

## Regional Summary Report

### Review of national and sector policies in relation to budget support modalities in the Pacific Smaller Island States

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This summary is based on a consultancy report by **Planning 4 Sustainable Development**, commissioned by the Secretariat of the Pacific Community (SPC) through the Global Climate Change Alliance: Pacific Small Island States (GCCA: PSIS) project, funded by the European Union.

## Introduction

Planning for Sustainable Development (P4SD) was engaged to review the national and sector policies of nine (9) Pacific small island states (PSIS) – Cook Islands, Federated States of Micronesia, Kiribati, Republic of the Marshall Islands, Nauru, Niue, Palau, Tonga and Tuvalu – to:

- assess the extent to which climate change considerations have been mainstreamed; and
- inform their access to climate change funds delivered through budget support modalities.

For the purposes of this work Climate change mainstreaming means incorporating climate risk considerations into every aspect of the policy and project development process at the national level (SPREP & UNDP, 2013). The research and reporting does not cover the review of institutional and systemic processes of implementation, coordination mechanisms and on-the-ground actions.

Developing good policies, plans and strategies is the beginning of the process of ensuring climate change is integrated into government decision making. Good policies are ones that are linked to national development plans and sustainable development strategies; relate well to sector and cross-sector platforms; are aligned with annual and medium term budget cycles and are monitored and reviewed regularly. Effective implementation requires identification of specific, costed actions and outcomes, allocation of the necessary expenditure, and the supporting institutional structure and systems to enable tracking of progress. While most PSIS are gearing themselves for direct budget support, at this stage, most funding for climate change related activities comes from donors on a project-by-project basis. Policy linkages, tools such as aid co-ordination databases, and sound public financial management (PFM) systems as well as integrated reporting systems are therefore essential to developing a national consolidated, policy-driven approach to climate change activities.

### Findings: high level political commitment

In general there is a high level of national awareness of climate change issues and this is reflected in political and institutional structures. For example, in several countries there is a parliamentary committee or a cabinet portfolio with responsibility for climate change, disaster management and/or renewable energy. Some countries have a national committee with responsibility for climate change, with high-level officer representation. Others have offices for climate change. These offices are often tied with the Environment and natural resource management (NRM) agencies, but some have been encapsulated in key Ministries such as the Office of Prime Minister (OPM) in the Cook Islands.

Climate change is consistently highlighted in key national development plans and national sustainable development strategies, where these have been generated, feature the importance of climate change. All PSIS continue to be active in international negotiations and regional climate change initiatives. They are also committed to public finance management (PFM) system improvements and several countries have undertaken peer reviews in addition to, or associated with Public Expenditure and Financial Accountability (PEFA) assessments and peer reviews.

### Findings: policies and plans

Climate change is often identified in key national development and sector plans and policies as a threat to development. Linked to the history of consideration in the region, climate change is often categorized as an environmental issue within policy goals and strategies.

Climate change policies generally:

- highlight the need for both mitigation and adaptation;
- refer to mainstreaming into sector policies and plans, including reference to specific policies;

- nominate the establishment of institutional and reporting mechanisms to raise the profile of climate change across government;
- make reference to seeking funding and support from the regional and international community; and
- make reference to raising community awareness.

However, climate change linkages between national development plans, sector policies and plans could be more clearly defined. Objectives vary in level of definition: more specific outcomes and SMART targets would improve resource allocation. There are relatively few implementation plans and monitoring and evaluation mechanisms are not generally well established.

Joint National Action Plans for Climate Change and Disaster Risk Reduction (JNAPs) are proving to be effective integration platforms for climate change policies, but they tend to target high level policy or strategy direction, rather than providing a base for effective implementation. Their transition to sound implementation tools will come with time. Currently the costings for some JNAPS are centred on focus areas, rather than specific groups of actions across sectors or thematic areas.

### **Findings: sector plans**

The clarity of objectives depends on the type of policy or plan: some contain very broad statements of intent; others have specific objectives, with associated strategies and outcomes. The linkage to key national development plans, sustainable development strategies or climate change policies varies.

Energy plans tend to have well defined outcomes and targets, reflective of the recent focus of development assistance in this arena. Infrastructure plans generally set out programs of activities, with little on means to prioritize efforts and link costings to national budgets. In some cases the implementation plans identify a series of projects that could be funded by donors. In general, though, there are few implementation plans tied to annual or mid-term budgets and there is limited prioritization and costing of actions.

Again, more specific outcomes and targets would help focus resource allocation on climate change-related initiatives, and enable monitoring and review. Currently, policy priorities in sector plans are not necessarily reflected in national budgets, expenditure or donor funding direction.

Several sector plans specify the institutional and reporting mechanisms for monitoring and review but acknowledge that capacity limitations mean that they will not be put in place without external support.

### **Findings: institutional relationships and resource allocation**

Organizational roles and relationships sometimes overlap, and the landscape of national committees often reflects the number and scope of donor funded projects rather than national policy priority and direction.

Climate change priorities are identified most clearly through the JNAP process; otherwise the level of prioritization in national and sector plans varies.

Priority tends to be given to disaster risk reduction and management, infrastructure, water and energy. Agricultural development, land use policy and environmental management tend to be of lower priority in key national policy and donor funding, despite them being central themes in stakeholder engagement outcomes.

Resource allocation tends to be through the availability of external funds rather than key prioritizing of national issues and mid-term budget setting. This skews both the budgeting and policy development process. Donor funding for climate change is generally consistent with overall

country high level priorities but not necessarily tailored to sector and thematic policy priorities and planning outcomes.

## **Findings: PFM Roadmaps and modalities**

Most countries have completed PEFA assessments and have PFM roadmaps in place. Some countries have undertaken peer reviews, and the need for greater donor harmonization is a consistent theme.

Medium term budgeting (MTB) is under development and there are some good examples of this among the nine countries. However, the links between sector and thematic plans and MTB is not yet well established; nor is the link between costed strategy or sector plans and budget estimates.

The success of national trust funds is variable; there is no specific trust fund in place for climate change financing. Among the PSIS there is some concern with the transaction costs of multiple trust systems, but countering this, there are some good examples of simple trust mechanisms. There is some bilateral direct budget support, but this often does not target climate change initiatives. The EU has provided direct budget support through the European Development Fund. Focus on developing country expertise in MTB is helpful for implementing strategies and plans.

## **Potential Next Steps**

The following generic steps are suggested in terms of targeting technical assistance and support to PSIS:-

1. Policy review: development of clear outcomes, indicators and targets linking development and climate change priorities between key national plans and related sectors and thematic development areas;
2. Development of sound sector and cross-sectoral plans that assist with bringing priorities into the budgeting processes;
3. Development of costed and prioritized implementation strategies and plans linked to annual and medium term budget planning;
4. Streamlining of climate change management arrangements: move from project to programmatic approaches, with harmonized national reporting systems that lead to lower transaction costs and bureaucratic processes;
5. Development of integrated monitoring and evaluation frameworks, tied to medium term budget monitoring systems;
6. Continued development of policy-based budgeting within medium term budget frameworks (link to PFM Roadmaps);
7. Explore opportunities to develop national climate change trust funds or other modalities that enhance fund capitalization, are conducive to programmatic approaches and support small grant/loan distribution;
8. Harmonize donor funding to meet national and sector priorities: use tools linked to PFM roadmaps, PEFA targets and medium term budget frameworks.