AFTER PARIS: CLIMATE FINANCE IN THE PACIFIC ISLANDS

Strengthening collaboration, accelerating access and prioritising adaptation for vulnerable communities

EXECUTIVE SUMMARY
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EFATE, VANUATU. Wolda Edward, 52, helps cleaning his neighbour's house yard after Cyclone Pam. Photo: Vlad Sokhin/Panos/OxfamAUS.

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EXECUTIVE SUMMARY

Pacific island countries are working hard to address the escalating realities of climate change, including the impact on land, livelihoods, and on the food and water security of their most vulnerable communities. The need for accessible, predictable, adequate and appropriate financial support to meet the climate crisis is urgent and growing.

Access to climate finance — international funding to support climate action in developing countries — is a matter of global justice: those who have contributed least to the causes of climate change are typically the most vulnerable to its impacts, and have the least resources to respond.

As wealthy industrialised nations, and the largest members of the Pacific Islands Forum, Australia and New Zealand have a particular responsibility to support the needs of their Pacific neighbours. Greater collaboration and collective action among all actors, from the global to the national and local, is necessary to improve access to climate finance.

New research commissioned by Oxfam and resulting in this report, After Paris: Climate finance in the Pacific islands, takes stock of the climate risks facing the Pacific region, and considers these risks in relation to commitments under the Paris Agreement, the complex nature of existing financial flows, current commitments from Australia and New Zealand, and the range of challenges that must be overcome to ensure support reaches those most in need.

Based on interviews with a range of government, civil society and community representatives, this report makes recommendations for urgent action across 11 strategic areas, including improving access to the Green Climate Fund (GCF), aligning support with the plans and priorities of Pacific island countries, prioritising civil society and community initiatives, developing new and innovative sources of funding, and improving reporting and transparency.

After Paris: Climate finance in the Pacific islands updates and extends the findings and recommendations from the 2012 Oxfam research project Owning Adaptation in the Pacific: Strengthening governance of climate adaptation finance. Of major concern since Oxfam's 2012 report is the escalation of climate change impacts, as predicted by climate scientists. These have included destructive cyclones like Cyclone Pam in Vanuatu and Cyclone Winston in Fiji, as well as sea-level rise and the adverse impact of the powerful 2015–2016 El Niño on food and water resources.

Climate change presents an increasingly existential challenge to people in the Pacific region. Over the coming decades, large numbers of Pacific people — and in some cases entire nations — face displacement from their homes and livelihoods. These realities are yet to be met by a sufficient increase in the scale and accessibility of financial resources. Australia has failed to increase its contribution to international climate finance in line with the goals of the Paris Agreement or in keeping with stronger commitments from other developed nations. Pacific governments understandably remain concerned over the adequacy, predictability and accessibility of funding. Climate finance is generally provided from Official Development Assistance (ODA) budgets but neither Australia nor New Zealand have increased their ODA to support these new commitments in addition to existing aid priorities. Overall, the responsibility of Australia and New Zealand to contribute to the climate financing needs of their Pacific island neighbours remains unmet and underfunded.

While the findings in this report place particular responsibility on Australia and New Zealand, there are recommendations for a range of actors, including Pacific regional agencies, Pacific governments, non-government organisations (NGOs), researchers and the private sector. Collaboration and collective action among all actors can empower Pacific governments and their most vulnerable citizens to build resilience to climate change — in line with the goals of the Paris Agreement. Mobilising a broad constituency of actors, from the global to the local level, is essential to meet the profound challenges that climate change poses to communities living in the Pacific region.

EFATE, VANUATU. Marina Kalo, 30, mother of 5 children, with her daughter Ester, 3 (right) and her niece Leilani, 8 (left) near one of the houses Pang Pang village that was destroyed by Cyclone Pam. Photo: Vlad Sokhin/Panos/OxfamAUS)

SOUTH TARAWA, KIRIBATI. Children playing on a rusty shipwreck in Betio. The ship was lifted by king tides and crashed into the seawall in February 2015. Photo: Vlad Sokhin/Panos/OxfamAUS]

ESCALATING AND DISPROPORTIONATE COSTS FACING THE PACIFIC

Pacific island countries are on the frontline of the global climate crisis and experience more damage to their livelihoods, wellbeing, economic prosperity and security than other regions.

In the low-lying atoll nations of Kiribati, Tuvalu, Tokelau and the Marshall Islands, and in individual islands within the Papua New Guinea archipelago, the northern Cook Islands, the Federated States of Micronesia and the Solomon Islands, communities already face severe challenges as rising seas contaminate fresh-water supplies, destroy food crops and erode land. Large numbers of people face displacement over the coming decades.

Many Pacific island countries, including the Solomon Islands, Vanuatu, Fiji, Tonga and the Federated States of Micronesia, lie in the path of tropical cyclones. In February 2016, Cyclone Winston, the strongest cyclone ever recorded in the Southern Hemisphere, devastated parts of Fiji with damage and losses amounting to one fifth of Fiji's Gross Domestic Product (GDP). One year earlier, Cyclone Pam tore through Vanuatu, affecting more than 70% of the population.

A high proportion of Pacific island people live in rural and remote areas and rely on subsistence farming and fishing.

They are strongly affected by shifting rainfall patterns, as well as the impact of a warming and acidifying ocean on marine life. The El Niño of 2015–2016 compounded these pressures, with many Pacific island countries continuing to suffer significant consequences. Damage to coral reefs and other marine ecosystems poses a serious threat to food security. People living in urban centres also face challenges with flooding and access to fresh water, especially those living in squatter settlements on hillsides, floodplains and other vulnerable locations.

Climate change and disasters have a disproportionate impact on the poorest members of the community, and on women and children. Even with much stronger global action to reduce carbon pollution, Pacific communities will face significantly greater impacts over the coming decades. Pacific governments are already subject to large climate-related financial costs from their national budgets.

Pacific leaders have consistently identified climate change as the greatest threat to the livelihoods, security and wellbeing of their people, and as one of the greatest challenges for the entire world. Leadership from Pacific island countries was instrumental in securing strong outcomes in the Paris Agreement, including agreement that we must pursue efforts to limit the global average temperature rise to 1.5°C, a strong focus on national and global actions to adapt to climate impacts, inclusion of a stand-alone article on loss and damage (the impacts of climate change to which it is impossible to adapt), and commitments to ensure increases in the scale and accessibility of climate finance.

Yet while the Paris Agreement provides a solid foundation for action, realising its goals requires a dramatic increase in both the pace of global emissions reductions and the provision of support to vulnerable communities.

Beyond the scope of this research, it must be recognised that protecting the rights of Pacific people will require measures in addition to greater access to climate finance. While relocation will invariably be a peoples' option of last resort, the ability to migrate will be a necessary part of some Pacific communities' survival in the face of climate change. Australia and New Zealand should be at the forefront of developing long-term solutions for those at risk of climate-induced displacement and ensure people are able to migrate with dignity.

DRANA SETTLEMENT, RAWASA, FIJI. Cyclone Winston impacted approximately 540,400 people across Fiji. 44 people were killed and 30,369 houses, 495 schools and 88 health clinics and medical facilities damaged or destroyed. PHOTO: Adi Kautea Nacola/OxfamAUS.

TAKING STOCK OF FINANCIAL COMMITMENTS AND FLOWS

In 2010, developed countries formally agreed to mobilise USD $100 billion a year in public and private funds by 2020 to support climate action in developing countries. In 2015, the Organisation for Economic Cooperation and Development (OECD) reported developed countries had mobilised USD $62 billion in international climate finance in 2014 — almost two-thirds of the way to the USD $100 billion goal. However, the assessment was sharply criticised by many developing countries who pointed out that existing development assistance had been re-characterised as climate finance, and that the claimed total included, among other things, the full value of loans, rather than representing an actual net transfer of support.

In addition, although there is a long-standing commitment to balance funding between mitigation (reducing carbon pollution) and adaptation (building resilience of communities to impacts), the OECD assessment affirmed that the vast majority of climate finance so far has gone to mitigation programs. Further analysis by Oxfam concluded only USD $4–$6 billion in public grants for adaptation had been provided in 2014.

The Paris Agreement builds on existing climate finance commitments. Among other measures, it commits developed countries to taking account of the priorities and needs of countries that are particularly vulnerable to climate change, and recognises the need for public and grants-based funding for adaptation. Governments also agreed to set a new higher target for international climate finance by 2025.

Yet despite these new international commitments, Pacific island governments and communities remain justifiably concerned about the adequacy and predictability of funding, the need to prioritise funding for adaptation, and the many barriers that hinder access to international climate funds.

At the global level, there is growing evidence that current climate finance targets are well below the level of need. In its latest Adaptation Gap Report, the United Nations Environment Programme (UNEP) estimates the cost of adapting to climate change in developing countries could rise to between USD $280–$500 billion per year by 2050.

But while concerns remain over the scale of international climate finance commitments, Pacific island countries also face significant challenges in accessing available funding, owing to their small size and the complexity of funding arrangements. This report explores several issues relating to access and quality of climate finance in the Pacific, and the measures that can improve access and ensure more support reaches the most vulnerable communities.

The report also provides detailed analysis of current commitments from Australia and New Zealand. Australia, while it has been proactive in improving access to the GCF for Pacific island countries, has not increased its overall contribution of international climate finance since 2010. Australia's annual contribution of around AUD $200 million is weak when compared to commitments from other wealthy developed nations. France, Germany, United Kingdom (UK) and the United States (US) have significantly increased their climate finance commitments, while several developing nations, including China, have also begun contributing.

Oxfam argues that Australia's total contribution to international climate finance should reach at least AUD $3.2 billion per year by 2020, with at least half being public funding for adaptation. To date, Australia's funding has prioritised climate change adaptation and Least Developed Countries (LDCs) but there is an increasing emphasis on the private sector to contribute to climate finance, which raises concerns over the ongoing priority for adaptation in vulnerable communities, especially when those at greatest risk from climate change are the least able to attract private investment.

Similar concerns are raised over the adequacy and effectiveness of New Zealand's climate finance contributions. Like Australia, New Zealand's climate finance is drawn exclusively from their existing Overseas Development Assistance (ODA) budget, prompting criticism that it does not constitute support beyond existing aid commitments. New Zealand's climate finance has also been heavily skewed towards renewable energy programs. Since 2013 the proportion of New Zealand's climate finance dedicated to adaptation has dropped to 20%. Multiple interviewees for this report urged a rebalancing of New Zealand's climate finance portfolio and greater investment in resilience-building programs.

ELEVEN STRATEGIC AREAS FOR ACTION

01 IMPROVING ACCESS TO THE GREEN CLIMATE FUND (GCF)

The GCF is a core funding mechanism of the Paris Agreement. Its arrival marks a significant evolution in the climate funding landscape, with the GCF poised to be the central pillar of the multilateral climate finance regime.

The GCF has 'country ownership' and a 'country-driven approach' as core principles. Realizing these principles, and fully aligning funding with countries' and communities' development priorities and needs, will mean enabling funding decisions to be made at the national level, with a deeper engagement of local stakeholders in the design and implementation of GCF programs.

The GCF's Readiness Program provides opportunities for Pacific island countries to build their capacity to access and manage GCF funding, including strengthening coordination and consultation within the country, and preparing proposals.

However, directly accessing GCF funding involves a rigorous accreditation process. Presently, no Pacific government or national institutions are accredited to access the GCF; they must work through existing accredited entities. The Secretariat of the Pacific Regional Environment Programme (SPREP) is the only accredited regional organisation in the Pacific. Other accredited entities include the Asian Development Bank (ADB) and United Nations Development Programme (UNDP). While Pacific island countries may embrace opportunities in the near term to access funding through these existing accredited entities, a major priority is the accreditation of national institutions.

Progress is being made but considerable work is required to realise the principle of country ownership, to enable all Pacific island countries to access GCF funds, and to ensure the GCF delivers for the region's most vulnerable communities. Priorities include increasing the flow of readiness support, in particular for strengthening National Designated Authorities (NDAs) — the focal points within countries for engaging with the GCF and ensuring that programs align with national priorities — and consultation and engagement with non-state actors already engaged in climate action on the ground.

Australia, as current Co-chair of the Board of the GCF is well placed to help ensure the GCF provides effective support to Pacific island countries and communities. The Australian Government has been proactive in this regard, and organised a regional workshop in early August 2016. The decision to hold a meeting of the GCF Board in Samoa in December 2016 provides a further important opportunity to improve Pacific islands' access to the GCF.

02 SETTING REGIONAL PRIORITIES

Some interviewees for this research report argued there is a need for a major transformational regional initiative to be proposed to the GCF, and other climate finance providers, rather than a series of piecemeal projects. Given such a major project could take up a large proportion of available funding, it would need to be inclusive of diverse national circumstances and priorities.

A key question is: Which regional organisation could best lead in the development of such an initiative? The Framework for Pacific Regionalism (FPR), created by the Pacific Islands Forum, offers one possible mechanism. However, there are ongoing debates in the region about whether the Pacific

Islands Forum should be the key decision-making body for climate policy, given differences between Australia, New Zealand and Pacific island countries.

A process for developing a regional initiative would need to involve strong collaboration between national, sub-national and community representatives, and coordination among inter-governmental agencies. It must be inclusive of non-self-governing territories in the Pacific, who are not full members of multilateral and United Nation (UN) agencies.

03 INDCS: CONVERTING CLIMATE PLANS INTO ACTION

In the lead up to the Paris Agreement, countries submitted Intended Nationally Determined Contributions (INDCs), which outlined their climate action plans and contribution to the new global agreement.

In addition to actions that reduce carbon pollution, Pacific governments were among the many countries that included plans for climate change adaptation in their INDCs, signalling that adaptation and resilience building are an urgent priority.

INDCs enable countries to set their own priorities for climate action. If further developed into concrete projects and programs, they will aid developing countries to direct resources where they are most needed. Australia and New Zealand can support Pacific island countries to convert INDCs into financial investment strategies, which in turn will help catalyse action and additional resources, and keep up the momentum after Paris.

04 RESETTING THE BALANCE BETWEEN ADAPTATION AND MITIGATION FUNDING

Balancing support for mitigation (reducing carbon pollution) with adaptation (building resilience of communities to impacts) remains a central issue in international climate finance.

Pacific island countries contribute negligibly to global carbon pollution yet are acutely vulnerable to the impacts of climate change. While many Pacific island countries are implementing ambitious renewable energy programs — in part due to the advantages of renewable energy in increasing energy access and reducing fuel costs — many have expressed interest in accessing funding for climate change adaptation as a greater priority.

Successive decisions under the United Nations Framework Convention on Climate Change (UNFCCC) have called on developed countries to channel a substantial share of public funds to adaptation activities. The Paris Agreement states: "The provision of scaled-up financial resources should aim to achieve a balance between adaptation and mitigation." While some finance providers — including Australia — have struck a balance, many others have not. At the global level, the vast majority of international climate finance flows to mitigation projects.

The Paris Agreement places unprecedented importance on climate change adaptation but stops short of establishing a quantified goal for adaptation funding. Among recommendations for closing the enduring adaptation finance gap, this report encourages members of the Pacific Islands Forum to support global targets for public adaptation finance. By 2020, the New Zealand government should reach a 50/50 split in its funding for mitigation and adaptation respectively, in contrast to the current 80/20 split.

05 MANAGING THE DIVERSITY OF FUNDING SOURCES

Presently, support for climate action in the Pacific region is channelled through a complex array of funds and programs. This includes multilateral funds such as the Global Environment Facility (GEF), the UNFCCC's Adaptation Fund, the Climate Investment Funds (CIFs) — implemented by the multilateral development banks (MDBs) — and the new GCF, as well as many bilateral aid programs.

Given the geographic, demographic and cultural diversity of the region, and suitability of different funds and programs to different needs, there is value in maintaining some diversity in available funding sources.

However, the drawbacks of this multitude of funding sources are that finding the most suitable source becomes more difficult and the different administrative requirements and timeframes impose additional reporting burdens on recipient countries. Furthermore, many existing funding mechanisms are not designed to take into account the small size and capacity constraints of vulnerable Pacific island countries.

Overcoming the challenges posed by this complex funding environment, and ensuring effective and efficient support to vulnerable communities, will require greater coordination and cooperation among development partners, including multilateral climate funds, bilateral aid providers and international non-government organisations (INGOs). Greater coordination will avoid the duplication of initiatives, streamline administrative requirements and share the experiences of better practice.

06 ALIGNING PRIVATE-SECTOR INITIATIVES, ADAPTATION AND LOCAL OWNERSHIP

The Australian and New Zealand Governments have emphasised a greater role for the private sector in their development assistance programs and stressed that a key role of public climate finance should be to catalyse private sector investment. While the private sector will undoubtedly have a central role in building the sustainable and resilient economies of the future, today's heavy emphasis on private investment raises questions about the extent to which international climate finance will be matched to countries' and communities' needs and priorities.

Those at greatest risk from climate change are the least able to attract private investment. And, whereas renewable energy programs can provide attractive business propositions, climate change adaptation is more reliant on public funding as it does not provide the same short-term return on investment.

Focussing on private investment, as a means to increase international climate finance and meet current and future commitments, needs to be matched with environmental and social safeguards designed to achieve inclusive and sustainable development. It needs to prioritise support for locally owned enterprises, and recognise that meeting the adaptation needs of vulnerable communities will continue to depend on adequate public financing.

07 PRIORITISING CIVIL SOCIETY AND COMMUNITY INITIATIVES

Adapting to climate change depends, above all, on action at the local level. This action must ensure access to climate change information, support solutions that are right for the local context, enable communities to build on their strengths, and ensure affected communities have a voice in national adaptation planning.

Much work at this grassroots level is conducted by non-government, community and faith-based organisations who work directly with those whose lives are affected. In the past, the Australian Government has provided small grants for community-based initiatives.

Programs, such as the Vanuatu NGO Climate Change Adaptation Program, have enabled strong collaboration between INGOs, local partners and national governments, and have made an important contribution to building community resilience. At a time when governments are seeking value for money and effective use of development assistance funding, programs such as Australia's Community Based Climate Change Action Grants (CBCCAG) should be extended.

Among further suggestions for prioritising local action, this report recommends increasing access to climate finance for provincial or local governments, and supporting effective community engagement processes that allow participation by diverse groups of people.

08 INTEGRATING GENDER, YOUTH AND VULNERABILITY

While climate change affects everyone, some people are more vulnerable than others. Poor communities are more severely affected than higher-income communities, due partly to their greater dependence on natural resources and limited means to adapt.

Women, young people and men are also affected by climate change in different ways. These groups experience different risks, vulnerabilities and levels of resilience. At the same time, each has a critical role in responding to climate change.

Women typically bear the larger responsibility for tasks that are made more difficult by climate change while having unequal access to resources and decision-making processes. Yet women also play a critical role in responding to climate change through, among other things, their essential skills and knowledge in natural resource management.

Climate-related programs must be built on a solid understanding of the varied vulnerabilities and capacities within communities. This report outlines a number of initiatives for better engaging women, young people and men, especially from rural and outer-island communities. Recommendations include more detailed research into how climate change affects these three groups in different ways — especially in the multilingual and diverse societies of Melanesia — and promoting equal opportunities for women and young people to provide input and participate throughout the design and implementation of climate programs.

09 DEVELOPING NEW AND INNOVATIVE SOURCES OF FUNDING

The gap between current international climate finance flows and the level required to meet present and future needs is large and growing. Public finance is crucial for programs where it is difficult to attract private investment, including many adaptation and resilience-building initiatives.

Internationally, there has been extensive discussion of potential new mechanisms for raising international climate finance. These include financial transaction taxes, levies on international transport emissions and revenues from domestic and international carbon markets.

The debate on innovative sources of climate finance is yet to have a significant public profile in Australia and New Zealand. Nonetheless, new sources of funding are urgently needed to start filling the adaptation finance gap, to supplement ODA budgets and to ensure the provision of climate finance does not see funding diverted from other aid priorities.

Members of the Pacific Islands Forum should investigate the costs and benefits of a range of new revenue streams that can help scale-up finance for adaptation and climate resilience.

10 PHASING OUT SUBSIDIES FOR COAL AND FOSSIL FUELS

Under the Paris Agreement, countries have committed to making all finance flows "consistent with a pathway towards low greenhouse gas emissions and climate-resilient development". One of the first challenges is to phase out fossil-fuel subsidies.

In 2015, the International Monetary Fund (IMF) estimated that global fossil-fuel subsidies amount to USD $5.3 trillion a year, dwarfing current flows of international climate finance.

In addition to subsidising their own fossil-fuel industries, Australia and Japan have argued that international financing for high-efficiency coal plants should also be considered a form of climate finance. Such a move would distort the already constrained climate-financing package away from crucial adaptation needs in Pacific island countries and work against efforts to mitigate climate change. In contrast, New Zealand is working to encourage the elimination of fossil-fuel subsidies.

In addition to phasing out fossil-fuel subsidies within its own jurisdiction, the Australian Government should join New Zealand, other members of the Pacific Islands Forum, businesses and civil society in advocating for global fossil-fuel subsidy reform.

11 IMPROVING REPORTING, TRANSPARENCY AND LEARNING

Effective climate action needs to be built on sound information, evidence, feedback and learning. Significant work is required to improve the reporting and transparency of international climate finance commitments. As a start, developed country governments must provide timely, disaggregated information on the types of funding available (including grants and loans), different funding channels used (including bilateral ODA and contributions to multilateral funds), allocations for adaptation and mitigation, and on funds pledged, approved and dispersed. Though it is beyond the scope of this research, there is also a need for robust methodologies to account for private-sector investment.

Improving outcomes also depends on effective monitoring and evaluation of existing programs and the sharing of lessons. All actors, including governments, civil society and the private sector, can contribute to a culture of learning between climate finance providers and recipients, thereby improving the effectiveness of climate finance for those most in need.

SOUTH TARAWA, KIRIBATI. ▶
Tinaai Teaua, a member of Kiribati Climate Action Network (KiriCAN) stands in front of mangroves planted near Bonriki International Airport. Throughout the Pacific, communities are working hard to build their resilience to the impacts of climate change. Mangroves help to protect the coast and are an important habitat for marine life. PHOTO: Vlad Sokhin/OxfamAUS.

SOUTH TARAWA, KIRIBATI: Mosiah, 13, grade 8 student of Moroni High School, going home after his class. Many school students have to go to school every day through areas that are flooded at high tide. Photo: Vlad Sokhin/Panos/OxfamAUS."