processes, including UNFCCC.
- ii. Vanuatu Ambassador to the United Nations – support to UN climate change negotiations and negotiating climate finance with international partners.
- iii. Vanuatu Ambassador in Brussels – support for negotiating and facilitating climate finance from the European Union, EU countries and the Intra- African, Caribbean and Pacific Group of States (ACP) programme.

Ministry of Lands and Natural Resources

- i. Director for Water Resources – support for water security and WASH efforts.
- ii. Director Lands – support for land management and resettlement/ relocation as a result of climate-induced impacts.

Department of Women’s Affairs

- i. Director for Women – support to the UNFCCC COP negotiations in raising the issue of gender and social inclusion. Responsible for Gender Policy. Lead efforts to have gender-responsive budgeting, currently being piloted in Vanuatu.
- ii. Gender & Protection Cluster Coordinator – gender mainstreaming and support to cluster group for disaster preparedness and response.



Department of Local Authority	
i.	Decentralisation Manager – support decentralisation processes and entry point for mainstreaming climate change and climate change financing to the sub-national and community levels in Vanuatu.
Department of Strategic Policy, Planning and Aid Coordination, Prime Minister’s Office	
i.	Director DSPPAC – high-level strategic policy advice, planning and coordination of donor support. Custodian of the NSDP. Policy advice to the Prime Minister.
ii.	Manager, M&E Unit – overarching M&E for whole of government activities, particularly the M&E framework for the NSDP.
iii.	Manager, Aid Coordination – oversight for aid coordination
iv.	Climate Change Sector Analyst – member of the Climate Finance Taskforce and support for the linkage between MCCA and DSPPAC.

Table 12. Summary of Key Climate Change and Disaster Risk Management Positions

6.3 Capacity of Provincial Administrations and Communities

Generally speaking, provincial administrations in Vanuatu have very skeletal staffing. Although there has been active engagement between the national Government and provincial administration on disaster response and recovery efforts, there is a need to strengthen capacity building and information sharing on climate change and climate finance opportunities from MCCA (NAB Secretariat) to the sub-national and community levels. One entry point is the full utilisation of the existing provincial TACs and Community Disaster and Climate Change Committees (CDCCCs).

A key challenge that provincial administrations in Vanuatu face is the limited technical capacity in grant writing for climate change funding. MCCA, through the NAB Secretariat and the PMU, should provide capacity-building training in project development and grant writing for provincial administrations and community representatives. This could be further enhanced with the operationalisation of the new Department of Climate Change. In Palau, for example, the Office of Project Management is the agency that is supporting state governments and communities to develop project concepts and proposals for climate change funding. In the Republic of the Marshall Islands, the Government has a dedicated Grants Writing Office that supports line ministries and state governments with project proposal writing. MCCA could consider expanding the scope of work for both the PMU and the NAB Secretariat to be able to serve as a ‘one stop’ for grants writing for climate change funding. At the same time, MCCA could collaborate with INGOs and volunteers (e.g. Peace Corps) and interns, as another option, to provide tailored support.

6.4 Human Capacity Development

Vanuatu has a total population of around 280,000. It is encouraging to note that education and human capacity development is a standing priority for the Government. This is demonstrated through the Government’s budget allocation of around 25 per cent of the total annual budget towards the education sector. With a relatively small population compared to other Melanesian neighbours, it is astonishing to see that there are more than 1,000 schools (early children education, primary and secondary schools) across the islands of Vanuatu (Vanuatu School Mapping Report, 2013)¹⁸. Unfortunately, just over 120 make it to Year 13 (form 7), annually. This implies the need for the Government to support the establishment of more technical vocational education and training (TVET) centres, which offer courses that may have relevance to climate change (air-conditioning, agriculture, forestry, etc.).

¹⁸ https://moet.gov.vu/docs/mapping/School%20Mapping%20Report_2013.pdf



It is encouraging to see that the Vanuatu Institute of Technology (VIT) is partnering with GIZ to offer a Certificate in Climate Change course. The first batch of students have graduated this year. There is key role for national institutions like VIT to build the capacity of national government officials, provincial administration officers and community representatives. The Government, donors and private sector are encouraged to strengthen their support to national institutions like VIT and others to expand their courses to include other areas and to build their research capacity to inform national policy decisions. The USAID Climate Ready Project is also partnering with the University of the South Pacific to offer Technical and Further Education (TAFE) courses to PICs (including Vanuatu), which relate to climate change.

This also has a direct link to the Decentralisation Policy that the Department of Local Government is leading. The review has noted that although the Technical Advisory Commission (TAC) is well informed of climate change and disaster resilience issues, there is very little awareness and coordination at the level of the Community Disaster and Climate Change Committees (CDCCCs). INGOs, such as Care International, Oxfam, World Vision, and Save the Children have a key role and must be supported to undertake capacity-building initiatives to build the readiness of communities to access and absorb project resources, and to raise on-going awareness.

At the national level, it has proven to be a challenge to absorb project-funded staff at the end of projects due to competing priorities and limited financial resources. Apart from MCCA, there is not much dedicated human capacity in other ministries and departments to understand and engage in undertakings related to climate change finance. The same government officials are part of many other committees. Partners that engage with Vanuatu should seriously look at more sustainable and programmatic approaches to ensure that trained capacity and expertise is retained within Government. Vanuatu's unique context requires the utilisation of existing mechanisms and committees instead of establishing new ones, just for the sake of aligning with regional efforts or good practice in other countries. This requires Vanuatu to strategically engage and ensure that all future CCDRM projects have an integral component or focus on capacity building and transfer of knowledge, particularly if it involves external consultants.

In terms of training opportunities, the Government and partners offer a number of scholarships, annually. The Vanuatu Scholarships for 2018 were open from 4 September 2017 until 4 October 2017. These scholarships are aligned to the Vanuatu Government Scholarship Priority Framework 2017, linked to the NSDP pillars. This is a positive development, noting that in the absence of a national Human Resources Development Plan/Strategy, scholarships offered in the past were not fully linked to the capacity gaps and identified priorities of the Government. Recently, the Ministry of Education (Training and Scholarships Unit) has launched a website¹⁹ for Vanuatu Government Scholarships and applications for 2018 can now be submitted online. This is a huge development and one of the first in the Pacific. On average, around 80 per cent of Government scholarships are for pre-service students while 20 per cent are for in-service. In 2012, the composition of the new awardees was 64 per cent males and 36 per cent females. The consultations indicated that around 60 university graduates return to Vanuatu each year. The challenge is that most of them are absorbed into the private sector and development partner agencies instead of the public service. One reason is linked to the employment packages that the private sector and development partner agencies offer, which is often higher than the public service. The review has observed that the vacancy rate in MCCA has declined from 38 per cent to 32 per cent by the end of 2016. Therefore, the Government may need to consider additional incentives for public servants to attract the best expertise and retain existing human capacity.

There are also some donors that provide direct scholarship opportunities to Vanuatu citizens. It is, therefore, critical that external scholarship providers coordinate closely with the Ministry of Education and the Public Service Commission to ensure their support is tracked and aligned to the human capacity needs of the Government of Vanuatu. Donors are encouraged to include climate change and disaster resilience as part of their scholarship priorities.

¹⁹ www.scholarships.gov.vu



Over the past few years, Government officials have benefitted from a number of regional and international short-term training opportunities and seminars. A good example is JICA's on-going short-term training sessions in Japan for public servants. Ministries should also consider allocating budget for staff development, which can be used to support distance learning/online courses for staff that need capacity development.

It is also important to highlight that the Public Service Commission (PSC) is reviewing the public service policies to ensure a more robust delivery of service. The Government of Vanuatu workforce is guided by the Public Service Act and the Public Service Staff Manual. PSC is currently reviewing the Public Service Staff Manual, and one of the main issues in consideration is scholarship-bonding for 7-10 years, which will ensure the students that go on Vanuatu Government scholarships, return with academic qualification and serve the Government and the people of Vanuatu for that period before deciding to resign for other jobs outside the Government. Early 2017, PSC also amended the working hours for public servants for the first time to improve productivity. Now the Commission is turning its focus to reviewing performance (leading to recognition and awards), recruitment, and retirement policies. These initiatives will yield positive results to the Government, including dedicated staff for progressing Vanuatu's climate change response.

6.5 Recommendations

1. Capacity building and supplementation for climate change should remain a national priority for Vanuatu. It is recommended that all future climate change projects accessed by Vanuatu must have an embedded component related to capacity development and transfer of knowledge. This can also be considered for future assistance of climate change-related incubator posts within ministries to ensure the position is absorbed into a government agency. Doing this will ensure external consultants provide an added value to Government.
2. MCCA could strengthen its staffing capacity in the NAB Secretariat and PMU to be able to effectively coordinate, share information, monitor and evaluate projects and develop project pipelines. The operationalisation of the proposed Department of Climate Change will enhance this.
3. MCCA could develop a strategy on how to fully maximise and coordinate the range of technical expertise that sits in different line ministries, building on the NAB mechanism.
4. The NAB Secretariat could coordinate with the PMU, to serve as a 'one stop' for capacity-building training sessions and support to line ministries, provincial administrators and community representatives on grant writing for climate change funding.
5. Recognise and support the role of NGOs and the private sector in providing capacity-building initiatives to build the readiness of communities to access and absorb climate change project resources, and to raise ongoing awareness.
6. Fast-tracking the PSC reforms will provide additional incentives for public servants to attract the best expertise and retain existing human capacity.
7. Donors that provide direct scholarship opportunities to Vanuatu citizens must coordinate closely with the Ministry of Education and the Public Service Commission to ensure their support is tracked and aligned to the human capacity needs of the Government of Vanuatu. Donors are also encouraged to include climate change and disaster resilience as part of their scholarship priorities.



7 Gender & Social Inclusion Analysis

Key Messages:

- Gender and social inclusion (GSI) considerations are important because climate change impacts on different sections within a society are different. Also GSI is a key ingredient for accessing project funding for global funds, such as the GCF and the Adaptation Fund, and supports efforts to seek NIE accreditation.
- Both the NSDP and the CCDRR Policy have taken very progressive steps to ensure gender and social inclusion are integrated as a key principle of the respective plans or policy. However, resource allocation to support implementation has been a challenge.
- The completion of the Strategic Framework for Gender Mainstreaming currently in development would facilitate a more overarching approach for coordination to support the role of DWA.
- Vanuatu's Council of Ministers agreed to Decision 94 of 2017: Support to Gender Responsive Planning and Budgeting (GRB) process for 2018. The decision agreed to endorse and approve the inclusion of GRB in the 2018 budget for the Ministry of Climate Change, Ministry of Lands, Ministry of Education, Ministry of Agriculture and Department of Local Authorities (Municipalities and Provincial Governments). The decision also agreed to mandate all other Ministries to follow suit in GRB for 2019. This initiative is a key achievement of the advocacy work by DWA but also indicative of the increased collaboration of key government agencies on gender mainstreaming. This process provides a strong impetus for coordination between line ministries responsible for planning, budgeting, climate change and gender to enable the development of a systemic approach to identifying gender elements for budgeting and planning in areas including CCDRR.



7.1 The Imperative for Gender and Social Inclusion Analysis

The pillar on Gender and Social Inclusion (GSI) is a new addition to the 2017 assessment, as compared to the CPEIR undertaken in 2014. It has been included as a core component of the PCCFAF, due to the recognition that a country's approach to climate change and disaster risk financing must take into consideration the socio-economic context. To effectively adapt to the immediate and long-term impacts of climate change requires a more systemic consideration of gender and social inclusion into a country's systems, policies, capacities and institutions to effectively address inequalities and vulnerabilities that exacerbate the impacts of climate change.

Gender equality means women and men, boys and girls, have equal conditions, treatment, and opportunities for realising their potential. Social inclusion is the concept of all people taking part in, and benefiting from, society with "no one left behind". When adaptation to climate change and reduction of disaster risk are blind to population impacts, inequalities and vulnerabilities are likely to increase. Systematic approaches that capture gender equality and social inclusion as integral objectives in Climate Change and Disaster Risk Management (CCDRM) projects will improve the efficiency and effectiveness of programming and contribute to sustainable development.

Vanuatu is traditionally a male-dominated and largely patriarchal society. Women's gendered roles as mothers and housewives in the traditional context have seen few women enter the public domain, including politics and positions of seniority for decision-making in both public and private sectors. Women have very low representation in Parliament and in other decision-making bodies. There are still prevailing social and cultural perceptions of leadership and male dominance of political parties and decision making.²⁰ However, there has been notable progress with an increase of women in senior management in the public sector of 3.4 per cent in 2016 compared to 0.3 per cent in 2010.²¹ Despite still not having any women in Parliament, the Vanuatu Parliament passed a historical amendment to the Municipalities Act providing for reserved seats for women in the municipal councils. The quota provision is regarded as a 'special temporary measure' and was implemented for the first time in the Port Vila Municipal Council elections that took place in December 2013.²² Considerable progress was achieved with five women elected to the Port Vila Municipal Council and another five to the Luganville Municipal Council for 2014.²³ This is a positive step to increase women's participation in high-level decision making forums with access to and control over resources relevant to climate change and the impact on gender and socially vulnerable groups.

There has been other evident progress for women in Vanuatu in the past two decades. According to the 2009 National Population and Housing Census: Gender Monograph, the gender gap in literacy and education has narrowed. The child mortality rate has significantly declined in the decade between 1999 and 2009 and there has been a notable drop in teenage pregnancy across the country. In terms of labour participation, the proportion of women in waged employment has substantially increased. A significant achievement over the recent years has been the introduction of the Family Protection Act (FPA) (approved in 2008 and in effect in 2009), which provides legal protection for victims of violence. Furthermore, various government ministries, including agriculture, public works, environment, health, education and lands have developed gender strategies and are taking proactive steps to integrate gender into their sector policies and plans.²⁴

Nevertheless, more women than men (49% and 41%, respectively) are involved in the subsistence economy and there are more female-headed single parent households with children, grandchildren or extended family members compared to men (Vanuatu National Statistics Office 2011). As a result, women are more vulnerable

²⁰ Pacific Leaders' Gender Equality Declaration Report 2016 .

²¹ Ibid

²² <http://www.pacwip.org/resources/wip-legislation/>

²³ SPC and UNOHCHR, 2016. Human Rights in the Pacific: A Situational Analysis.

²⁴ Vanuatu National Policy on Gender Equality Policy 2015-2019.



and face higher poverty risks as a result of climate change across areas of food security, energy access and water scarcity. Cyclone Pam, in 2015, left extensive damage of pandanus trees and resulted in the loss of livelihoods for many ni-Vanuatu women who rely on the leaf for weaving and selling mats, as well as female vendors who sell pandanus woven products to cruise ship tourists²⁵.

Gender-based violence (GBV) is a grave concern affecting women and girls in Vanuatu and is exacerbated as a result of disasters. The Government of Vanuatu reported that cases of domestic violence increased by 300 per cent in the island of Tanna as a result of Cyclones Vania and Atu in 2011 (cited UN WOMEN, 2016).

According to the Vanuatu Women's Centre's 'Study on Violence against Women and Children 2010-2011', more than 60 per cent of women in Vanuatu have experienced some form of physical or sexual violence in their lives²⁶. Progressive measures have been taken to address cases in communities to strengthen support and to raise awareness for the protection of women.

Disaster damages to health facilities and associated interruptions to medical services can also affect women. Pregnant women may not be able to access timely obstetric care when a disaster strikes. Reproductive health services will not be available, or reach those in need, if disaster response and plan are not attuned to gender issues. It was estimated that 900 pregnant women would require specialized medical assistance within the nine months immediately after Cyclone Pam (Government of Vanuatu, 2015).

It is essential to recognise the prevalent impact on women as a result of extreme events caused by disasters as they occur more frequently in Vanuatu. This has significant social and economic implications that Government should systemically address in planning and programming to ensure such risks to women are adequately addressed. Failure to do so will only further exacerbate the impact on women and their economic and social well-being.

7.2 Gender in Global Climate Change Finance Structures

Solutions to address climate change and disasters cannot be effective unless the inequalities outlined in the previous section are taken into consideration and redressed in resilience efforts. Furthermore, the climate change and disaster risk management 'space' provides not only an opportunity to ensure greater participation of vulnerable groups and the organisations representing them, but also an opportunity to address underlying social vulnerabilities that are a core determinant of risk itself. In 2016, the international Committee on the Elimination of Discrimination Against Women highlighted in their report the concerns around climate change and the disproportionate impact on rural women, given that they heavily rely on access to natural resources for their livelihoods and survival. Furthermore, the report highlighted the challenges when women are not informed or given opportunities to participate in policy making and decision-making processes regarding climate change and disaster risk initiatives.

This is reflected within the Paris Agreement, which states that in climate change actions: "parties should be guided by respect for human rights, gender equality and the empowerment of women" and follow "a country-driven, gender-responsive, participatory and fully transparent approach" for adaptation action. Similarly, the Sendai Framework for Disaster Risk Reduction 2015-2030 highlights that the key to effective response and recovery is empowering women and persons with disabilities to publicly lead and promote gender equitable and universally accessible response, recovery, rehabilitation and reconstruction approaches²⁷. The adopted Framework for Resilient Development in the Pacific (FRDP) provides a policy imperative that places gender and protection as key principles that are central for implementation. Meeting the FRDP objectives is intended to help countries achieve the Agenda 2030 goals.

²⁵ UN Women (2016) Time to Act on gender, climate change and disaster risk reduction.

²⁶ Summary of stakeholders' reports by the Office of the High Commissioner for Human Rights for Universal Periodic Review, <http://www.ohchr.org/EN/HRBodies/UPR/Pages/VUSession18.aspx> cited in SPC and UNOHCHR, 2016. Human Rights in the Pacific: A Situational Analysis pg 143.

²⁷ Sendai Framework for Disaster Risk Reduction pg 21.



Just as these international and regional frameworks increasingly put issues of gender and social inclusion at the core of their focus, so too are climate change financing mechanisms. Entities seeking accreditation to the GCF are now assessed against the GCF’s fiduciary principles and standards, as well as the adoption and strength of national-level environmental and social safeguards and gender policies. The GCF Gender Policy emphasises the importance of gender equality in terms of access to and the impact of climate financing. The Fund’s gender policy follows the United Nations Framework Convention on Climate Change (UNFCCC), which is consistent with international agreements, including the Universal Declaration of Human Rights, Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), the Millennium Development Goals (MDGs) and SDGs, as well as the International Labour Organisation’s core conventions. It recognises the equal right of women and men to access the Fund’s service in order to adapt to and mitigate against the impact of climate change²⁸. The Adaptation Fund’s Environmental and Social Policy (approved in November 2013 and revised in March 2016) ensures that projects and programmes supported by the Fund promote positive environmental and social benefits, and mitigate or avoid adverse environmental and social risks and impacts.

Considering Vanuatu’s goal and priority policy action to gain accreditation status as an Implementing Entity to access funding mechanisms, such as the GCF, strong evidence of compliance with the GCF standards and adoption of effective gender and social inclusion processes across national government is imperative²⁹.

7.3 Mainstreaming Gender and Social Inclusion of Other Marginalised Groups

To ensure relevance, this review uses an analytical framework that aligns with the principles and policy processes of gender frameworks of the global financing institutions. The following domains have been determined:



Figure 23: Gender Analytical Framework Domains

- (a) *Commitment*: Do guiding policies, plans, legislative and institutional frameworks and all other core platforms for furthering CCDRM practice at national and subnational levels reflect an understanding and commitment to ensuring gender equality, equity and social inclusion?
- (b) *Comprehensiveness, Scope and Coverage*: Rate the quality and level of GSI integration of funded programmes against the following criteria: 1. Assessment: identification of issues; 2. Inclusion in program design (responds to issues); 3. Engagement of women and others throughout; 4. Capacity for implementation (level of technical expertise and capacity for coverage); 5. Results measured (benefits/ impact on women and others).

²⁸ Green Climate Fund <http://www.greenclimate.fund/how-we-work/getting-accredited>
²⁹ Vanuatu Climate Change and Disaster Risk Reduction Policy 2016-2030 pg 4.



- (c) *Equitable Resource Allocation*: Assess the level that women and men and other marginalised groups benefit equitably from funded adaptation, mitigation and disaster risk management/ resilience activities.
- (d) *Accountability*: What are the key institutions and mechanisms responsible for integration of gender and social inclusion in climate change results and impacts?
- (e) *Competencies*: What is the level of human capacity and technical expertise for integration of gender and social inclusion into climate change and disaster risk management responses?

As a result of challenges with the consultation process for this assessment, the following analysis is largely focused on the gender aspect of the methodology. Limited information provision on other marginalised groups, including youth and people living with disabilities has reduced the scope of including this aspect more thoroughly within the proceeding section.

7.3.1 Commitment and Accountability: GSI Aspects of Policies and Plans

The Vanuatu 2030 National Strategic Development Plan (NSDP) integrates issues of gender, disadvantaged groups and equitable development across its three pillars: Society, Environment and Economy. Specifically, the Society Pillar incorporates six goals and thirty-six strategic objectives, including Goal 4, which stipulates social inclusion and addresses gender equality and human rights. This goal focuses on “An inclusive society which upholds human dignity and where the rights of all Ni-Vanuatu, including women, youth, the elderly and vulnerable groups are supported, protected and promoted in our legislation and institutions”.

The Society Pillar covers a range of issues, including gender responsive planning and budgeting, ending violence against women, access to services with disabilities, and economic opportunities for young women and men, etc. There is also strong focus on the prevention and elimination of violence against women, children and vulnerable groups, as well as building an institutionally sound, inclusive and protected society. However, there are still gaps and limitations to be addressed to support this process. The Monitoring and Evaluation (M&E) Framework of the NSDP, which is still under development, provides a critical opportunity to develop more gender-specific indicators to strengthen integration of GSI in the implementation of the NSDP. For example, quantitative indicators, such as mandating sex disaggregated data collection across all ministries. Qualitative indicators could include women’s representation in consultative processes and assessments to be applied across all three pillars of the NSDP. At the present time, the process for integration and mainstreaming of this Society Pillar is not adequately articulated within the NSDP. Nevertheless, through the M&E process, GSI indicators can be further developed to target resourcing to ensure GSI integration is actioned and measured.

The 2016 Vanuatu Climate Change and Disaster Risk Policy has also taken very progressive steps to ensure gender and social inclusion is not only included as a key principle of the Policy, but is also reflected in identified actions. Table 13 provides a summary of relevant GSI specific actions across the strategic priority areas of the Policy. This is a significant achievement for Vanuatu in establishing a foundation to identify elements of GSI for action in CCDRR. It will also be useful to consider these in the development of the M&E Framework for the NSDP, in order to develop targeted indicators for GSI in CCDRR that are aligned and streamlined for resourcing and implementation.



1. GOVERNANCE	
1.1 INSTITUTIONAL STRUCTURES	
Actions	
Establish and strengthen institutional structures to effectively undertake their functions by:	
1.1.4	Facilitating the equal and active participation of vulnerable groups in decision-making bodies at all governance levels via all partners and stakeholders.
1.1.7	Strengthening provincial disaster and climate change committees and community disaster and climate change committees and municipal committees, such that bottom-up planning is acknowledged and considered in national decision-making.
1.2 LEGISLATION AND POLICY FRAMEWORKS	
Actions	
Drive strategic decision-making through contemporary legislation and policy frameworks by:	
1.1.6	Developing practical strategies to address gender and social inclusion issues within the climate change and disaster risk reduction context at all levels via Government and stakeholder collaboration.
1.3 INTERNATIONAL AND REGIONAL OBLIGATIONS	
Actions	
Meet international climate change and disaster risk reduction obligations by:	
1.1.7	Government and CSOs allocating human resource positions, officers and budget towards the fulfilment of international obligations and activities, including forming gender-balanced delegations.
3.4 LESSONS LEARNED	
Actions	
Enhance lessons-learned processes and use of lessons learned in programs and projects, including:	
1,1,3	Ensuring inclusion of women and all vulnerable groups in lessons-learned processes.
3.5 DATA ANALYSIS	
Actions	
Enhance data analysis by:	
1.1.4	Incorporating data analysis into planning and decision-making processes, and prioritising highly vulnerable communities and individuals with special needs.
1.1.5	Collecting and analysing sex and age disaggregated data.
4 CLIMATE CHANGE ADAPTATION AND DISASTER RISK REDUCTION	
Actions	
Address site-specific climate and disaster vulnerabilities by:	
1.1.4	Selecting and prioritizing actions based on transparent vulnerability criteria and using internationally recognised tools (e.g. environmental impact assessment, gender-analysis, cost benefit analysis).
4.3 COMMUNITY-BASED ADAPTATION AND DISASTER RISK REDUCTION	
Actions	
Rights and needs of individuals area respected and recognised by:	
1.1.10	Ensuring that adaptation and risk reduction initiatives incorporate the rights, priorities and needs of individuals (particularly vulnerable and marginalised groups, including elderly, women, youth, children, disabled people, illiterate, landless, minority and impoverished people).
1.1.11	Ensuring that community stakeholders and vulnerable groups are included in climate change adaptation and risk reduction initiatives and have an institutionalised role and voice in island, municipal, provincial and national climate and disaster decision-making.

Table 13. Summary of Actions in the Vanuatu Climate Change and Disaster Reduction Policy



This also follows the Government of Vanuatu's commitment through their National Gender Equality Policy 2015-2019 with a policy mission 'To promote equal rights, opportunities and responsibilities amongst men and women and eliminate all forms of discrimination and violence against women and girls'. The Gender Policy is under the mandate of the Ministry of Justice and Community Services responsible for the Department of Women's Affairs. The policy focuses on and prioritises four strategic areas: 1. Reducing Domestic and Gender-Based Violence; 2. Enhancing Women's Economic Empowerment; 3. Promoting Women's Leadership and Equal Political Participation; and 4. Building a Foundation for Gender Mainstreaming. The policy also outlines a Strategic Plan of Action to address the priority areas. The policy's strategic area for Building a Foundation for Gender Mainstreaming would be a key driver to achieving the targets of the action plans on GSI for CCDRR.

Vanuatu is a signatory to a number of international and regional agreements on gender equality and the advancement of women. These include:

- the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) and Optional Protocol;
- the Sustainable Development Goals;
- the Beijing Platform for Action (BPA);
- the Accra Agenda for Action and the Busan Partnership for Effective Development Cooperation;
- the International Conference on Population and Development (ICPD) Programme of Action;
- the Pacific Plan;
- the Revised Pacific Platform for Action on the Advancement of Women and Gender Equality; and
- the Pacific Leaders Gender Equality Declaration.

Vanuatu also has demonstrated great initiative and leadership at international forums through two submissions made on Gender to the UNFCCC at COP 19 in 2013, and COP 22 in 2016. The recommendations on the way forward for Vanuatu at this international high level meeting should be strengthened by aligning or linking to existing activities that are under corporate plans of government departments. This would facilitate coordination on similar initiatives but also track achievements over time for future reporting.

Furthermore, Vanuatu is a signatory to the UN Convention on the Rights of Persons with Disabilities (CRPD) in 2007 and ratified in 2008 to ensure that persons with disabilities are respected, promoted, equally recognised and included in decision-making at both the community and national level³⁰. The CRPD recognises that women with disabilities face multiple forms of discrimination, stating that the obligations towards women and disabilities should be considered crosscutting. As such, Vanuatu's national disability policy addresses discrimination against women with disabilities as a key priority³¹. The extent to which this has been incorporated into CCDRR practices is yet to be determined.

The Vanuatu legal system offers protection to women and children; however, in most cases, there's notable weakness to enforce their rights and this is anticipated in cases of CCDRR³².

The laws that protect women and children include the following:

- the Family Protection Act;
- the Penal Code 1981 and amendments;
- the Employment Act;
- Matrimonial Clauses;
- Maintenance of Children; and
- Control of Marriage and Divorce Bill.

³⁰ SPC and UNOHCHR, 2016. Human Rights in the Pacific: A Situational Analysis.

³¹ Vanuatu: A Legislative Review for Compliance with the Convention on the Rights of Persons with Disabilities, August 2016.

³² SPC and UNOHCHR, 2016. Human Rights in the Pacific: A Situational Analysis.



While Vanuatu has shown extensive commitment to gender and social inclusion issues through numerous national level policies that reflect both regional and international obligations, tangible implementation of these is challenging. This is particularly the case given the challenges associated with resourcing, as further described below. Nevertheless, partnerships with other stakeholders have been increasing, raising awareness and collaboration between government and civil society on more consultative and inclusive approaches, particularly in relation to CCDRR policy and practice. For example, the Vanuatu Climate Action Network (VCAN) is an active body, comprising a consortium of program partners who share information and resources with each other relevant to climate change and disaster risk management. Other commendable examples of collaboration between Government and NGOs is through the Cluster System, in particular the Gender and Protection Cluster with Care International, Save the Children and the Vanuatu Ministry of Justice and Community Services' Department of Women Affairs (DWA). Similarly, the collaboration between the Vanuatu Women's Centre, World Vision, community and church leaders to address gender-based violence cases arising from consequences of disasters has demonstrated effectiveness.

It is recommended that Vanuatu should continue strengthening partnerships between key government agencies and non-government stakeholders to re-enforce commitments to the implementation of national plans and policies to support GSI in CCDRR and to ensure clear accountability.

7.3.2 Comprehensiveness, Scope and Coverage

The previous section outlined Vanuatu's commitments to GSI through various national policies and plans, including the NSDP, the National Gender and Development Policy and the Climate Change and Disaster Risk Reduction Policy. Nevertheless, it is noted that evidence of work on GSI in CCDRR within national systems is currently limited. More effective GSI processes are evident at programme and project levels, as a requirement under most donor funding; for example, projects funded under INGOs (CARE International, OXFAM, Save the Children and World Vision), GIZ, DFAT, GCF and GEF, to name a few. At the current time, the national system does not have a systemic process to capture, collate and assess information on GSI.

Both government departments and development partners alike submit project documentation to be registered with the Department of Strategic Policy, Planning and Aid Coordination (DSPPAC) of the Prime Minister's Office (PMO). The format of the template has a section requesting information on the 'Assessment of any benefit in the project to women and vulnerable groups'. This is critical information that also highlights responsibility of the project towards GSI as part of the sustainability design. However, the M&E template for the quarterly reports on these projects is limited and does not enquire or follow up on progress with these GSI assessments of projects as initially outlined in the application template. Furthermore, a similar process has been instigated specifically for climate change projects through the NAB. Nevertheless, the NAB project registration form does not currently incorporate any section on assessing or even noting the GSI component of the project. It is recommended that the NAB seek guidance from DWA to incorporate relevant and effective components on this form, to capture GSI information on projects.

The NAB membership also includes the Director of Women's Affairs and the Vanuatu Non-Government Organisation (VANGO). There is adequate coverage of GSI in policies and plans, including representation at a high decision-making level for CCDRR; however, integration is still observed as ad-hoc and programme based. There is still a significant gap in technical capacity and of systemic processes to capture relevant GSI information, such as how projects benefit/ impact women and others in CCDRR projects for Vanuatu. There is an opportunity here to establish a systemic approach to programming GSI into CCDRR investment projects, both by Government and donor partners that go through the NAB for approval. All proposals should include a GSI component in their design and ensure implementation is budgeted for and that skills transfer is included for sustainability purposes to be locally retained.

Vanuatu has a strong and active Cluster System, which also demonstrates the effective and efficient partnership



between NGOs and government agencies. Currently, there are eight technical clusters in operation: Logistics; Emergency Telecommunications; Food Security and Agriculture; Health and Nutrition; WASH; Shelter; Education; and Gender and Protection. The Gender and Protection Cluster works to advocate for and safeguard Vanuatu's most vulnerable people during emergencies, as well as to strengthen the humanitarian sector's gender and protection knowledge and practices. The Ministry of Justice and Community Services is the lead with CARE International in Vanuatu as the co-lead of the cluster, along with Save the Children and a dedicated staff from the DWA as the coordinator. The Gender and Protection Cluster works within the cluster system to keep protection of the most vulnerable people in the community a priority in emergencies³³. At the local level, Community Disaster Committees are tasked with preparedness and response duties, before and after a disaster event. The Technical Advisory Groups exist at the area council level and the Technical Advisory Commission (TAC) at the provincial level. There is indication that GSI is part of the dialogue or practice of these groups.

The extent to which information or GSI data is collected and assessed through these processes is still minimal, if at all. This can be attributed to capacity constraints, both human resource and technical skills, within key government agencies. However, Vanuatu can benefit greatly from an established systemic process to collect, evaluate and report on GSI impacts recorded through project implementation. Good practices and lessons learnt can be used to inform planning purposes and mainstreaming with other agencies of government to strengthen Vanuatu's compliance with accreditation criteria for GSI.

This would require the active role of the Prime Minister's Office in collaboration with the Department for Women's Affairs, MCCA and NAB to coordinate on establishing a systemic process to capture, collect and assess GSI information in CCDRR in Vanuatu.

7.3.3 Resource Allocation

While there is awareness of the need for improved actions on gender and social inclusion, Vanuatu Government does not currently have a specific mandate for resource allocation, strategically targeting GSI in CCDRR programmes. The aforementioned national development plan and the policy for CCDRR features action plans on GSI; however, there is limited to no evidence of public budgetary allocation specifically targeting this work. It may still be early days for these instruments to materialise.

The only specific public budget allocation is what is being earmarked for the Vanuatu Ministry of Justice's Department for Women's Affairs to facilitate advocacy for resourcing. In their 2013 Annual Report, it stated that there was an increase in budgets and staff to advance the status of ni-Vanuatu women and to enhance their lives through focused policy formulation, targeted action plans, and working in strategic partnerships³⁴. It was also decided that each ministry would have a Gender Focal Point; however, this did not eventuate as successfully as expected. Limitation in technical capacity support and coordination on GSI to the focal points led to most of the roles being absorbed to implement other responsibilities within the ministry³⁵.

As noted in the above section, there is notable evidence of donor-funded support of GSI in CCDRR. Since the occurrence of TC Pam, there has been an increase of presence and support from International Non-Government Organisations (INGOs) working in partnership with government agencies and other local NGOs, providing targeted support to gender and social inclusion of marginalised groups. The consortium of partners or agencies approach demonstrated through VCAN and the Cluster System has proved successful in bringing together different agencies with knowledge and skills to increase capacity and outreach of implementation but also reducing duplication. CARE International has reported to have increased the resilience of women, men and young people in 39 communities across 12 islands as a result of this consortium of agencies, working specifically with government agencies, Save the Children, the Red Cross/ Red Crescent and the Vanuatu Rural Development Training Centres Association³⁶.

³³ <https://www.care.org.au/country/vanuatu/>

³⁴ http://www.mjcs.gov.vu/images/reporting/Annual_Report_2013.pdf

³⁵ Consultations, July 2017.

³⁶ <https://www.care.org.au/what-we-do/climate-change/>



Box 1. Case Study: Vanuatu's Gender and Protection Cluster

The Vanuatu Cluster system of members established the Community Disaster and Climate Change Committees (CDCCs) to work closely with the National Disaster Management Office to expand the outreach to all communities. To ensure adequate gender representation on the CDCCs, 50 per cent of members should be women, and men should be gender sensitised so that both men and women can locally address gender and protection. Processes have also been established to bring information up to the national level, to be addressed through policies and programs and allow for response to be effectively fed back to the communities. A comprehensive set of gender and protection key messages, checklists and guidance notes for other clusters, as well as a referral system summary of gender-based violence have also been developed. The NDMO now includes a Gender and Protection Cluster representative in all other cluster meetings in times of emergency on assessment and response plans. As a result, inter-cluster emergency assessment teams now receive gender and protection awareness pre-departure briefings and include female assessors to make it easier to gather information from women in communities³⁷.

World Vision's 2016 Annual Review outlined key impacts achieved through collaboration with Faith and Community leaders, as well as the Vanuatu Women's Centre to address Gender-Based Violence. This includes training sessions on how to effectively respond to family violence, counselling and the importance of referral. World Vision has helped set up 27 Congregational Hope Action Teams (CHATs) to address gender-based violence in their congregation and communities (9 in Santo and 18 in Port Vila). They have also trained 124 people in practical counselling skills to use in interventions in family violence.

It is evident that the consortium approach is an effective means of pooling resources to address targeted activities relevant to supporting GSI in CCDRM. The Government should capitalise on this pool of resource and strengthen coordination of activities and available resources to drive action plans for GSI in CCDRM, in particular the skills training and available knowledge products.

7.3.4 Competencies

The Department of Women's Affairs (DWA) has achieved key milestones in strategic policy and planning for Vanuatu, in particular through the development and adoption of the Gender and Development Policy. However, this has also broadened the organisation's scope and mandate and created significant challenges for undertaking effective implementation, given the Department's limited resources.

As part of the process to develop the National Gender Equality Policy in 2013, the Ministry requested an assessment of Institutional Capacity of DWA. This provided an analysis of the capacity requirements to implement the strategic areas for Vanuatu's focus on gender and women's empowerment, included in the Gender Equality Policy. The finding of the assessment recommended that DWA undertake a shift in their approach toward working closely with and harnessing the available resources offered through NGO's, church and community organisations. The shift meant moving away from "doing" the hands-on delivery of work, through productive partnerships and collaboration with others. This brings with it the requirement for development and consolidation of particular skills and capacities that can be offered through the consortium of partners' arrangements, illustrated in the previous sections. Currently, DWA has 11 staff and only two are noted to have the technical skills for gender mainstreaming³⁸.

The Gender Mainstreaming policy area of the national policy is a key focus of the DWA to which they are working collaboratively with partners to develop a strategic framework for gender mainstreaming. Based on the institutional capacity assessment, a more effective approach to using limited DWA resources is to allow

³⁷ Ibid

³⁸ Consultation with DWA, July 2017.



for 'training of trainers' in gender mainstreaming. Hence the focus on building a national pool of experts across ministries to undertake gender analysis and integrate a gender-lens to planning and implementation process of all national ministries development plans. This can be further accelerated with continued collaboration with other agencies within this space who have the technical skills and the resource to support gender mainstreaming. The DWA also continues to receive technical support and training on gender mainstreaming from regional organisations, such as the Pacific Community (SPC), the Pacific Islands Forum Secretariat (PIFS) and UN Women.

There is a great wealth of resources available in Vanuatu with groups of agencies, such as the VCAN and the Cluster System that can be strategically coordinated and fostered to increase technical skill sets in support of GSI integration in CCDRR. This would be more effective and efficient in building Vanuatu's enabling environment but also to improve compliance with GSI requirements to access external finance for CCDRR.

7.4 Opportunities for Integration of Gender and Social Inclusion into CCDRM

A number of partner-supported programmes and projects are currently operational in Vanuatu, which focus on mainstreaming risks from climate change and disasters into national development processes. These provide key opportunities for further integrating gender and social inclusion into national climate change processes. An example of the UNDP Pacific Risk Resilience Programme (PRRP) is presented in Box 2.

Box 2. Case study: Risk Informing the Sub-National Development Planning in Vanuatu

PRRP supported the Department of Local Authorities (DLA) to develop a new risk-informed sub-national planning process and supporting guidelines. The risk governance output is a risk-informed sub-national planning process and accompanying guidelines, which is locally owned; four risk informed Provincial Development Plans; two risk informed Area Council Development Plans; and 41 risk-informed Community Development Plans (CDPs), which consider the needs of women and marginal groups. This led to the new emergency centre that was set up in Tasariki community on Efate. The guidelines are currently being used as a reference document to assist with the Ministry of Internal Affairs' implementation of the area council development funds transfer mechanism and national decentralisation policy. This process of risk-informing development at the sub-national level with community development plans provides a substantial foundation for capturing crucial information about the needs of women and marginalised groups that can be linked with CCDRM action plans and for new development investments to be risk screened, using the Area Council risk-screening checklist found in the guidelines³⁹.

At the national level, the Council of Ministers recently agreed to Decision 94 of 2017: Support to Gender Responsive Budgeting (GRB) process for 2018. The decision agreed to endorse and approve the inclusion of GRB in the 2018 budget for the Ministry of Climate Change, Ministry of Lands, Ministry of Education, Ministry of Agriculture and Department of Local Authorities (Municipalities and Provincial Governments). The decision also agreed to mandate all other Ministries to follow suit in GRB for 2019⁴⁰. This initiative is a key achievement of the advocacy work by DWA, but also indicative of the increased collaboration of key government agencies on gender mainstreaming. This process provides a strong impetus for coordination between line ministries responsible for planning, budgeting, climate change and gender that would not have existed or was not as strong before. More importantly, it also allows for the development of a systemic approach to identifying gender elements for budgeting and planning in areas including CCDRR.

³⁹ Ibid

⁴⁰ Government of Vanuatu 2017 Council of Ministers Decision 94 of 2017.



Finally, the set-up of NAB and its current structure offers opportunities to strengthen integration of GSI in CCDRM through coordination, advocacy of systemic approaches and further access to resources. The NAB would be in the optimal position to consolidate fragmented processes for data collection on GSI and advocate for resourcing of GSI integration in CCDRR investments. The NAB portal can be used more effectively and efficiently to diffuse information on best practices and knowledge products in support of GSI integration. This can increase awareness for coordination and resource pooling.

7.5 Role of the Department of Women's Affairs in Advancing the GSI Agenda

As illustrated in previous sections, the Department of Women's Affairs under the National Gender and Development Policy holds the mandate to advancing the GSI agenda. DWA's role would greatly benefit from increased technical capacity in gender mainstreaming to provide this capacity support to other government agencies to better inform planning and budgeting. The completion of the Strategic Framework for Gender Mainstreaming, currently in development, would facilitate a more overarching approach for coordination to support the role of DWA.

Following TC Pam support was received from the TC Pam Recovery Fund for DWA to strengthen the fourth policy strategic area 'Building a Foundation for Gender Mainstreaming'. This support is in recognition of the capacity constraints and it is to assist in building a national 'pool of experts' to undertake gender analysis and integrate GSI to all national planning and implementation processes. This would also support the development of a national framework for the efficient and effective application of gender mainstreaming¹.

The consortium of partners approach has demonstrated to be effective and efficient in coordinating resources to implement GSI activities in CCDRR. It also acts to facilitate a larger coverage of communities' responses and inclusion in consultative processes. DWA plays a significant role in supporting gender mainstreaming in CCDRM with a dedicated staff member as the coordinator of the Gender and Protection Cluster. This demonstrates it can play a significant role in supporting this coordination approach, linking with government agencies to capitalise on available resources for common objectives that would also achieve government priority policies and plans on GSI integration in CCDRR. This would allow for a more streamlined view of areas that require attention to better target resources.

DWA, in close collaboration with NAB, the Prime Minister's Office, the MCCA and the MFEM can also play a critical role in the development of key GSI indicators for CCDRR for the M&E process of the NSDP. Subsequently, this could also support the development of a more systemic approach to achieving these targets.

DWA can play a significant role in the assessment of available data information on GSI and provide advice on processes and systems for data collection, assessment and reporting on GSI. This would provide a more evidence-based approach to advocating for GSI in specific areas of CCDRR, as well as establish a clear foundation for planning and budgeting, and M&E of the NSDP.

The Department of Women's Affairs holds the mandate to advocate for GSI in the CCDRR in coordination with the Department of Strategic Policy, Planning and Aid Coordination (DSPPAC).

The Department for Women's Affairs also plays a crucial role to facilitate the process for Gender Responsive Budgeting in the Ministry of Climate Change in compliance with the decision of the Council of Ministers. This would be a key opportunity to examine processes and practices that do not consider gender and social inclusion in CCDRR.

There is the Woman itoktok tugeta Forum, which is a platform developed by the Department of Women's Affairs at the provincial level, whereby women meet on a monthly or regular basis to discuss issues related to women and other gender mainstreaming matters. This would be an opportunity to strengthen this network for consultation to capture, process and report information on gender dynamics to facilitate gender responsive decisions.

¹ Consultation with DWA Sept 2017



The Department of Women's Affairs also plays a lead role in the Gender and Protection Cluster through a dedicated post. This cluster system is also active during peace time in undertaking gender and social inclusion mainstreaming activities. However, the cluster post is still project-based and will need sustainable resourcing from Government and partners to be absorbed in the long term.

7.6 Recommendations

1. Strengthen representation at regional and international high-level forums on Gender and Social Inclusion (GSI) and CCDRR by aligning and linking objectives to the NSDP and existing corporate plans of government departments to track achievements over time for future reporting.
2. Continue strengthening of partnerships between key government agencies and non-government stakeholders to re-enforce commitments to the implementation of national plans and policies to support GSI in CCDRR and to ensure clear accountability.
3. Department of Women Affairs (DWA) to coordinate the link between government agencies to maximise on available resources but to also align to achieving government priority policies and action plans on GSI integration in CCDRR. This would allow for a more streamlined view of areas that require attention to better target resources but also to improve compliance with GSI criteria to access Climate Change finance.
4. Support the development of specific indicators to align the GSI action plans for CCDRR and the Gender Policy Action Plan to be included in the M&E framework for the NSDP;
5. Support DWA in the development of the strategic policy area 'Building a Foundation for Gender Mainstreaming' to allow for a national 'pool of experts' to undertake gender analysis and integrate GSI to all national planning and implementation processes.
6. The DWA to strengthen partnership with the consortium of partners, such as the Cluster System and Vanuatu Climate Action Network (VCAN) to pool resources for joint implementation of the GSI action plans of the CCDRR Policy.
7. Support DWA's role in Gender Mainstreaming between key government agencies, such as DWA, DSPPAC of PMO, Department of Climate Change and NAB with the consortium of partners.
8. Develop a guideline to support gender mainstreaming through the Gender Responsive Planning and Budgeting process in CCDRR
9. Establish a systemic process to collect, evaluate and report on GSI benefits/ impacts recorded through project implementation. This would require the active role of the Prime Minister's Office in collaboration with DWA, Department of Climate Change and NAB to coordinate and administer this process to collect, assess and report on GSI information in CCDRR.
10. The NAB approval process for proposals in CCDRR to include a GSI criteria for implementation to be part of the design and estimated budget. A succession plan should also be included on skills transfer to local counterparts for sustainability purposes of project outcomes.
11. The M&E reporting template on projects submitted by agencies to DSPPAC on progress of projects to also include a section to report back on status of GSI benefits/ impacts from the project.
12. The NAB portal to be used more effectively and efficiently to diffuse information on best practices and knowledge products in support of GSI integration. This can increase awareness for coordination and resource pooling.



8 Development Effectiveness Analysis

Key Messages:

- Vanuatu is showing leadership and ownership in the development of its core national climate change and resilient development policies and plans. This is exemplified through the National Sustainable Development Plan (NSDP) 2016-2030, which is also referred to as Vanuatu 2030: The People's Plan (Pillar 3 focuses on Climate Change and Resilience, and the national CCDRR Policy).
- Coordination is key to ensure that all development support is tracked and reported. Climate change funds accessed by Vanuatu are primarily project-based and include some loans. This means that the Government of Vanuatu must remain flexible and not limit its options on the kind of instruments that it can access for climate change. Building the capacity of government officials to write project proposals will be vital.
- While donors and development partners expect Government to coordinate, there is currently no formal donor-to-donor coordination mechanism in Vanuatu where donors can share information and status updates and lessons learnt on projects. Heads of Mission meet regularly but informally. Sectoral groups, such as education, meet on a regular basis. Having a formal donor-to-donor coordination meeting (including discussions on climate change issues) on a monthly or two-monthly basis will be beneficial to avoid duplication and fragmentation.
- There was little evidence to determine the collective impact or effectiveness of climate change financing received since 2014 until mid-2017. At the individual project level, there may be results related to project impacts and outcomes. There is need to enhance the M&E capacity of DSPPAC and line ministries to be able to measure, process and report on the tangible impacts and outcomes of all CCDRR support on the communities, environment, culture and infrastructure. The NSDP M&E Framework and the proposed CCDRR Policy M&E Framework could help to address this.



Climate change and disaster are cross-cutting development issues that have the potential to reverse years of development gains. One single climate-induced disaster can undo decades of progress – for instance, Cyclone Evan in Samoa in 2012 was estimated to have cost 30 per cent of Samoa’s GDP. Damages from Cyclone Pam in 2015 cost Vanuatu around 64 per cent of GDP, and the costs of damage from Cyclone Winston in Fiji in 2016 was estimated close to FJD2 billion (20 per cent of GDP). Therefore, for Small Island Developing States, it is very difficult to differentiate climate change finance from financing for development.

With the expected increase in the amount of international climate change finance that will flow to the region, development effectiveness will be very critical to ensure the expected impacts and outcomes are achieved.

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. At the regional level, external development support should be aligned to the Framework for Pacific Regionalism (FPR), SAMOA Pathway, Framework for Resilient Development in the Pacific (FRDP), Pacific Principles on Aid Effectiveness and Cairns Compact on Strengthening Development Coordination in the Pacific (Forum Compact).

This section is relevant to all previous pillars of the PCCFAF. While there is some overlap in the discussion, the sub-sections below focus on development effectiveness principles not discussed in other sections of this report.

8.1 Ownership and Leadership

Vanuatu is an active participant in the regional and international climate change fora. Vanuatu signed the Paris Agreement on 22 April 2016 and ratified on 21 September 2016. At the regional level, Vanuatu also endorsed the Framework for Resilient Development in the Pacific (FRDP) at the Pacific Island Forum Leaders Meeting in Pohnpei in September 2016.

At the national level, Vanuatu is showing leadership and ownership in the development of its core national climate change and resilient development policies and plans. This is exemplified through the National Sustainable Development Plan (NSDP) 2016-2030, which is also referred to as Vanuatu 2030: The People’s Plan – an inclusive vision for development. An M&E Framework for the NSDP has been launched and includes tracking against the indicators of the global Sustainable Development Goals (SDGs). Environment Pillar 3 is specifically focused on Climate and Disaster Resilience. At the sector level, Vanuatu has an integrated Climate Change and Disaster Risk Reduction Policy 2016 – 2030.

In terms of coordination, the National Advisory Board on Climate Change and Disaster Risk Reduction is a success story in the Pacific, which is supported by four working groups that include a National Climate Finance Working Group. The establishment of the NAB is now legislated as an Act, in early 2017. It is also a show of regional leadership where the Council of Ministers agreed to Decision 94 of 2017: Support to Gender Responsive Planning and Budgeting (GRB) process for 2018, and to pilot it in at least four ministries, including the Ministry of Climate Change Adaptation.

8.2 Alignment and Harmonisation

Development support for climate change can only be sustained and absorbed if the assistance is aligned and harmonised to national priorities and systems. In Vanuatu, it means aligning climate change support to the pillars of the NSDP and the national CCDRR Policy.

In Vanuatu, donors such as the European Union had previously provided budget support for climate change. Vanuatu’s National Indicative Programme for the EDF11 is on rural development. Australia and New Zealand deliver their bilateral support to Vanuatu on a programmatic grants basis. French support to Vanuatu is now mostly facilitated through the European Union. Japan and China still prefer project-based approach. Unlike



other PICs, Vanuatu is accessing a significant amount of funding relevant to climate change objectives as loans and concessional loans. This could be an issue if the Government is accessing loans to implement adaptation activities, noting that Vanuatu's contribution to the global greenhouse gas emissions is negligible.

Due to the range of different modalities of development support, coordination will be critical to ensure that all development support, whether it uses country systems or not, are tracked and reported. The review has noted that 58 per cent of climate change funds accessed by Vanuatu between 2014 to present is outside of the direct purview of the national budget (off-budget). This is a common challenge observed in other PICs already assessed. Therefore, tracking and reporting on all development support is important to aid further maintenance or sustainability of project pilot activities. The review has also noted that climate change funds being accessed by Vanuatu are primarily project-based and some loans. This means that the Government of Vanuatu must remain flexible and not limit its options on the kind of instruments that it can access for climate change. Building the capacity of government officials to write project proposals will be vital.

There is currently no formal donor-to-donor coordination mechanism in Vanuatu where donors can share information and status updates and lessons learnt on projects. However, Head of Missions meet regularly but informally. Sectoral groups, such as education, meet on a regular basis. Having a formal donor-to-donor coordination meeting (including discussions on climate change issues) on a monthly or two-monthly basis will be beneficial. This will be an opportunity for sharing lessons learnt/ status updates to promote coherence and joint work programs, including with non-traditional partners and emerging players. At the regional level, a similar coordination mechanism for climate change that exists for donors and regional organisations based in Suva, Fiji is the Development Partners on Climate Change (DPCC).

8.3 Managing for Results and Mutual Accountability

The Government ensures that there is accountability for all external support received and tax-payers' money. Similarly, donors place a lot of value in ensuring funds provided to the Government achieve expected results.

The recent launching of the NSDP M&E Framework by DSPPAC is a key step in addressing this. This will be complemented by the ministry corporate plans, annual reporting and six-monthly M&E reporting to DSPPAC for the Annual Development Report. While the NSDP sets out the key indicators and targets, a possible challenge that the Government might face in terms mobilising resources to implement the NSDP priorities is the lack of costing for both the NSDP and the M&E framework.

At the time of this review, there was little evidence to determine the collective impact or effectiveness of climate change financing received since 2014 until mid-2017. At the individual project level, there may be results related to project impacts and outcomes. There is need to enhance the M&E capacity of DSPPAC and line ministries to be able to measure, process and report on the tangible impacts and outcomes of all CCDRM support on the communities, environment, culture and infrastructure.

Currently, partners engaging with the Government of Vanuatu do not report through the same entry point. Although the Ministry of Foreign Affairs is the mandated political focal point for all external partners wishing to engage with Vanuatu, there is evidence that some projects and partners are by-passing that requirement and are contacting line ministries directly for mission requests and approvals. To support the Government to effectively coordinate country missions, donors, projects and regional organisations should channel all entry requests to the Ministry of Foreign Affairs instead of making direct requests to ministries or technical focal points. Similarly, national technical focal points for international frameworks and multilateral mechanisms should always channel official communication from the Government to partners through the Ministry of Foreign Affairs. The Government should enforce a "no mission period" during the critical months for budget planning and preparation.



8.4 Role of Private Sector and Civil Society

Private sector and civil society play a key role in supporting development effectiveness in Vanuatu.

In terms of private sector, there is a lot of interest from the private sector to engage in climate change financing investment, including access to the Green Climate Fund Private Sector Facility. However, there is still a lot of confusion and sense of frustration in understanding the procedures for access. The Ministry of Climate Change Adaptation, in particular the GCF National Designated Authority (using the TA support provided by Commonwealth Secretariat and the GCF readiness grant), will need to proactively engage with the private sector stakeholders/entities to raise awareness on access procedures for the GCF Private Sector Facility.

However, Vanuatu has made some recent progress in strengthening the public-private partnership arrangements. The Government has signed a Memorandum of Understanding with the Vanuatu Chamber of Commerce, and a Vanuatu Disaster Resilience Business Committee was also launched. Vanuatu and Fiji are currently the only two PICs that have established national disaster resilience business councils or committees, which link to a Pacific Disaster Resilience Business Network. The recent private sector mapping is also a useful exercise to identify specific gaps.

In terms of civil society engagement, the Vanuatu Association of NGOs (VANGO) is the mandated member of the NAB. However, VANGO is inactive due to resourcing issues and thus cannot effectively undertake this role. This is a common challenge faced in other PICs where the umbrella NGO body is inactive to coordinate NGO efforts. In recognition of this gap, international NGOs have set up a consortium and are also designing a joint GCF proposal to support community resilience building. A task force was recently appointed by the Minister of Internal Affairs under the NGO Desk to revive VANGO. An Annual General Meeting (AGM) was planned on September 27 where all NGOs in Vanuatu were invited to register and pay a membership fee of VT3,000 in order to revive VANGO. VANGO had its last AGM back in 2014 and under its constitution, there should be an AGM every two years, but nothing has happened since then. A new VANGO executive is now in place and should be able to progress this.

NGOs have well established networks in the communities across Vanuatu. The Government should support NGOs to build community readiness and awareness for climate change financing. Another issue identified by this review was during TC Pam, a considerable amount of support was channelled directly through international NGOs. Most of those funds are now exhausted and some NGOs are scaling down on their staffing and activities. Sustaining these activities might be a challenge since Government was not a partner in some of these undertakings. NGOs reporting to both the DSPPAC and NAB would help to address this.



8.5 Recommendations

1. The Government should maintain its leadership on climate change at the national, regional and international levels. Where necessary, speeches by Director Generals, Ministers, the Honourable Prime Minister and H.E the President should have some reference to climate change.
2. There will be a growing influx of new players and non-traditional partners wanting to support Vanuatu on CCDRM initiatives. Continuing the national Climate Finance Forum between the Government and its partners every two years will strengthen coordination between the Government and its donors on climate change.
3. All climate change support should be communicated to the NAB Secretariat and DSPPAC to ensure tracking and reporting. A streamlined reporting template will be needed and should be used by both NAB Secretariat and DSPPAC.
4. Having a donor-to-donor coordination mechanism will be useful to reduce duplication for small grants projects to communities or provincial governments.
5. Government must remain flexible and not limit its options on the kind of instruments that it can access for climate change. Building the capacity of government officials to write project proposals will be vital.
6. Due to capacity limitations, partners and regional organisations that wish to engage with the Government must consider joint missions and approaches. Missions should not be approved during critical periods of budget planning.
7. Government should enhance the M&E capacity of DSPPAC and line ministries to be able to measure, process and report on the tangible impacts and outcomes of all climate change support.
8. The Ministry of Climate Change Adaptation, in particular the GCF National Designated Authority should engage with the private sector entities to raise awareness on access procedures for the GCF private sector facility.



9 Conclusions

Going forward, there will be an increase in the volume of climate change finance flowing through the region, including to Vanuatu. That increase will be accompanied by additional complexity for reporting and the need to coordinate different partners and players wishing to engage with PICs. Countries will need to be strategic and should not lose focus of their own national priorities and the aspirations of their citizens when engaging with international climate funds.

The Government of Vanuatu is taking leadership and already accessing climate change financing, including from the Green Climate Fund. However, more needs to be done in order to achieve the NDC target of transitioning to close to 100 per cent renewable energy in the electricity sector by 2030.

Vanuatu's efforts to pursue public financial management, institutional reforms and NIE accreditation for direct access to climate change finance should also be motivated by gaining donor confidence to use local systems and the achievement of the NSDP broader objectives. Information sharing, coordination, and capacity building are key aspects of enhanced access. Vanuatu should remain flexible with its options for accessing climate change finance (e.g. budget support, project, programmatic approach, national funds, NIE, loans, etc.).

This review facilitates a consultative information baseline on the national climate change and finance landscape, which can inform policy decisions. It also provides opportunities to strengthen country systems, policies and plans, institutions and human capacity to be able to effectively access and manage climate finance and other donor funds. Finally, it is an entry point for implementation of selected recommendations by existing projects, such as SPC/ USAID ISACC, USAID Climate Ready, GIZ/ DFAT CFRP, UNDP PRRP and other forms of support by regional organisations and development partners.



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Appendices

Appendix 1. List of Stakeholders Consulted

Stakeholders Introductory Workshop - 26 June 2017 at 9:00 am (Ramada Resort)				
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Ministry of Foreign Affairs - 26 June 2017 at 3:00 pm (MFA Conference Room)

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Ministry of Finance & Economic Management and Prime Minister's Office - 27 June 2017 at 9:00 am (MCCA Conference Room)

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Ministry of Climate Change Adaptation, Meteorology, Geo-Hazards, Environment, Energy and Disaster Management – 27 June 2017 at 1:30 pm (MCCA Conference Room)

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Civil Society & Non-Governmental Organisations – 28 June 2017 at 10:30 am (Save the Children Office)

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Vanuatu National Audit Office – 28 June 2017 at 1:30 pm (Vanuatu National Audit Office)

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Ministry of Agriculture – 28 June 2017 at 4:00 pm (MoA Conference Room)				
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Ministry of Lands and Mineral Resources – 29 June 2017 at 4:00 pm (MoLMR Conference Room)				
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Vanuatu Climate Finance Working Group – 30 June 2017 at 9:30 am (MCCA Conference Room)				
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Appendix 2. PCCFAF Methodology and Assumptions

Much of the quantitative analysis in this Review has relied on a range of assumptions and methodologies to help quantify the amount and shape of the climate change and disaster risk finance that has been received by Vanuatu and how this has been applied to achieve the Government's climate change objectives.

The quantitative analysis is confined to two sections – Section 3: Funding Source Analysis and Section 4: PFM and Expenditure Analysis. In the later of these two Sections, the analysis was largely confined to Section 4.5 Expenditure Analysis.

Funding Source Analysis

The Funding Source Analysis used the following sources to compile a list of climate-related projects. The list of key climate change projects is attached in Appendix 6. The main sources used to compile the table are listed below:

- Government of Vanuatu Budget – information extracted from the Budget documents.
- Stakeholder discussions and interviews – in discussions with stakeholders, a number of projects were identified that were not reflected in the Budget. Where projects were relevant, the review team sought more detailed information, such as project documents.
- Development partner interviews and discussions – the team met with the major development partners for discussions on their climate change-related development assistance. Written documentation was sought in order to confirm discussions where possible.
- Development partner information – most development partners and multilateral funds have detailed information on their programs and projects listed on their websites. The team spent considerable time collecting and confirming information on climate-related development assistance and was often cross-checking information with another source.
- Information from the Pacific Climate Change Portal.

This Vanuatu review estimated the volume of climate change-related spending by weighting individual projects according to the proportion of expenditure considered relevant to CCDRM from a scale of 0-100 per cent. The weighting followed the PCCFAF (2013) and CPEIR (2012) guidelines. These guidelines are replicated in the table below. The table provides ranges of weightings for projects, which allow for more accuracy than the PCCFAF methodology – but this creates an additional problem given that this can involve more subjectivity. The list of key climate change projects is attached in Appendix 6 where projects are identified with a national allocation that is weighted according to these criteria.



Classification of CCCDRM-Related Activities

High Relevance	Rationale	Clear primary objective for delivering specific outcomes that improve climate resilience or contribute to mitigation
Weighting of 80%	Examples	<ul style="list-style-type: none"> • Energy mitigation (e.g. renewables, 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/ rising 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. GCF, GEF, etc.)
Medium Relevance	Rationale	Either (i) secondary objectives related to building climate resilience or contributing to mitigation, or (ii) mixed programs with a range of activities that are not easily separated but include at least some that promote climate resilience or mitigation
Weighting of 50%	Examples	<ul style="list-style-type: none"> • Forestry and agroforestry that is primarily motivated by economic or conservation objectives, because this will have some mitigation effect • Water storage, water efficiency and irrigation that is primarily motivated by improved livelihoods because this will also provide protection against drought • Biodiversity and conservation – unless explicitly aimed at increasing resilience of ecosystems to climate change (or mitigation) • Ecotourism, because it encourages communities to put a value on ecosystems and raises awareness of the impact of climate change • Livelihood and social protection programs – motivated by poverty reduction, but build household reserves and assets, and reduce 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
Weighting of 25%	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 build household reserves and assets, and reduce vulnerability in areas of low climate change vulnerability • General planning capacity – either at national or local levels, 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 build household reserves and assets, and reduce 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		Activities that have only very indirect and theoretical links to climate resilience
Weighting of 5%	Examples	<ul style="list-style-type: none"> • Short-term programs (including humanitarian relief) • The replacement element of any reconstruction investment separating out the additional climate element as high relevance • Education and health that do not have an explicit climate change element

As a consequence of no central repository of knowledge about the development program, the associated weightings are based on the information gathered from the sources identified by the review team.

The timeframe used for identifying projects was 2014 – end of 2016, which covered a period of three years. In some cases, projects will have experienced some spending outside of this period, though the expectation is that this spending will not be significant in most cases.

The Funding Sources analysis focused on current or completed projects (i.e. projects completed in the 2014 – 2016 timeframe and still current at the time of writing). It was not possible to estimate spending by financial year, even when projects grants were reflected in the government budget. So the total amount of projects is assessed in the analysis rather than any attempt to assess annual spending.

It must be noted that given the approach taken to identifying projects, the analysis cannot guarantee that it provides a comprehensive coverage of all projects that are relevant to addressing the Government’s climate change objectives. However, this analysis provides the most comprehensive assessment of this type (so far attempted) and can provide a starting point for ongoing tracking of climate change and disaster risk finance in Vanuatu.



Expenditure (Budget) Analysis

The Expenditure Analysis takes a different approach by looking at spending in the Government of Vanuatu annual budget. The analysis seeks to quantify the priority the Government places on climate change as reflected in budgetary allocations in its annual budget. The analysis is somewhat limited by the lack of easily accessible historical data, especially on actual outcomes against budgeted allocations. As such, the analysis focuses on the publicly available budget allocations for the five years, between financial years of 2012 and 2016. The development budget was limited to three years (2014 – 2017).

The Government of Vanuatu budget provides only limited policy detail in publicly available information. In order to estimate the amounts of spending that would be relevant to climate change, the review team adopted a simple approach. The team classified the proportion of a ministry's expenditure allocation as climate change, based on the estimated proportion of time staff members in the relevant ministry or department dedicated to climate change activities. The rationale behind this is that spending in many of the relevant ministries is dominated by salaried expenditure; thereby, the proportion of time dedicated to CCDRM activities could be used as a proxy for proportion of budget relevant to climate change activities.

Some areas of spending have an obvious relevance to meeting the climate change objectives of the Government. These programs include the Ministry of Climate Change Adaptation, Ministry of Agriculture, Fisheries, Forestry, Ministry of Lands and Natural Resources, and so forth. However, it is also clear from discussions with other ministries that many other, often less obvious, programs in Government address CCDRM-related issues.

In analysing the Government of Vanuatu's Budgets, it is assumed that climate change objectives are addressed in a broad range of Government programs.

While the CPEIR and PCCFAF methodologies inform the analysis, sometimes they do not easily translate to programs in the Budget, which is why the aforementioned approach was used to determine weightings of programs within the Budget. The weightings range from 80 per cent for agencies such as Ministry of Climate Change Adaptation, to 5 per cent for some of the programs within Ministry of Education. Many programs are considered to have no climate change relevance.

Where climate change-related projects are listed in the Funding Source Analysis, they have the same weightings in the Expenditure Analysis of the Budget. Weightings are conservative and may understate the true climate change relevance of some programs. A more accurate assessment would involve more detailed consultation with line ministries and bureaus.



Appendix 3. Outline of the Climate Finance Roadmap 2016-2020

Climate Finance Policy Objectives	Ref number	Action
1. Access to Climate Change Finance: Vanuatu has access to direct and indirect new sources of climate and disaster finances to adapt to and mitigate the impacts of climate change.	1.1	NAB establishes the Climate Finance Working Group (CFWG) to develop, monitor and report against the National Climate Finance Roadmap
	1.1.1	NAB develops and endorses CFWG Terms of Reference and multi-year action plan
	1.2	Develop and endorse a National Climate Finance Roadmap
	1.2.1	Identify key national priorities through a Climate Finance Forum
	1.3	Work towards implementing the CCDRR policy to have equal share of adaptation and mitigation Climate Finance (CF) projects
	1.3.1	Design, approve and implement bankable, multi-sector projects and program proposals
	1.4	Seek GCF/ AF NIE Accreditation
	1.4.1	Roll out self-assessment tool to selected NGOs, PS and government entities
	1.4.2	Undertake institutional review for GCF accreditation (National Implementing Entity status) and implement recommendations
	1.4.3	Secure readiness funds to address gaps for direct accreditation and implement readiness activities
	1.5	Strengthen procurement capacity and/ or policy at MFEM to bring into alignment with GCF/ AF criteria
	1.5.1	Develop/ review Procurement Guidelines with MFEM (alignment with 6.2)
	1.5.2	Deliver Procurement training for MFEM, MCCA, DSPPAC (alignment with 2. Capacity Building)
	1.5.3	Develop a Central Tender Board website for procurement matters (alignment with 6.4)
	1.6	Strengthen MFEM, MCCA and Project Management Units' Public Finance and Project Management Systems'
	1.6.1	Recruit an M&E and/ or finance specialist (refer to CPEIR recommendations for capacity gaps)
	1.6.2	Support implementation of the MFEM Public Finance and Economic Management (PFEM) Roadmap
	1.6.3	Develop finance tracking tools in MFEM for on and off budget climate finance flows
1.6.4	Utilise the EU-GIZ ACSE project on solar & biogas-based rural electrification/ Cyclone Pam recovery as a case study to identify areas in PFM that need improvement	



	1.7	Training delivered to CSO implementing partners to strengthen financial and project management capacity
	1.7.1	Finance management training provided to (and by) CSOs (MANGO training)
	1.7.2	Training delivered to (and by) CSOs on M&E, governance and gender mainstreaming
	1.7.3	Training delivered for (and by) CSOs on Risk Assessment and Safeguards Guidelines
	1.8	Identify and implement public-private partnerships that are aligned with the National Sustainable Development Plan. TOR for Consultant: https://www.dropbox.com/s/6fef99s1bvbhdtx/VU_TOR%20DFATGIZ_PS_Engagement.pdf?dl=0
	1.8.1	Map private sectors' work as relevant to adaptation/ mitigation impacts
	1.8.2	Create database mapping private sector actors against accredited institutions
	1.8.3	Develop GCF concept notes for private-public partnership
	1.8.4	Undertake consultations with local private sector on their climate finance needs
	1.8.5	Private Sector information on NAB Portal on CF rules/ requirements/ processes of GCF
2. Capacity Building: National, provincial and community capacity strengthened to manage the impacts of climate change and disasters through new tools, systems, knowledge and approaches.	2.1	Undertake climate finance capacity assessment, specifically for MCCA, PMO and MFEM (aligned with sub-activity 1.4.1)
	2.2	Conduct project management training (design, appraisal, action plans, implementation, M&E and closure) (aligned with 1.5.2)
	2.2.1	Conduct national & provincial level project preparation training (for officers of Executing Entities)
	2.3	Recruit climate experts and coordinators for MCCA, MFEM and PMO
	2.4	Develop a project management certification program (e.g. Australia-Pacific Technical College (APTC), University of the South Pacific (USP) distance, VIT)
	2.5	Conduct training and awareness for provincial officials on climate finance and allocation of resources
	2.6	Train national and provincial officers to apply vulnerability, M&E and climate finance tracking tools and frameworks by December 2020
3. Prioritisation: Ensuring allocation of resources is based on real vulnerabilities, gaps and needs.	3.1	Develop an integrated National Vulnerability Framework to guide climate finance investment and decision-making, and inform NSDP priorities
	3.2.2	Develop a Vanuatu Climate Finance Investment Strategy through a participatory process, and endorse by December 2017
	3.2.3	Include specific, costed private sector needs and gaps in climate change investment strategy
	3.2.4	Develop a GCF Country Program (to inform whole-of-government Climate Finance Investment Strategy) 2017-2018



4. Awareness & Communications: Increased awareness on accessing & implementing climate (and disaster) finance at the national, provincial and community levels.	4.1	Participate at international and regional climate finance meetings
	4.1.1	Identify relevant meetings and their agendas, and Vanuatu entry points
	4.2	Develop and endorse a Vanuatu Climate Finance Communication Plan (with standardised message)
	4.2.1	Disseminate targeted CF information and awareness materials for communities, gov't, CSOs and private sector through video
	4.3	Incorporate a Climate Finance Section on NAB Portal (include functionality within NAB portal for online discussion forums)
	4.4	Document and disseminate “lessons learned” on accessing and managing climate financed projects
	4.4.1	Face-to-face consultations with CSOs, private sector, and GoV on climate change finance activities/ aspirations
5. Coordination: Enhanced coordination with NGOs, CSOs and local communities to access & implement multi-sectoral, innovative approaches in addressing climate and disaster risks.	5.1	
	5.1.1	
	5.1.2	
	5.1.3	South-South cooperation on governance arrangements in other Pacific Island countries
	5.2	Develop and roll out single project management/ coordination platform (alignment with 5.1)
	5.3	Develop and implement National Coordination Guidelines for CCDRR finance
	5.4	Include CSO and private sector representatives on NAB Climate Finance Working Group (note power to invite other members to CFWG in TOR)
	5.5	MCCA to participate in existing private sector forums and groups
	5.6	Incorporate climate finance into national and provincial decision-making platforms (TACs, industry working groups, provincial councils, etc.)
	5.7	Review key Policy, Legislation & Regulations of relevance to climate finance
	5.7.1	Review the Decentralisation Act to include climate finance considerations
5.7.2	Review the Public Finance Management Act	



6. Project Management: Project Management Capacity at the national and provincial levels are strengthened to address multi-sector & sectoral responses to climate change and disaster risks by end of 2020.	6.1	Develop resources to support climate project management (including M&E) at all levels
	6.1.1	Develop and Strengthen M&E Guidelines
	6.1.2	Develop/ strengthen Project Preparation and Appraisal Guidelines (see IRCCNH M&E pilot)
	6.1.3	Develop Risk Assessment and Safeguards Guidelines for use by gov't sectors, PS and CSOs
	6.1.4	Develop, strengthen and operationalise Project Closure Guidelines
	6.1.5	Develop a CCDRR M&E Framework
	6.1.6	Develop and finalise CC/DRR Project Management Manual
	6.1.7	Develop project management tools and guidelines to support national and provincial governments
	6.2	The PMUs and NAB Secretariat's capacity for climate finance and project management is strengthened (fully staffed and skills enhanced with CF & project management by end of 2020).
	6.3	Strengthen MFEM and MCCA Public Finance Management System by implementing MFEM's PFM Roadmap
	6.3.1	Develop finance tracking tools for on and off budget flows, including specific section for CF
	6.3.2	Strengthen MFEM and MCCA's PFM systems to improve implementation of current projects e.g. direct access
	6.3.3	Develop a Central Tender Board website for procurement matters

Appendix 4. Status of Recommendations from Table 7.3 of 2014 Report

MFEM

Recommendation	Status	Supported by
Finalize the 2012 Financial Statements and Prepare the 2013 and 2014 Financial Statements for audit by 30 March the following year (2016).	Most recent audited statements are for 2013, though 2014, 2015 and 2016 statements are with the auditor. PFM Roadmap Action 4.1	DFAT
Ensure the 2012, 2013 and 2014 Financial Statements continue to comply with International Public-Sector Accounting Standards (IPSAS).	Financial Statements prepared according to IPSAS. PFM Roadmap Action 4.2	DFAT
The Central Tenders Board to: 1) Establish a Tenders website and database.	Central Tenders Board information still part of the Finance and Treasury Website. PFM Roadmap lists e-procurement portal, CTB website implementation and database development as 1.1 Reform Strategy/ Action and Key Milestone for 2017-18. PFM Roadmap Action 1.1	DFAT, ADB
2) Develop procedures that allow for timely procurement for mainstreamed development projects.	PFM Roadmap lists development and adoption of all basic procurement regulations and documents as 1.1. PFM Reform Roadmap Action 1.1	DFAT, ADB

Internal Audit

Recommendation	Status	Supported by
Develop a risk-based internal audit plan each year (to include an audit of the procurement function) in consultation with the Audit and Ethics Committee and the Office of the Auditor General.	2017-18 Internal audit focus on payroll and procurement systems of large ministries and in 2019-2021 internal audit focus on debt and assets and other material fiscal risks.	DFAT
PFM Roadmap Action 1.5	IMF/ Pacific Financial Technical Assistance Centre (PFTAC)	DFAT
Internal audits to be carried out in accordance with the plan by MFEM Internal Audit Unit or outsourced provider.	See above	DFAT, ADB
PFM Roadmap Action 1.5	IMF/ PFTAC	DFAT, ADB

Office of the Auditor General

Recommendation	Status	Supported by
Clear the backlog of external audit reports so that Financial Statements are tabled in a timely way.	Backlog remains with most recent audited financial statement from 2013. Audit of 2014 and 2015 financial statements under preparation but not yet finalized. PFM Roadmap Action 1.7	DFAT



Ministry of Climate Change

Recommendation	Status	Supported by
1. Prepare a financial statement that complies with IPSAS.	No Auditor General Capacity – seek funding for External Audits. Not mentioned in CFR.	DFAT
2. Establish an Audit and Ethics Committee, with a charter to: <ul style="list-style-type: none"> • review internal and external audit reports; • establish an effective whistle-blower system; • monitor ethical standards; • monitor the operation of the fraud, corruption and mismanagement policy; and • provide an annual report on activities for inclusion in the Ministry’s annual report. 	Corporate Plan indicates internal auditor to be recruited from internal funding by January 2017.	GoV
3. Produce project accounts from SmartStream in formats required by the Adaptation Fund and development partners, and have them audited.	MFEM Sector Analyst to work with Expenditure analyst; will follow up to see if this function is available in Smartstream. To be included in the TOR for the project development officer NAB or Defense Contract Audit Agency (DCCA). MFEM Project reporting to be aligned with the PMU project procedure/ reporting.	GIZ
4. Establish and document the internal controls.	PFM Roadmap has foreshadows, strengthening PFM framework and new Financial Instruction for 2019-2021, as well as strengthened payroll controls. PFM Roadmap Actions 1.2 and 1.6	DFAT
5. Define the management duties of the Secretariat and the Project Management Unit Officers, and ensure a separation of incompatible duties as part of the system of internal control.	Climate Finance Roadmap foreshadows (Section 6.2), strengthening PMU and NAB Sec’s capacity for climate finance, and project management is strengthened (fully staffed and skills enhanced with CF & project management by end of 2020).	
6. Set out generic payment procedures, especially for projects.	CFR 6.1.6 plans to develop and finalise CC/ DRR Project Management Manual.	ISACC
7. Develop a corporate plan for the Ministry, and a business plan, and 3-5-year budget projections for the Secretariat/ Project Management Unit.	Completed. MOCC Corporate Plan covers 2016-2018.	
8. Produce a budget report for 2013 in early 2014.	Budget Report in Annual Report, annually distributed to PMO and PSC and sector stakeholders.	

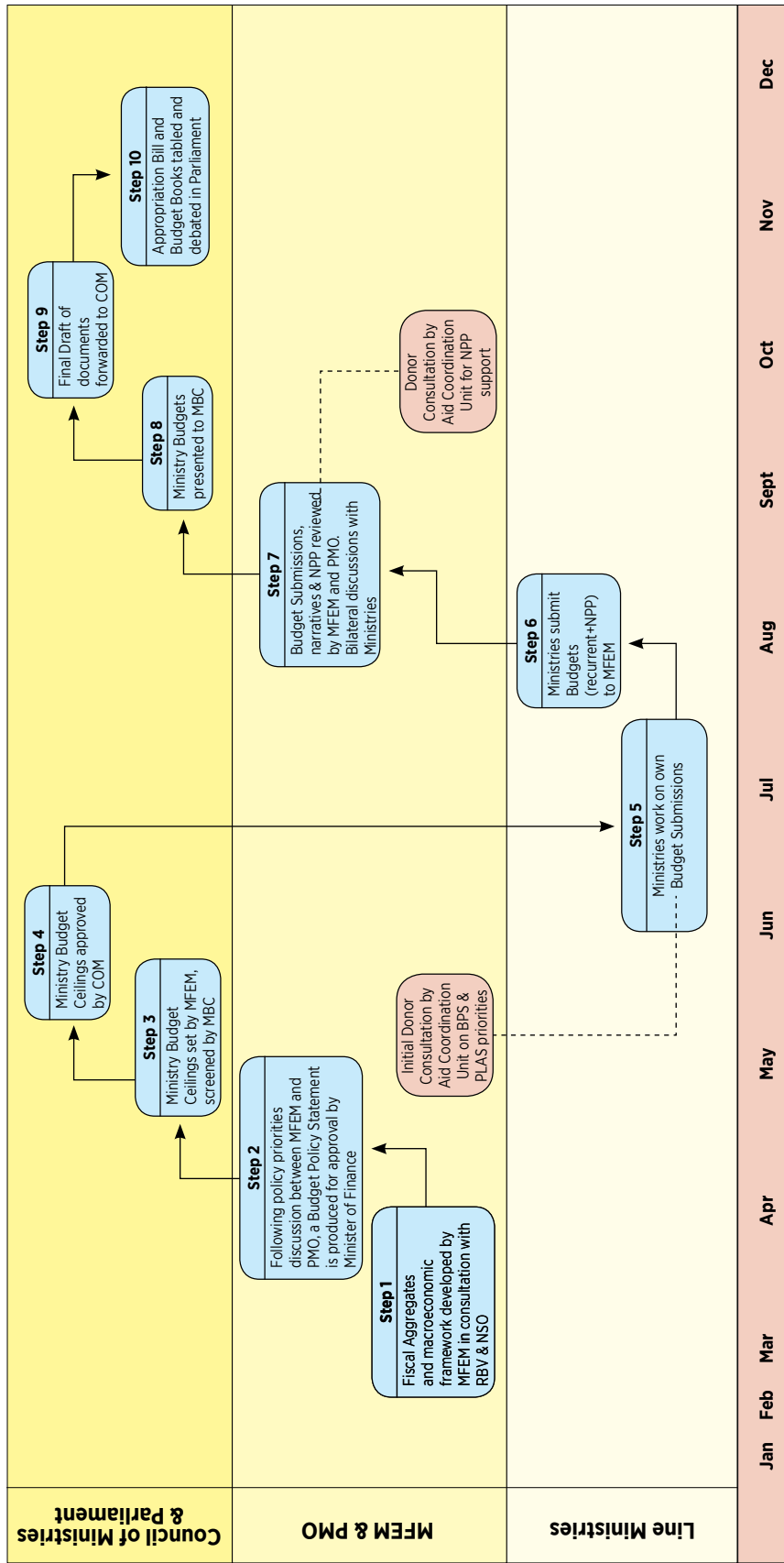


<p>9.</p> <p>i. Develop generic procurement procedures, with reference also to procurement procedures required by particular donors/ Multilateral Development Banks (MDBs).</p> <p>ii. Liaise with the Central Tenders Board to provide training and awareness of staff in the Secretariat and Project Management Unit on the Government and donor/ MDB-mandated requirements.</p> <p>iii. Liaise with the Board and donors/ MDBs on the use of the new standard tender documents and contracts.</p>	<p>Section 1.1 of PFM Roadmap and CFR Sections 1.5, 6.3.3 - Strengthen procurement capacity and/ or policy at MFEM to bring into alignment with GCF/ AF criteria, including Central Tenders Board website.</p>	<p>DFAT/ GIZ, Governance for Growth (GFG), Climate Ready PFTAC, EU</p>
<p>10. Specify the roles of the Secretariat and Project Management Unit in project specification and design.</p>	<p>CFR Section 6.2 - The PMUs and NAB Secretariat's capacity for climate finance and project management is strengthened (fully staffed and skills enhanced with CF & project management by end of 2020).</p>	
<p>11. Develop project templates that align with those of development partners and also allow for projects funded through a small grants program.</p>	<p>MCCA Corporate Plan - Small Grants Program with Policy, application forms, and Review Panel for approval established.</p>	<p>GIZ</p>
<p>12. Develop, implement and demonstrate a project appraisal process that aligns with those of development partners and also allows for the appraisal of projects funded through a small grants program</p>	<p>MCCA Corporate Plan - Project Preparation & Appraisal Templates aligned with those of development partners.</p>	<p>GIZ</p>
<p>13. Develop a risk management policy, strategies and templates for projects, including a process to ensure a speedy solution will be found.</p>	<p>CFR Action 6.1.3 - Develop Risk Assessment and Safeguards Guidelines for use by government sectors, PS and CSOs.</p>	<p>GIZ Readiness, UNDP PRP</p>
<p>14. Undertake project appraisals with risk management strategies.</p>	<p>CFR Action 6.1.3 - Develop Risk Assessment and Safeguards Guidelines for use by government sectors, PS and CSOs.</p>	<p>GIZ Readiness, UNDP PRP</p>
<p>15. Develop procedures to review project designs.</p>	<p>CFR Action 2.2 - Conduct project management training (design, appraisal, action plans, implementation, M&E and closure).</p>	<p>United Nations Capital Development Fund (UNCDF), USAID Readiness, SPC ISACC</p>
<p>16. Develop standard formats for project budgets and reports that meet the needs of the NAB and donors/ MDBs.</p>	<p>Uncertain</p>	



17. Develop detailed monitoring and evaluation procedures and report formats for differing types/ sizes of project, which are consistent with Adaptation Fund's Evaluation Framework and Guidelines.	Uncertain	
18. Design, implement and demonstrate a system of project closure, including evaluation reports on the impacts.	CFR Action 6.1.4 Develop, strengthen and operationalize Project Closure Guidelines.	ISACC
19. Take on responsibility for developing and/ or reviewing logic frames/ Results-Based Management baselines and reporting for projects, and for facilitating independent project evaluations.	CFR Action 6.1 Develop resources to support climate project management (including M&E) at all levels.	IRCCNH, ISACC, GIZ, UNDP PRP
20. Develop a Fraud, Corruption and Mismanagement policy that particularly applies to the management of funds and resources for CC/ DRR projects.	No apparent action.	
21. Train staff on the Fraud, Corruption and Mismanagement policy.	No apparent action.	
22. The Director General to adopt an environmental policy consistent with that of the Adaptation Fund, and make an explicit commitment to abide by it.	MCCA Corporate Plan lists development and implementation of the National Environment Policy.	
23. Establish a complaint-handling mechanism, including contact names within the Ministry and the Ombudsman's Office.	MCCA Corporate Plan foreshadows creation of a complaints database.	

Appendix 5. Government of Vanuatu Budget Process



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
COM					MFEM							
PMO					NPP							
NSO					BPS							
RBV					PLAS							
MBC												
	Council of Ministers	Prime Minister's Office	National Statistics Office	Reserve Bank of Vanuatu	Ministerial Budget Committee							
					Ministry of Finance and Economic Management							
					New Policy Proposals							
					Budget Policy Statement							
					"Planning Long-Acting Short" Matrix							

Source: Pretorius, C. and Schofield A., 2013. Government of Vanuatu: Public Financial Management Performance Report, August 2.

Appendix 6. Sample of Key Climate Change Projects Analysed

Project Title	Weighting	Type	Sector	Recipient Ministry	Main Funding Source	Bilateral/Multilateral	National/Regional	Timeframe	Appropriated	Total Cost	Total Cost (VT)	Weighting Cost (VT)
Port Vila Urban Development	0.8	Common Country Assessment (CCA)	Infrastructure	Infrastructure & Public Utilities (PU)	ADB	Multilateral	National	2011-2017	No	US\$18m	1,911,420,000	1,529,136,000
RESCUE: Restoration of ecosystem services and adaptation to climate change	0.8	CCA	Environment	Climate Change	Agence Française de Développement (AFD)	Bilateral	Regional	2014-2018	No	€6.5M Jan 2014-Dec 2018 (3 countries for 5 years - est. EUR 0.43m per yr for each country) VAN - EUR 1.302m	163,335,900	130,668,720
Building Safety & Resilience in the Pacific (14 countries)	0.8	CCA	Environment	NDMO	EU	Bilateral	Regional	2013-2017	No	US\$20,976,055 (US\$1,498,289 per country for 4 yrs)	636,413,236	509,130,589
Vanuatu Recovery and Development	0.8	CCA	Infrastructure	PMO	Australia	Bilateral	Regional	Not stated	Yes	2,641,639,650	2,641,639,650	2,113,311,720
PARTner: Pacific Risk Tool for Resilience	0.8	CCA	Governance	NDMO	New Zealand	Bilateral	Regional	Not stated	No	3,065,491	3,065,491	2,452,393
Pacific American Climate Fund (12 countries)	0.8	CCA	Environment	Climate Change	USA	Bilateral	Regional	2013-2018	No	US\$23,991,293 (US\$1.9m per country for 5 yrs)	212,302,906	169,842,325
Vanuatu Infrastructure Reconstruction and Improvement Project	0.8	CCA	Infrastructure	Infrastructure & PU	World Bank	Multilateral	National	2016-2022	No	US\$50m	5,309,500,000	4,247,600,000

Appendix 6. Sample of Key Climate Change Projects Analysed

Project Title	Weighting	Type	Sector	Recipient Ministry	Main Funding Source	Bilateral/Multilateral	National/Regional	Timeframe	Appropriated	Total Cost	Total Cost (VT)	Weighting Cost (VT)
EU-GIZ ACSE-Solar, Biogas & Climate Early Warning Systems (CLEWS) Vanuatu	0.8	Climate Change Mitigation (CCM)	Energy	Climate Change	EU	Bilateral	Regional	Not stated	No	95,872,476 (3 years)	31,957,492	25,565,994
2nd Phase of Talise 75kW micro hydro scheme	0.8	CCM	Energy	Energy	IUCN	Multilateral	National	Not stated	No	50,000,000	50,000,000	40,000,000
Strategic Program for Climate Resilience (PPCR)	0.8	CCA	Environment	Climate Change	ADB	Multilateral	Regional	2015-2016	No	US\$3,160,000 (US\$0.24m per country - VAN - US\$0.164m for 2 yrs)	17,415,160	13,932,128
Climate Information Services in the Pacific (PACCSAP)	0.8	CCA	Information and Communications Technology (ICT)	Meteorology	Australia	Bilateral	Regional	2015-2017	No	\$0.99m	105,128,100	84,102,480
Increasing Resilience to Climate Change and Natural Hazards in Vanuatu	0.8	CCA	Environment	Climate Change	World Bank	Multilateral	National	2012-2018	No	US\$11.52m	1,223,308,800	978,647,040
Vanuatu Rural Electrification Project (VREP) - Phase 1	0.8	CCM	Energy	Energy	World Bank	Multilateral	National	Not stated	No	470,000,000	470,000,000	376,000,000
Vanuatu REDD Plus Readiness Preparation Support Project	0.8	CCM	Forestry	Forestry	World Bank	Multilateral	National	Not stated	No	303,760,000 (5 years)	303,760,000	243,008,000

Appendix 6. Sample of Key Climate Change Projects Analysed

Project Title	Weighting	Type	Sector	Recipient Ministry	Main Funding Source	Bilateral/Multilateral	National/Regional	Timeframe	Appropriated	Total Cost	Total Cost (VT)	Weighting Cost (VT)
Climate Information Services for Resilient Development	0.8	CCA	Environment	Meteorology	GCF	Multilateral	National	Not stated	No	US\$23m	2,442,370,000	1,953,896,000
Third National Communication and First Biennial Update Report to the UNFCCC	0.8	Enabling	Governance	Climate Change	GEF	Multilateral	National	Not stated	No	US\$852,000	90,473,880	72,379,104
Protecting Urban Areas Against the Impacts of Climate Change in Vanuatu	0.8	CCA	Infrastructure	Infrastructure & PU	GEF	Multilateral	National	Not stated	No	US\$5,650,000	599,973,500	479,978,800
Ridge-to-Reef (R2R): Integrated Sustainable Land and Coastal Management	0.8	CCA	Environment	Lands & Mineral Resources	GEF	Multilateral	National	Not stated	Yes	US\$4,605,680	489,077,159	391,261,727
Adaptation to Climate Change in the Coastal Zone in Vanuatu	0.8	CCA	Environment	Climate Change	GEF	Multilateral	National	Not stated	Yes	US\$8,030,000	852,705,700	682,164,560





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