

Pacific Climate Change Finance Assessment Republic of the Marshall Islands National Assessment

FINAL REPORT

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Acronyms

ADB	Asian Development Bank
ADMIRE	Action for the Development of Marshall Islands Renewable Energy
BCC	Budget Coordinating Committee
CCCPiR	Coping with Climate Change in the Pacific Island Region
CDKN	Climate and Development Knowledge Network
CIF	Climate Investment Fund
CPEIR	Climate Public Expenditure and Institutional Review
CROP	Council of Regional Organisations in the Pacific
CTF	Compact Trust Fund
DAC	Development Assistance Committee
DFID	Department for International Development
DOE	Department of Energy
DOI	Department of Interior (US)
DRM	Disaster Risk Management
EDF	European Development Fund
EPA	Environmental Protection Authority
EPPSO	Economic Policy, Planning and Statistics Office
EU	European Union
FIC	Forum Island Country
FMM	Fiscal Management Model
FY	Fiscal year (October-September)
GCCA:PSIS	Global Climate Change Alliance: Pacific Small Island States
GEF	Global Environment Facility
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Development Agency)
GRMI	Government of the Republic of the Marshall Islands
GWO	Grant Writing Office
ICDF	International Cooperation and Development Fund (ROC/Taiwan)
IMF	International Monetary Fund
IWRM	Integrated Water Resources Management
JICA	Japan International Cooperation Agency
JNAP	Joint National Action Plan (for Disaster Risk Management and Climate Change)
KAJUR	Kwajalein Joint Utilities Resource
MALGOV	Majuro Atoll Local Government
MAPS	Methodology for Assessing Procurement Systems (OECD)
MAWC	Majuro Atoll Waste Company
MEC	Marshalls Energy Company
MIE	Multilateral Implementing Entity
MIMA	Marshall Islands Mayors Association
MIMRA	Marshall Islands Marine Resources Authority
MoE	Ministry of Education
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
MoH	Ministry of Health
MoIA	Ministry of Internal Affairs
MPW	Ministry of Public Works
MRD	Ministry of Resources and Development
MTBIF	Medium Term Budget and Investment Framework
MWSC	Majuro Water and Sewer Company
NCCC	National Climate Change Committee
NDC	National Disaster Committee
NSP	National Strategic Plan
NTC	National Training Council
OCI	Office of Compact Implementation
OCS	Office of the Chief Secretary
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OEPPC	Office of Environmental Planning and Policy Coordination
OIDA	Office of International Development and Assistance (co-division, with Budget, of MoF)
OIEDF	Outer Islands Economic Development Fund
PAC	Public Accounts Committee
PACTAM	Pacific Technical Assistance Mechanism
PALM5	5 th Pacific Island Leaders Meeting (Japan)
PCCFAF	Pacific Climate Change Finance Assessment Framework
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFTAC	Pacific Financial Technical Assistance Centre - IMF
PIFS	Pacific Islands Forum Secretariat
PPCR	Pilot Program for Climate Resilience
PSC	Public Service Commission
RIE	Regional Implementing Entity
RMIPA	Republic of Marshall Islands Ports Authority
ROC/Taiwan	Republic of China (Taiwan) – used interchangeably with Taiwan/ROC
RTSM	Regional Technical Support Mechanism

SCCF	Special Climate Change Fund
SCF	Strategic Climate Fund
SPC	Secretariat of the Pacific Community
SPREP	Secretariat of the Pacific Regional Environment Programme
SRDP	Strategy for Climate and Disaster Resilient Development for the Pacific
SREEM	Sustaining Renewable Energy and Energy Efficiency Measures
SRF	Special Revenue Fund
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
USP	University of the South Pacific
WUTMI	Women United Together Marshall Islands

Note: All references to currency are US dollars (\$) unless otherwise specified.

Executive Summary

The availability of climate change finance to support developing countries take action on climate change is anticipated to increase in coming years. However, this increase in funds is being accompanied by an increase in the complexity to access these funds. The range of available sources is substantial and the administrative arrangements to access some of these funds can be daunting.

The Climate Change Finance Assessment in the Republic of the Marshall Islands seeks to underline the experience of RMI in accessing and managing climate change finance, and to identify opportunities to:

1. Improve access to resources, so that RMI might be able to solicit further support for implementing its response to climate change; and
2. Improve the effectiveness with which available resources are used.

The Assessment builds on the Pacific Climate Change Finance Assessment Framework (PCCFAF) methodology developed as the overarching framework for the Nauru Case Study completed in early 2013. Recognising the value of that Study, the Government of the Republic of the Marshall Islands requested similar assistance in late 2013. Six thematic areas were analysed, namely:

- i. **Funding Sources** – to assess previous and existing funding sources that have been tapped by RMI which support the country's efforts related to climate change, to estimate the scale of resources, their sources, and how they have been utilised;
- ii. **Public Financial Management (PFM) and Expenditure** - to assess the state of the PFM system and how well it functions to track and report on the use of resources and climate change expenditure;
- iii. **Policies and Plans** - to assess the depth to which climate change has been integrated into national policies and plans and the way in which RMI's response to climate change has been framed;
- iv. **Institutional Arrangements** - for coordinating and implementing RMI's response to climate change;
- v. **Human Capacity** – to identify key human capacity gaps that need to be filled to support future efforts; and
- vi. **Development Effectiveness** - to identify ways to improve access to, and management of, climate change resources available from development partners.

The Assessment is timely in that it comes as RMI embarks on a new planning cycle following the recent approval of the National Strategic Plan (NSP) covering the period 2014-2016. The NSP identifies Environment, Climate Change and Resilience as one of its key sectors but in reality RMI's ability to cope with, and adapt to, climate change will be more heavily influenced by how well it implements and achieves its objectives across all sectors of the NSP because of the cross-cutting nature of efforts to build resilience.

Overall, RMI has already had some success in accessing development assistance to address its climate change related challenges. Often this assistance is not labelled as "climate finance", but rather is provided as part of ongoing assistance to RMI, through bilateral development programs. Because of this, climate change projects are not always distinguishable from traditional development assistance. This highlights a general challenge for an assessment such as this, which seeks to quantify flows of "climate finance": This is further exacerbated with no internationally agreed definition of "climate finance".

At present, some funds designated as "climate finance" are disbursed through, for instance, dedicated climate funds under the UNFCCC or institutions such as the World Bank. Other relevant funds might primarily target particular development objectives, but at the same time contribute substantially to a country's efforts to adapt to the impacts of climate change and to build resilience. In this analysis, we consider both kinds as relevant "climate change finance". RMI has significant opportunity to improve coordination across all sectors, institutions and key government functions such as their Public Financial Management (PFM) systems.

While no one doubts the needs of RMI with respect to climate change assistance, it must be recognised that well organised countries with strong PFM systems are likely to access more climate change financing, than

those countries most in need. To this end, improving the PFM system should be seen as a whole of Government effort that will bring whole of Government benefits.

The Government of RMI (GRMI) demonstrated a high level of awareness around climate change, and this is reflected in its policies and plans for the future and in its international advocacy on the issue. Despite this, the institutional structures to cope with the impacts are weak, with unclear roles and responsibilities assigned to relevant bodies. Human capacity also needs significant strengthening.

In light of these factors, the Assessment came up with a number of findings and recommendations, which are summarised below and discussed in detail in the report.

Funding Source Analysis

- The Assessment identified about 40 climate change related projects with clear funding allocations to RMI, totalling around \$34.1 million after project funding were weighted according to an assessment of the level of climate change related benefits they provide. Regional projects that do not have a clear funding allocation to RMI, except their total budget, were not analysed. This was to avoid inaccurate inflation of the total funds accessed by RMI.
- These funds are not always obviously recognisable as “climate change finance”, since the primary objective may relate to, for instance, security for water, energy, food and so on.
- To date most funding has come from a limited number of sources – predominantly bilateral.
- The funds dedicated to addressing climate change objectives have been mostly directed to adaptation measures, in line with RMI’s need for adaptation.
- Most climate change related funds accessed by RMI are primarily project based.
- In the medium-term RMI would probably derive most benefit from focusing its efforts on harnessing resources from bilateral channels and those multilateral funds with which it is familiar. Although there is an opportunity for RMI to diversify funding sources by pursuing multilateral funds, this is likely to require considerably more effort than building on existing bilateral relationships. Nonetheless, in the longer term RMI could most likely access more multilateral climate change funds by strengthening domestic systems – capacity, institutions, and PFM.
- US Compact and ROC/Taiwan funds channelled through the national budget have only been used to a limited extent to address climate change objectives. Since these funds are channelled through the Government budget they have a greater chance of being used in line with RMI objectives. RMI should consider how to use these sources to support the climate change priorities of the government, for instance through climate-proofing of future infrastructure and strengthening local climate change finance capacity.
- Accessing more funds is no guarantee of better use of these resources due to issues relating to the ability to absorb these funds, specifically the structures and capacities RMI has in place to identify, design and implement its climate change priorities.
- As a first step, coordination could be improved by the Economic Policy, Planning and Statistics Office (EPPSO), with assistance from the Office of Environment Planning and Policy Coordination (OEPPC), through developing and actively maintaining a database of all projects funded by development partners, specifically highlighting projects addressing climate change issues.

Public Financial Management and Expenditure Analysis

- The deficiencies in the PFM System identified by the PEFA study will likely be an impediment to accessing new climate change finance. The major deficiencies are poor procurement processes, weak links between budgets, policies and plans, the fragmented budget structure and lack of publicly available information.
- These deficiencies in the PFM System will also limit the modalities through which development partners and funders will make climate change finance available, particularly limiting opportunities for budget support.
- At present most assistance is project based but a strong PFM system will provide RMI with a wider range of modalities by which to receive climate change finance so that it can choose the most appropriate modality to meet its development objectives.

- The draft PFM Roadmap, prepared for RMI by the Pacific Financial Technical Assistance Centre (PFTAC), sets out a medium-term plan to address the majority of these deficiencies. The Ministry of Finance (MoF) should finalise and implement the PFM Roadmap and development partners are encouraged to support these efforts. In particular:
 - MoF should specifically look to overhaul its procurement processes and consider contracting a professional agent to manage public procurement;
 - MoF, EPPSO and line Ministries should collaborate to prepare one integrated policy-focused medium term budget document (with details at the program level and covering all funds including development funds) combining currently separate department plans and budgets. This document should be widely published and available to the public; and
 - the MoF introduce a medium-term budget perspective through its Fiscal Management Model (FMM) and Medium Term Budget and Investment Framework (MTBIF). The FMM could be used to model the long-term fiscal implications of climate change on the Government Budget.
- Implementation of the NSP provides an opportunity to improve PFM systems, especially the link between budgets and plans. MoF and EPPSO should work together to integrate the PFM Roadmap and the NSP since both have same timeframes (2014-2016) and similar objectives in the PFM area.
- RMI faces a tight fiscal environment up until at least FY2023. Without a change in budget priorities, climate change funds in the domestic budget are likely to be squeezed as the impact of the Compact decrement continues.
- As the impacts of climate change increase, demands on Government services to cope with these impacts will also increase. So despite the tight fiscal environment RMI should investigate re-allocation of Compact and other long-term funding to support climate change-related activities.
- RMI to prepare and adopt a Decrement Plan¹ to deal with declining Compact funding and consider how this might impact on Government's climate change-related activities.
- EPPSO, OEPPC and MoF collaborate to develop a methodology to tag and weight spending and projects relevant to climate change to monitor the effectiveness of climate change finance.

Policy and Planning Analysis

- Future access to climate change finance will be influenced in part by how well RMI's development and sector policies integrate climate change considerations, and how well projects that are proposed for funding are aligned with these policies and plans.
- Future revisions of sectoral policies and plans:
 - would benefit from more clearly articulating the contributions they will make to building resilience, including to climate change;
 - should articulate more explicitly how their goals and activities make a contribution towards RMI's efforts to reduce climate risks, build resilience to cope with climate change, and increase adaptive capacity. For instance by being clearer how they will help RMI respond to the effects of climate change on livelihoods, infrastructure and economic activity;
 - should spell out how broad policy-level goals will be achieved, i.e. what actions are to be prioritised (and funding solicited);
 - should attempt to develop more integrated programs/actions, such as crafting "whole of government" and "whole of island" responses, that address multiple sectors' goals at once. This could be progressed by identifying overlaps between the goals of energy, water, food security, health, land resources, and other priority sectors; and
 - foster wide stakeholder ownership by engaging all relevant stakeholders in the development of implementation plans and capacity building programs.
- Using climate change finance to support policies and plans that address core development priorities and needs will, simultaneously, make RMI both more resilient to climate change and deliver improved livelihood outcomes.

¹ Under the Compact agreement, each year the annual recurrent grant declines (referred to as the annual decrement), with the declines offset by annual increases in the contributions to the Compact Trust Fund (CTF) which will be accessed by 2023.

- The NSP provides a good basis for utilising climate change finance to address both climate change-related risks and achieve broader development objectives.
- Although there is opportunity to widen the scope of the JNAP to define adaptation priorities, it lays the basis for any future implementation plan to better align development priorities with climate change responses. The JNAP should ideally cover all sectors and climate related risks, but in RMI's case it focuses on a small number of sector policies to draw out its priorities and could integrate a wider array of sectors in future revisions.
- Implementation plans need to be developed for all sectors and for the NSP and JNAP, to spell out how broad policy-level goals will be achieved and linked to annual and medium-term budgets. This should be accompanied by efforts to monitor and evaluate the implementation of these plans.

Institutional Analysis

- Responsibility for implementing climate change-related response measures is widely spread across ministries and sectors which is a sensible approach.
- Two key gaps that should be addressed are (i) improved coordination of climate change activities across RMI, and (ii) increased information exchange and knowledge management.
- To support these:
 - OEPPC needs strengthening to enable it to fulfil its coordination mandate and act as the information hub for climate change-related activities as presently it is unable to meet its international meeting commitments and fulfil its domestic coordination obligations; and
 - the National Climate Change Committee (NCCC) needs re-invigoration, by expanding membership and involving other parts of government, and introducing clear processes for decisions and documentation, and stimulating greater information flow and exchange.
- Cabinet should assign and clarify climate change roles and responsibilities to key actors.
- With regards to learning through monitoring and evaluation (M&E), the roles of EPPSO and OEPPC should be clarified and strengthened, to ensure RMI is learning from its efforts to implement actions that respond to climate vulnerability. These offices should support implementing departments to design and carry out M&E with a focus not only on outputs but also on outcomes and effectiveness.
- Mechanisms should be set up that foster more integrated cross sector proposals, since these are more likely to attract finance and advance RMI's broader development priorities.
- OEPPC should work with EPPSO to build and maintain an active database of past and ongoing projects that have relevance for climate change.
- The NCCC and/or other forums that discuss climate change on a regular basis will enable more integrated planning approaches, and thus the identification of activities that can address multiple development and climate-related activities.
- OEPPC should strengthen its support to mainstreaming of climate change considerations into sector policies, and within future revisions of the JNAP and NSP.
- EPPSO and the Grant Writing Office (GWO) should support project proposal development to make projects more consistent with the NSP, and hence contribute to NSP priorities.
- Government should consider reviewing and updating the OEPPC and EPA Acts to reflect current expectations and responsibilities in line with regional and international priorities and discussions on climate change.

Human Capacity Analysis

- The human resources allocated to the climate change response measures is low relative to the national priority attached to climate change.
- A significant proportion of the existing human capacity consists of expatriate staff undertaking project specific, short term activities. This inhibits the ability of the RMI to build and sustain local capacity, maintain consistency and develop corporate knowledge.
- The Ministry of Finance (MoF) should designate a focal point for climate change as this has been a notable gap given its key role in managing financial resources, including climate change funds.

- As an immediate action, the Government needs to develop a long term strategy and resourcing plan to build climate change capacity in RMI, initially in central agencies such as MoF, GWO, EPPSO, OEPPC and MoFA, then with line ministries.
- OEPPC and GWO should coordinate training and information programs on funding opportunities and grant/proposal writing for line ministries, NGOs, local government and communities.
- The Government should explore how the Regional Technical Support Mechanism (RTSM) and the Australian-funded Pacific Technical Assistance Mechanism (PACTAM) could be used to address short term capacity gaps but also build long term domestic climate change response capacity.
- Ideally the Government should:
 - ensure ToRs for all external technical assistance must include an objective on knowledge transfer to local counterparts;
 - allocate resources under the Compact Public Sector Capacity Building Grant to support the development of human capacity for climate change;
 - each Ministry should designate a focal point for climate change (officer level to ensure staff member has capacity to provide sufficient attention to the issue);
 - review the short and long term benefits of re-focussing existing climate change human resources from international to national activities;
 - strengthen the GWO capacity to address climate change issues, and encourage wider uptake of the service;
 - progress implementation of actions to achieve Objectives 1.3² and 2.1³ of the Joint National Action Plan (JNAP) that relate to human capacity development;
 - expand existing support of the Public Service Commission (PSC) to include formal training on climate change related courses with the University of the South Pacific and the College of the Marshall Islands, where appropriate;
 - identify needs, and build responsibility for information and knowledge management into job descriptions and plans; and
 - strengthen the capacity of OEPPC by creating two new permanent positions – a climate change adaptation officer and a climate change mitigation officer – in addition to the existing positions such as Director, Deputy Director, Climate Change Adviser and Chief of Administration, Finance and Planning.

Development Effectiveness Analysis

- High level political engagement and leadership support are key ingredients for successful reform in countries and donor agencies.
- RMI Government has been active and vocal about climate change matters both regionally and internationally and at the same time also taking leadership in addressing this issue (e.g. Majuro Declaration on Climate Leadership & Cartagena Commitment to ensure future public infrastructure has climate change considerations).
- Despite increasing frequency of informal donor-to-donor consultations development assistance to the RMI is still fragmented, often duplicated, and not properly coordinated.
- The Government should strengthen engagement with its development partners using avenues like a reinvigorated Donor Roundtable Meeting process and explore the development of a single government reporting framework/template to donors and partners.
- Although there are identified gaps in the RMI PFM system, donors and development partners should utilise national systems and ensure timely reporting to the RMI Budget/OIDA Unit within the Ministry of Finance, on fund disbursement, for budget predictability purposes.
- RMI Government must prioritise resources to its planning and aid management functions to implement the RMI National Strategic Plan 2014-2016 while developing, finalising and implementing the RMI Development Cooperation (ODA) Policy with long-term advisory support.

² Objective 1.3: Strengthen human resource capacity of key organisations for CCA/DRM including at the national and local government levels, and key local community leaders and NGOs.

³ Objective 2.1: Plan for the development of human resources to provide, improve and retain the technical, scientific, management skills and expertise in-country.

- Government should request all development partners including CROP agencies for a forward mission schedule (annual and updated 6 monthly) and institute a Mission Free Period during the critical time of Government's budget review.
- Donors and development partners present in-country should consider some formal arrangement to strengthen sharing of information and lessons learnt across whole of the development partner circle. This will benefit effective coordination and harmonisation among development partners.
- The RMI Government should develop a more structured and regular dialogue with the private sector, NGO community and civil society on overall development priorities including the development, implementation and monitoring of the Private Sector Development Strategy and the NSP.
- Development partners should share common matrices and processes to help expedite the release of funding for project implementation.
- In line with its mandate, OEPPC, in collaboration with the Environmental Protection Authority (EPA), should produce Annual Reports, and State of the Environment Reports (at least every 3 years) to enable consistent reporting on progress in achieving RMI's climate change objectives.
- Developing a Climate Change Coordination Guideline would also be beneficial..
- Government to investigate the benefits of seconding a Government Officer, well versed with climate change and the UNFCCC negotiations, to the RMI Mission in Fiji, to strengthen cooperation and discussions with donors, development partners and CROP agencies not present in-country.

Conclusions

Ultimately, developing the capacity to access increased climate change finance is a responsibility of the Government of the RMI, although donors and development partners can also make an important contribution.

While RMI's continued advocacy for improved access to international climate change financing is important as part of this broader effort, it is also crucial that strengthened national systems and increased use of those systems by development partners and private sector will build capacity to access and use these funds effectively.

In addition despite the significant attention dedicated to multilateral sources RMI has accessed the vast majority (82%) of its climate change-related funding through bilateral sources. This is not to say that multilateral sources of climate financing will not become more important over time, but for now it appears that bilateral and regional sources of financing are more accessible and offer greater opportunities for increased flows of climate change finance. This situation may persist until mechanisms and policies at the national and international levels can be put in place to help RMI access more climate change finance from multilateral sources.

The Climate Change Finance Action Plan presented in Table 1 can guide RMI's efforts to improve access to climate change related financial support from external sources. OEPPC, through NCCC or another body (and supported by PIFS) should monitor and evaluate progress, and ensure it is integrated and aligned with the Government's overall development efforts outlined in the NSP.

Table 1: RMI Climate Change Finance Assessment – Action Plan

Recommendations	Relevant Dimension ⁴	Priority ⁵	2014				2015				2016				Indicative Outputs	Lead Organisation, Possible Partners	Indicative Estimated Costs (in USD)
			Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Specific Initiatives			3	4	1	2	3	4	1	2	3	4	1	2			
1. Cabinet to approve submission to assign and define climate change roles and responsibilities to key actors.	All	1		X											Document clarifying responsibilities for climate change detailing <ul style="list-style-type: none"> Lead Minister (e.g. Minister of Foreign Affairs) Coordinating Agency (e.g. OEPPC) Coordinating Body (e.g. NCCC) Line Ministries to designate CC focal points Etc. 	Lead Organisation <ul style="list-style-type: none"> OEPPC through OCS Comments <ul style="list-style-type: none"> The JNAP provides an outline of the JNAP Unit but it is not clear exactly how this JNAP Unit works and where it is located (presumably OEPPC). These issues should be resolved for Cabinet endorsement 	N/A
2. Reinviogorate NCCC or creation of new body with specific mandate to coordinate climate related activities with greater stakeholder participation and focus	I, PP	1		X											<ul style="list-style-type: none"> ToRs prepared, Membership revised and expanded to include local government, NGOs, private sector, women's group and civil society representatives Formalised structure including agendas, minutes, written submissions with specific supported recommendations Strengthened Secretariat duties for OEPPC 	Lead Organisation <ul style="list-style-type: none"> OCS with OEPPC Comments <ul style="list-style-type: none"> NCCC provides a basis to reinviogorate this coordinating mechanism on climate change or a new body. 	Local: \$5,000 (NCCC procedures manual)
3. OEPPC to enhance its domestic coordination, policy and planning roles to deal with increasing impacts of CC	I, DE, PP	1		X		X	X	X	X	X	X	X			<ul style="list-style-type: none"> Climate Change Coordination Guideline Definition of climate change and related terms Annual State of the Environment Report including social dimension of vulnerability Annual Reporting 	Lead Organisation <ul style="list-style-type: none"> OEPPC with potential support from USAID-ADAPT or other partners Comments <ul style="list-style-type: none"> This revolves around the adequate resourcing (financial and staffing) and also greater domestic focus of OEPPC so will require support from MoF, PSC and other central agencies. Annual State of the Environment Report and Annual reports required under OEPPC Act 	Local: \$10,000 (Annual Reports), \$10,000 (CCC Guideline), \$20,000, (State of the Environment Report) External: \$50,000 (TA support)
3.1 Assignment of additional permanent staff and ongoing financial resources to OEPPC	I, HC, PFME	1		X		X	X	X							<ul style="list-style-type: none"> At least 2 new staff for OEPPC (in addition to Senior Climate Change Adviser – see below) on permanent or long-term contract basis to supplement existing staff – e.g. Adaptation and Mitigation Officers Financial Resources to support these positions 	Lead Organisation <ul style="list-style-type: none"> OCS Comment <ul style="list-style-type: none"> OCS will need to work through the BCC and PSC as part of the budget process to support these new positions preferably for FY2015 but definitely no later than FY2016. In the interim GRMI should consider sourcing external support for these positions and functions 	Local: ~\$70,000 per annum for two positions inclusive of benefits

⁴ Funding sources (FS), Policies and Plans (PP), Institutions (I), Public Financial Management and Expenditure (PFME), Human Capacity (HC), Development Effectiveness (DE) and Relevant to all dimensions (All).

⁵ Level of priority from 1 – “Implement immediately”, to 3 – “Implement as opportunities arise and resources become available”.

Recommendations	Relevant Dimension ⁴	Priority ⁵	2014				2015				2016				Indicative Outputs	Lead Organisation, Possible Partners	Indicative Estimated Costs (in USD)
			Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Specific Initiatives																	
3.2. Recruit Senior Climate Change Adviser	I, HC	1	X												<ul style="list-style-type: none"> Senior Climate Change Adviser in place (US-funded) 	Lead Organisation <ul style="list-style-type: none"> OEPPC through PSC Comment <ul style="list-style-type: none"> Position is in the process of being recruited with expectation of position being filled by June 2014. Current US funding continues until January 2017. 	External: \$300,000 inclusive of benefits
4. Finalise and Implement PFM Roadmap	FS, PFME	1	X	X	X	X	X	X									
4.1. Approval and commitment to PFM Roadmap	FS, PFME	1	X												<ul style="list-style-type: none"> Cabinet decision endorsing and committing to the implementation of the PFM Roadmap including timetable for implementation 	Lead Organisation <ul style="list-style-type: none"> MoF Comments <ul style="list-style-type: none"> MoF should seek Cabinet endorsement and commitment to the implementation of the PFM Roadmap Commitment should also endorse an implementation timetable EPPSO will be a key partner in a number of components of the PFM roadmap especially strengthening the links between budget and NSP. LMs should be co-opted to support the process. 	N/A
4.2 Collaboration between MoF and EPPSO on the implementation of the PFM Roadmap and National Strategic Plan (NSP)		1	X	X	X	X	X								<ul style="list-style-type: none"> Integrated implementation plan for NSP and PFM Roadmap 	Lead Organisation <ul style="list-style-type: none"> MoF in close collaboration with EPPSO Comments <ul style="list-style-type: none"> Same timeframes Similar goals Similar activities (e.g. linking plans to budget) 	Potentially supported by ADB TA on implementation of NSP
4.3 Preparation of one integrated policy-focused medium term budget document (with details at the program levels and covering all funds) and publicly available	PFME, PP	2			X	X	X	X							<ul style="list-style-type: none"> Integrated FMI Budget Document for FY2016 Budget with climate change policies highlighted 	Lead Organisation <ul style="list-style-type: none"> MoF, and EPPSO Comments <ul style="list-style-type: none"> With possible external support from ADB and PFTAC or other partners 	External: \$60,000
4.4 Strengthened Procurement Management <ul style="list-style-type: none"> MAPS Update Updated Procurement Manuals Revised and updated purchasing systems 	PFME	1	X	X	X	X	X	X							<ul style="list-style-type: none"> MAPS (Methodology for Assessing Procurement Systems) Assessment. Update procurement manuals and procedures. Revise and upgraded purchasing systems 	Lead Organisation <ul style="list-style-type: none"> MoF with PFTAC Comments <ul style="list-style-type: none"> This initiative will need considerable support from organisations with strong credentials in this area. PFTAC, ADB have a track record of improving procurement systems around the region. 	External: \$270,000
4.5 Introduce a medium-term perspective to budgeting through the use of the MTBIF and FMM	PFME	2	X	X	X	X	X	X							<ul style="list-style-type: none"> Reintroduction of the MTBIF and complemented by the FMM MTBIF and FMM published in Budget documentation 	Lead Organisation <ul style="list-style-type: none"> MoF Comments <ul style="list-style-type: none"> Continued support from PFTAC and other partners such as ADB on FMM 	External: \$60,000

Recommendations	Relevant Dimension ⁴	Priority ⁵	2014		2015				2016				Indicative Outputs	Lead Organisation, Possible Partners	Indicative Estimated Costs (in USD)
Specific Initiatives			Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
4.6 Use FMM to model the fiscal impacts of climate change on the GRMI Budget	PFME	3				X	X						<ul style="list-style-type: none"> Report of the FMM modelling of impacts of climate change on GRMI Budget Publication of results of this analysis 	Lead Organisation <ul style="list-style-type: none"> MoF ADB have been the main supporter of developing the FMM with MoF 	External: \$60,000
5. Prepare Decrement Plan covering how climate change spending will be affected and different scenarios of how RMI could strengthen its climate change response with varying budget allocations.	PFME	2	X	X									<ul style="list-style-type: none"> Decrement Plan prepared for GRMI and integrated into FMM and MTBIF Climate response scenarios for 10% increase in Budget, 0% increase in Budget and 10% decrease in Budget. Decrement plan considers the impacts of declining resources on Government's ability to deal with climate change while not compromising other social service resource allocations. 	Lead Organisation <ul style="list-style-type: none"> OCS with support from MoF and BCC Comments <ul style="list-style-type: none"> USDA Graduate School have proposed a consultative process to prepare Decrement Plan in discussions with RMI Government with a focus on Education and Health Ministries OEPPC collaborate with USDA; MoF to model and investigate climate change responses based on budget scenarios 	Local: \$40,000 External: ~\$110,000
6. Develop and maintain a database of all projects funded by development partners including all climate related projects	FS, PFME, PP	1	X	X	X	X	X	X	X	X	X	X	<ul style="list-style-type: none"> Maintained database of development projects (including those tagged as climate related) 	Lead Organisation <ul style="list-style-type: none"> EPPSO Comments <ul style="list-style-type: none"> EPPSO will take the lead but in close collaboration with MoF and OEPPC. ADB support through implementation of NSP. 	External: ~\$60,000
7. Adopt a methodology to tag and monitor climate change spending in the Government Budget as part of the implementation and monitoring of the NSP	PFME, FS	3			X	X							<ul style="list-style-type: none"> Manual outlining classification criteria for projects and activities in the Budget and NSP Include indicators that link with broader monitoring system to be able to assess "who" benefits from climate change initiatives (apportion the budget by social category or island for example). 	Lead Organisation <ul style="list-style-type: none"> EPPSO with MoF and OEPPC Comments <ul style="list-style-type: none"> Possible support from USAID-ADAPT, UNDP or other partners. 	External: \$30,000
8. Develop detailed and costed implementation plans for existing Government plans and policies	PP, DE	1													
8.1 Prepare NSP Implementation Plan including resourcing plans	PP, DE	1	X	X									<ul style="list-style-type: none"> Implementation and resourcing plans prepared Implementation Matrix 	Lead Organisation <ul style="list-style-type: none"> EPPSO Comment <ul style="list-style-type: none"> TA support from ADB 	Potentially part of current ADB TA
8.2 Prepare JNAP Implementation Plan including resourcing plans covering all relevant stakeholders (broader engagement)	PP	1	X	X									<ul style="list-style-type: none"> Implementation and resourcing plans prepared 	Lead Organisation <ul style="list-style-type: none"> OEPPC Comments <ul style="list-style-type: none"> Potential support from SPREP, SPC and GIZ or other partners 	External: \$30,000
9. Review and update of OEPPC Act (2003)	DE, PP	2			X	X							<ul style="list-style-type: none"> Review of OEPPC and its legislation, redrafting of OEPPC Act in line with recommendations of review 	Lead Organisation <ul style="list-style-type: none"> OEPPC Comments <ul style="list-style-type: none"> Envisaged for first half of 2015 with potential support from Office of the Attorney General 	N/A

Recommendations	Relevant Dimension ⁴	Priority ⁵	2014				2015				2016				Indicative Outputs	Lead Organisation, Possible Partners	Indicative Estimated Costs (in USD)
Specific Initiatives			Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
10. Review and update of the Environmental Protection Authority Act (1986)	PP	3						X	X				X		<ul style="list-style-type: none"> Review of EPA and its legislation, redrafting of EPA Act in line with recommendations of review 	Lead Organisation <ul style="list-style-type: none"> EPA Comments <ul style="list-style-type: none"> Envisaged for second half of 2015 with potential support from Office of Attorney General 	N/A
11. Increase RMI Human Capacity for climate change finance																	
11.1 Develop a long term strategy and resourcing plan to build human capacity for managing climate change in the RMI	HC	1	X	X											<ul style="list-style-type: none"> HRD Strategy for Climate Change management HRD Resourcing plan including cost-benefit of re-allocating existing resources from international to national efforts Capacity building to focus on central agencies first before moving to line ministries (LM) 	Lead Organisation <ul style="list-style-type: none"> PSC with OEPPC and OCS Comments <ul style="list-style-type: none"> Explore the possibility of using TA support through RTSM or PACTAM. RTSM will become effective in Q3 2014 	External: \$40,000
11.2 Strengthen capacity and involvement of GWO with regards to the RMI's climate change program	HC	2			X										<ul style="list-style-type: none"> Training for GWO to incorporate climate change aspect in grants and integrate with all relevant sector plans and policies, and identify appropriate grants for climate change activities Encourage GWO participation in climate change meetings and discussions 	Lead Organisation <ul style="list-style-type: none"> PSC with OEPPC Comments <ul style="list-style-type: none"> Seek external assistance to support GWO training from PIFS or other CRQP agencies OEPPC to ensure GWO involvement in CC discussions 	External: \$10,000
11.3 OEPPC and GWO coordinate training and information program on funding opportunities for LMs, NGOs and local governments	HC	2			X		X								<ul style="list-style-type: none"> GWO to undertake training of Government agencies in grant writing specifically related to integrating climate aspects with other sectors Training program for LGs and NGOs on grant writing, 	Lead Organisation <ul style="list-style-type: none"> GWO with OEPPC support Comments <ul style="list-style-type: none"> Seek external assistance to support GWO training from PIFS or other CRQP agencies 	External: \$20,000
11.4 Central and Line Ministries (LMs) to designate Climate Change focal point	HC	1	X	X											<ul style="list-style-type: none"> Climate change focal points designated in all LMs in line with Action 1. (see above) Focal points to be at Assistant Secretary or Director Level MoF actively participating in climate change agenda 	Lead Organisation <ul style="list-style-type: none"> OCS on advice from OEPPC with line Ministries and NCCC Comments <ul style="list-style-type: none"> Seek external assistance to support GWO training from PIFS or other CRQP agencies Engagement of MoF will be essential to improving access to climate finance 	N/A
12. Draft, finalize and implement RMI ODA Policy	DE	1	X	X											<ul style="list-style-type: none"> Finalised and Endorsed ODA Policy with implementation timetable Clear roles and responsibilities assigned for development partner coordination ODA Unit established 	Lead Organisation <ul style="list-style-type: none"> OCS with EPPSO Comments <ul style="list-style-type: none"> PIFS will support TA to help draft policy and establish ODA Unit 	External: \$50,000

Recommendations	Relevant Dimension ⁴	Priority ⁵	2014		2015				2016				Indicative Outputs	Lead Organisation, Possible Partners	Indicative Estimated Costs (in USD)
Specific Initiatives			Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
13. RMI to formalise more regular development partner dialogue through a program of ongoing consultations	DE	1	X	X	X	X	X	X	X	X	X	X	<ul style="list-style-type: none"> Initial round table meeting (RTM) held Timetable on ongoing development partner consultation determined. 	Lead Organisation <ul style="list-style-type: none"> OCS with MoFA Comment <ul style="list-style-type: none"> The lead organisation could change depending on the outcome of the ODA Policy and the resulting assignment of roles and responsibilities. ADB already supporting initial RTM in mid-2014 for new NSP 	Potentially supported by ADB through support of NSP. Other external funding will depend on process agreed.
14. Institute a Mission Schedule including Mission Free Periods for Development Partners to follow	DE	2			X								<ul style="list-style-type: none"> DPs and CROPS to provide annual mission schedules RMI Mission Schedule agreed and communicated to all 	Lead Organisation <ul style="list-style-type: none"> OCS with MoFA Comment <ul style="list-style-type: none"> The lead organisation could change depending on the outcome of the ODA Policy and the resulting assignment of roles and responsibilities. 	N/A
15. National Implementing Entity Rapid Assessment	FS, PFME	2		X	X								<ul style="list-style-type: none"> Report outlining findings of initial review of RMI's capacity to achieve NIE status. 	Lead Organisation <ul style="list-style-type: none"> OEPPC and OCS Comment <ul style="list-style-type: none"> OEPPC seek assistance from UNDP, USAID-ADAPT or other relevant CROP agency 	External: \$10,000
16. Track and monitor the implementation of key recommendations and action plans identified for RMI's Climate Change Finance Assessment.	All	1	X	X	X	X	X	X	X	X	X	X	<ul style="list-style-type: none"> Quarterly report and annual report on implementation of Action Plan to NCCC NSP M&E reports reflect climate change progress. OEPPC Annual report includes a summary of activity in implementing the Action Plan CROP and development partners provide updates to OEPPC on action items being completed when requested. Progress report (e.g. desktop review) by PIFS in collaboration with CROP and development partners in Q3 in 2015 to GRMI. 	Lead Organisation <ul style="list-style-type: none"> OEPPC through OCS to NCCC Comments: <ul style="list-style-type: none"> A follow up review of progress on the implementation of recommendations/action plans to be supported by PIFS in partnership with CROP and development partners. Monitoring to be undertaken within the M&E framework of the NSP conducted by EPPSO 	External: \$20,000 (TA support and logistics for review of progress in Q3 of 2015.

1 Purpose and Scope

This report presents the findings of an assessment of the experiences of the Republic of the Marshall Islands (RMI) in accessing, utilising and coordinating climate change finance, at the national level. This national climate change finance assessment (henceforth referred to as the RMI Assessment) has been undertaken in response to a request from the RMI Government.

In undertaking this assessment, the aim was to assist the RMI Government to identify opportunities to:

1. Improve the effectiveness with which available resources are used within RMI; and
2. improve future access to resources that can be used to help RMI in responding to climate change.

The report identifies and documents the range of bilateral and multilateral funds that have already been accessed by RMI. It provides a practical assessment of options to improve access to, and management of, climate change resources, taking into account the specific capacities and needs of RMI and the potential for combinations of various national and regional approaches. The report looks at what preparation might be needed in RMI to enable different kinds of financing options to be tapped, not only project-based funding but also avenues such as budget support and national trust funds and combinations of instruments and approaches, where these might be suitable. It recommends steps that can be taken to improve RMI's ability to effectively and sustainably manage both existing and emerging climate change resources, in order to enable effective responses to climate change and disaster risk.

Overall, the assessment and its findings should also be of relevance to a wider audience, particularly those interested in how Pacific Island Countries (PICs) might approach the task of accessing, managing and coordinating climate change finance.

2 Approach

2.1 What was assessed?

The methodology for the RMI Assessment was guided by the Pacific Climate Change Finance Assessment Framework (PCCFAF) (PIFS 2013a), which provided the overarching framework for the Nauru Case Study completed in May 2013, and builds on existing global and regional assessment tools, including the Climate Public Expenditure and Institutional Review (CPEIR) (Bird et al., 2012) and the Forum Compact Peer Review. In some areas these earlier frameworks have been tailored and refined (suggested improvements to the PCCFAF Methodology are presented as Appendix 3).

The PCCFAF assesses a country's ability to access and manage climate change resources against six interrelated dimensions:

- i. Funding sources;
- ii. policies and plans;
- iii. institutions;
- iv. public financial management and expenditure;
- v. human capacity; and
- vi. development effectiveness.

2.2 How information was collected and analysed

The RMI Assessment was based on two key sources:

- i. Review of available information on policies, plans, reports, budgets, studies, programs, projects, national statements and submissions and approaches of RMI and key development partners; and
- ii. Face-to-face, email and phone consultations with national government officials, local government officials, bilateral and multilateral development partners, educational institutions, private sector, and non-government organisations .

The assessment also drew on relevant findings of previous studies undertaken in RMI, including the Forum Compact Peer Review (PIFS, 2012a) and its follow up (PIFS, 2013b), and the Public Expenditure and Financial Accountability Assessment (Betley et al, 2012).

A joint assessment team, led by the Pacific Islands Forum Secretariat (PIFS), undertook missions to RMI in February and April 2014 to gather information and consult with RMI-based stakeholders. Both joint missions included representatives from PIFS, USAID ADAPT Asia-Pacific, and SPC, while UNDP and PFTAC actively supported the work from Suva. The initial stakeholder consultation with government officials, non government representatives, donors and other development partners was undertaken from 19 to 27 February. A full list of stakeholders consulted is included as Appendix 1. Information gathered was validated, coded, analysed, and preliminary findings developed. A follow up mission was conducted from 2 to 9 April for further consultation and to present the preliminary findings for feedback to a national workshop convened on 8 April. The list of workshop participants is presented in Appendix 2.

2.3 Why undertake a PCCFAF for RMI?

An assessment of this nature serves several purposes:

- To inform the RMI Government of the current landscape of climate change finance, and recommend actions that might improve RMI's access to international climate change finance and to be able to more effectively use existing funds.
- To support policy decisions and resource prioritisation and help strengthen national systems for effective coordination.
- To help development partners and potential funders better understand the national set-up in RMI and the challenges faced, so that they may orient their future support to address RMI's needs and context.
- To assist the Government's advocacy on climate change finance, for instance during discussions and negotiations with bilateral and multilateral partners, regional stakeholders and internationally under the UNFCCC.

3 Background

3.1 Global Context of Climate Change Finance

The announcement of the Copenhagen Accord at UNFCCC COP 15 in Copenhagen in 2009, and later reaffirmed at COP 16 in Cancun in 2010, saw international pledges made by developed country parties involving commitments of \$30 billion in fast start finance (2010-2012) and jointly mobilising up to \$100 billion per annum by 2020 with conditions for equal distribution between adaptation and mitigation. These announcements created a high level of interest from developing countries in gaining access to, and management of, these climate change resources.

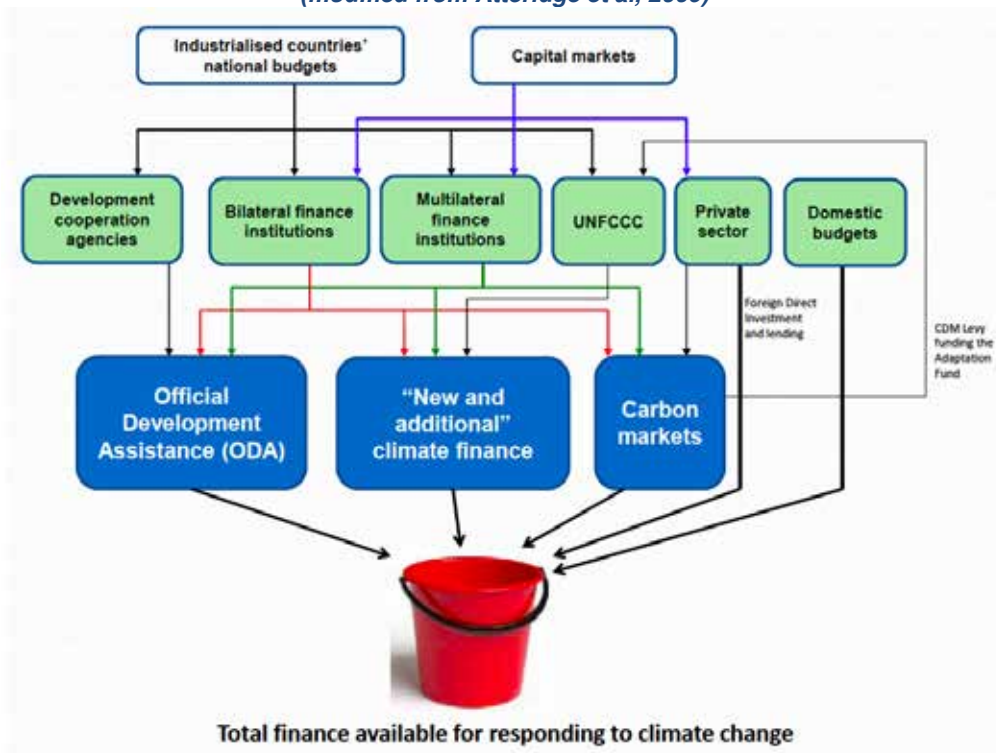
In response to the developments in Copenhagen (COP 15) and then Cancun (COP 16), and associated pledges by bilateral donor partners that work in the Pacific, Forum Leaders and Economic Ministers have advocated strongly for enhanced access to climate change resources to meet the critical climate change challenges (particularly adaptation) faced by the region.

However with the increase in climate change financing, there is also increased complexity for developing countries to access these funds. The challenge of accessing climate finance sits in the context of the global funding architecture. The pledges made in the international fora must be considered in this context. A key driver of PICs interest in the architecture of climate change finance stems from their concern regarding the apparent disparity between the magnitude of global pledges and perceptions of limited amounts of finance being received at the country level.

Figure 1 below depicts simplistically the various pathways and channels through which funding for climate related activities flow through to countries. One important point to note, sometimes lost in the discussion, is that a substantial amount of these climate change-relevant funds are directed through bilateral Official Development

Assistance (ODA) programs. Also while a large portion of climate change funds are delivered as grants, assistance may also be delivered as loans, concessional loans and in other forms such as risk guarantees.

Figure 1: Overview of how the Global Funding Architecture flows to recipient countries (modified from Atteridge et al, 2009)



Additionally, a significant portion of climate change finance is anticipated to be sourced from the private sector, for instance through their investments in particular sectors. However, countries with underdeveloped business sectors and dominant public sectors – such as some PICs (including RMI) – may not benefit significantly from these flows or channels of delivery.

3.2 Pacific Region Approach

Considering previous broad based assessments at the regional level such as the PIFS Options Paper (2011), Forum Leaders tasked the Forum Secretariat, in collaboration with other CROP agencies and development partners, to explore potential modalities and options to improve access to, and management of, international climate change finance. Since then, efforts have focused on:

- Identifying relevant funding sources suited to the region and PICs;
- effectively harnessing and utilising climate change resources in an informed way and using strengthened country systems (following the principles of Aid Effectiveness and Development Coordination);
- addressing the institutional and human capacity constraints facing PICs that impact on their ability to deal with the implications of climate change;
- identifying and/or strengthening delivery of climate change resources through modalities that are commensurate with absorptive capacities and have proven to work in other PICs; and
- accessing the necessary resources to support sustainable efforts and long-term climate change needs.

To progress this work, a multi-tiered and multi-stakeholder approach was developed by the Forum Secretariat in collaboration with relevant CROP agencies, in particular SPREP and SPC, Member Countries and development partners. Exploring various examples of financing modalities relevant to climate change financing as a starting point (PIFS 2012b), a country focused assessment in Nauru (Nauru Case Study) was completed in May 2013. This case study was supported by the development of the Pacific Climate Change Finance Assessment Framework (PCCFAF).

Box 1 Common Challenges in accessing and managing Climate Change Financing

Access to international financing - The global funding structure and architecture is messy, complex and requires specialist knowledge and capacity to access.

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

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

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

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

Source: PIFS 2011

At the national level, countries themselves have also undertaken actions to progress this work on climate change finance, and at the same time show leadership on this issue. At the 2013 Forum Leaders Meeting in Majuro, Leaders agreed upon the Majuro Declaration on Climate Leadership. This Declaration recognised that there was a dual responsibility on development partners and recipients to help facilitate improved access to climate finance. The Leaders called on:

“partners to enhance, accelerate and ensure the effective delivery of their support for the design and implementation of the commitments of the Pacific Small Island Developing States.”

Similarly Leaders committed to:

“accelerate and intensify their efforts to prepare for and adapt to the intensifying impacts of climate change, and to further develop and implement policies, strategies and legislative frameworks, with support where necessary, to climate-proof essential physical infrastructure, adapt key economic sectors and ensure climate-resilient sustainable development for present and future generations.”

3.3 Definition of Climate Change Finance in the RMI Context

The issue of how climate finance is defined is relevant for two reasons.

First, the task of assessing, and accounting, flows of international “climate change finance” is made difficult by the fact there is no clear, internationally accepted definition of climate change finance. In general the term is understood as relating to funding for activities that reduce greenhouse gas emissions to the atmosphere (mitigation) and for activities that increase the resilience of people, economies and ecosystems to the impacts of climate change (adaptation) (see box below). However, in practice many of the activities themselves are not being undertaken specifically to address climate change, but may in fact still generate benefits for multiple policy objectives (including resilience to climate change, or reducing emissions) at once. In these cases, differentiating between “climate change finance” and finance for other activities that have a climate benefit is somewhat arbitrary, and different donors and recipients have tended to take different approaches – meaning there is no uniform method which defines exactly what kind of funded activities constitute ‘climate change finance’.

At the political level this is an important and ongoing debate, since it relates to whether developed countries are fulfilling their obligations under the UNFCCC to provide 'new and additional' financing for climate change. At the ground level, it is also important to recognise how other financial flows may also be related to climate change objectives and how these resources can be used to help RMI build its resilience and capacity to adapt.

Box 2: Definitions from the Pacific Climate Change Portal (PCCP)

The PCCP provides simplified definitions based on technical definitions from UNFCCC and other fora.

Climate Change Mitigation

Efforts to reduce the levels of greenhouse gases (GHG) in the atmosphere, either by limiting the sources or by enhancing the sinks. Examples include using fossil fuels more efficiently, switching to renewable energy sources such as solar energy and hydro-power, and expanding forests and other sinks to remove greater amounts of carbon dioxide from the atmosphere.

Climate Change Adaptation

Making changes in order to reduce the vulnerability of a community, society or system to the negative effects of climate change or make the most of potential positive effects. It includes building skills and knowledge as well as making practical changes such as strengthening coastal infrastructure, adjusting farming systems, and improving water management.

Disaster Risk Management

A systematic approach to avoiding, reducing or transferring the potential impacts of a disaster.

Source: www.pacificclimatechange.net/index.php/glossary

For the purposes of this analysis, **a decision has been taken to define climate change finance as all flows that are considered as benefiting RMI's response to climate change, whether or not this was the primary objective of the funding.** For instance, energy sector projects may have benefits for reducing GHG emissions even if the primary objective was to enhance energy security. Similarly, projects focused on improving water security will improve RMI's resilience to climate change, and is thus relevant for adaptation efforts, even if this may not have been the primary goal of the project (for example as a disaster risk reduction project). The analysis gives different weightings to financial flows, based on how closely aligned their objectives and outputs are to achieving climate change-related outcomes for RMI. This is described in more detail in the Funding Source Analysis in Section 4.

Similarly, there is no agreed accounting methodology for distinguishing between different modes of finance (grants versus loans, for instance). In this analysis, no distinction has been made between grants and loans (or other financial modalities), even though these have different implications in-country.

Secondly, how countries and donors frame (or define) what activities are relevant responses to climate change influences what funding can be used for on the ground. As is flagged in the analysis of policies and plans in Section 6, RMI's JNAP has adopted a relatively narrow definition of adaptation to climate change, emphasising specific climate change impacts (e.g. sea level rise, water shortages)⁶. The implication of this narrow framing is that climate finance would then only be available to fund activities that respond to specific climate change threats. In practice, however, implementation of many of the NSP's core priorities – those relating to social development, infrastructure, sustainable economic development and good governance – will form a critical part of RMI's preparation for, and response to, climate change. Therefore, by making the linkages between core development activities and the government's response to climate change more explicit in policies and plans as well as in discussions with development partners, RMI may be able to secure climate change finance for a wider range of activities – and thus utilise it more effectively to address multiple goals at once.

⁶ The RMI JNAP is an action plan based on key actions identified from a gap analysis. It was not intended to address all the Climate Change and Disaster Risk Management related issues in RMI and is not exclusive to other plans and policies. The JNAP is intended to be revised regularly as RMI priorities change.

4 Funding Source Analysis

Key messages

- RMI has already accessed significant funds to help it meet its climate change objectives; however these are not always recognised as “climate finance”.
- While RMI theoretically has access to a wide range of sources of climate finance, to date most funding comes from a limited number of sources – predominantly bilateral.
- US Compact and ROC/Taiwan funds channelled through the national budget have only been used to a limited extent to address climate change objectives.
- The funds dedicated to addressing climate change objectives have been directed to both mitigation and adaptation measures, though more towards adaptation in line with RMI’s priority need for adaptation.
- Most climate change related funds accessed have been project based.
- Although there is an opportunity for RMI to diversify funding sources by pursuing multilateral funds, in the short term this is likely to require considerably more effort than building on existing bilateral relationships.

The global landscape of Climate Change Finance is complex, messy and opaque. The variety of funds available and promoted as providing finance for climate related projects is substantial. The processes for accessing these funds often present almost insurmountable hurdles for small island states in the Pacific.

Hopes are often raised by large pledges of funding made in international forums. These hopes often lead to little substance, and some loss of faith, when these pledges appear to result in no observable action at the level of recipient countries, regardless of whether or not the lack of action is caused by the recipient country. The delivery of large funding commitments such as the Fast Start Financing announced at the Copenhagen Conference (COP 15) is channelled through a range of different mechanisms and projects, the result being that countries do not recognise the assistance they are receiving has originated from such pledges when delivered on the ground.

The pledges made at a global level often appear huge when viewed from the perspective of a SIDS. However, there are a number of issues which mean that the accessibility of these funds in practice is quite limited. These factors include but are not limited to:

- Global pledges shared by all developing countries are much reduced by the time they filter down to SIDS with small populations⁷.
- Administrative burdens of accessing funds are substantial and potentially overwhelming for SIDS, and the Pacific regional organisations that assist them.
- Funds are often channelled through other global funds or multilateral channels where funds are comingled – these funds may not be accessible by PICs – (e.g. Nordic Funds with narrow focus on LDCs in Africa).
- Funds may not be relevant to certain PICs – (e.g. Reducing Emissions from Deforestation and forest Degradation – REDD funds are unlikely to apply to Pacific atoll nations).
- Private sector funding pledges may not be accessible in countries with underdeveloped private sectors and financial systems such as exist in most PICs.

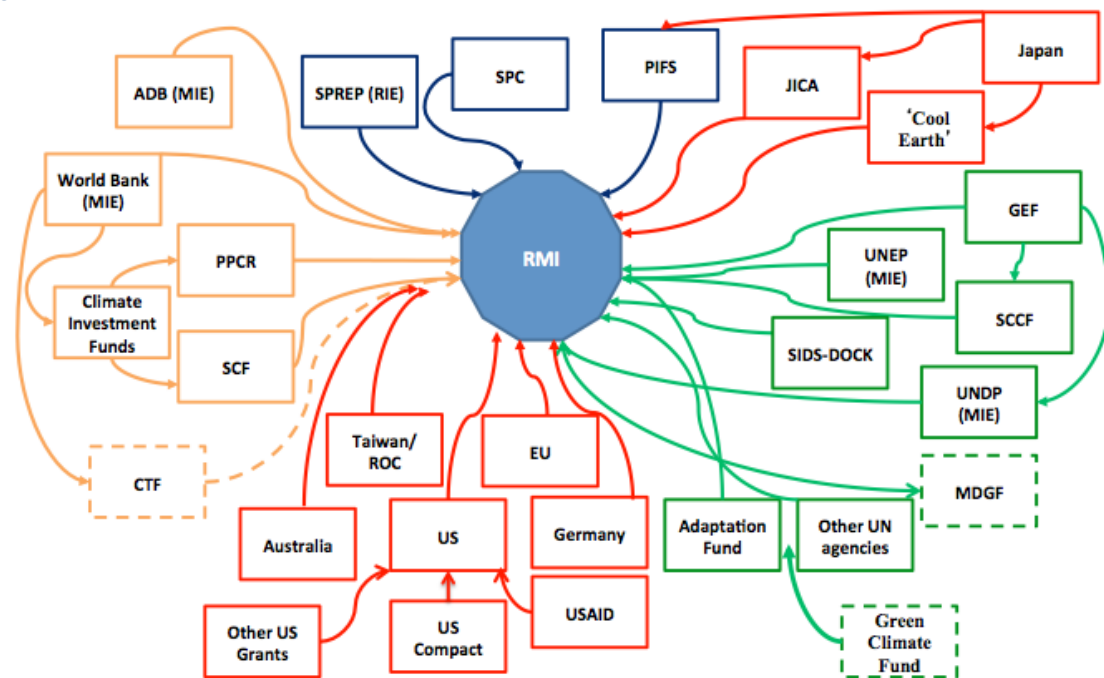
4.1 RMI in the Global Climate Change Finance Architecture

To demonstrate the complexity of the global system to RMI, Figure 2 illustrates a range of known funding sources that could be accessed. While these sources are theoretically available, ease of access differs substantially. Figure 2 illustrates that RMI is in the middle of the array of potential sources of finance. The red boxes and arrows indicate major bilateral sources available to RMI. The multilateral development banks (i.e. ADB and World Bank) and their associated funds are shown in gold. The UN system of multilateral

⁷ This is despite the fact that the PICs in general terms tend to benefit from global aid allocations disproportionately when measured on a per capita basis

organisations and associated funds are designated in green, while regional organisations are designated in blue. Emerging sources of funds are shown with dotted outlines.

Figure 2: Potential Sources of Climate Financing for the RMI (adapted from UNDP's spaghetti diagram)



While Figure 2 shows that there are a wide range of potential and emerging sources, in reality the RMI only taps into a small number of these sources.

4.1.1 Bilateral Sources

The **United States** is the main bilateral financing partner for RMI, given the economic, historical and cultural links between the two countries. The US provides funding through a range of channels but most notably through the Compact of Free Association (Compact). Significant funding, however, is also available through Federal Grants from the US Government and assistance provided by the United States Agency for International Development (USAID).

The current Compact of Free Association funding agreement, often referred to as Compact II (See Box 3), continues until 2023 after which it is anticipated that a Compact Trust Fund (CTF) will help to replace grant assistance⁸. While theoretically this is a potential source of climate finance, in reality there is limited ability to use Compact funds to address climate issues in the medium-term since most of the grants are programmed in advance to support education, health and infrastructure. This is not to say however that spending from the education, health and other sector grants will not have a climate change benefit.

Despite this there is still scope to use more Compact funds to address climate change issues. For example, there is potential to use the funds to “climate-proof” infrastructure, but this could delay projects as the additional costs will push programmed infrastructure further back in the timeline as reallocation of resources would be required. Climate-proofing infrastructure may require the RMI to revisit designs of infrastructure such as schools and hospitals to ensure that they meet “climate-proof” standards.

⁸ Questions about the ability of the earnings from the Compact Trust Fund to fully replace Compact grant assistance are a major long-term issue for the Government of the RMI.

Box 3: Summary of the Compact II Funding Arrangements

The original 15-year Compact of Free Association, that had accounted for an estimated 70% of GDP, was replaced by a new, amended Compact in December 2003. The amended Compact for the period 2004-2023, introduces a trust fund that is intended to substitute for US grant financing in 2023. Grant programs have also been restructured in an effort to enhance accountability measures with a shift away from general budgetary, to sector, grants.

Sector grants will focus on education, health, environment, public sector infrastructure development and maintenance, and public sector capacity building. A Joint Economic Management and Accountability Committee (JEMFAC) in which the US has majority membership will provide oversight for medium-term expenditure plans. The new 2004-2023 Compact is expected to provide financial support totaling approximately USD1,190 million.

Source: <http://siteresources.worldbank.org/INTPACIFICISLANDS/Resources/D-MARSHALL.pdf> - accessed Apr 2014

There is also potential to use sector grants in the areas of environment and public sector capacity building to support Government's efforts to address climate-related issues. However, as mentioned earlier this would likely have to be at the expense of other areas where funds are currently programmed, predominantly the education and health sectors.

The **Government of Japan** is another major bilateral partner to RMI. Japan provides support both through its bilateral programs such as the grassroots grant from the Embassy, larger scale grants, as well as technical cooperation implemented by JICA and through its Pacific Environment Community (PEC) Fund managed by PIFS. The bilateral program through JICA tends to focus most of its resources on large infrastructure projects. Most recently this involved funding the construction of two inter-island vessels under the "Project for the Improvement of Domestic Shipping Services". This project specifically incorporated increased water producing and carrying capacity in the new vessels to cope with the possibility of more frequent droughts in RMI's outer-islands.

The PEC Fund announced at the PALM5 Meeting in Japan in May 2009 was established under the Cool Earth Partnership. In RMI this fund has provided assistance to finance both the desalination units for the outer islands and also solar street lighting in Majuro.

The **European Union** (EU)⁹ is also a significant source of climate change financing with major projects in renewable energy (North REP and REP 5 Projects), improved water catchment and disaster risk reduction measures.

Taiwan/ROC and the **Australian Government** are other sources of bilateral climate change finance assistance. Taiwan/ROC, for example, provides the funds directly through the Government Budget as direct budget support but only limited amounts of these funds have been directed towards projects that address climate change impacts.

4.1.2 Multilateral Development Banks and United Nations System

Multilateral sources of financing involve the multilateral development banks and related funds, such as the Climate Investment Fund (CIF), and funds associated with the United Nations system (Adaptation Fund, GEF's Special Climate Change Fund¹⁰ and the Least Developed Country Fund, and the upcoming Green Climate Fund). With the exception of the Global Environment Facility (GEF) RMI has not accessed the other multilateral or UNFCCC climate change funds, though they remain potential sources of climate change financing. The complexity of processes associated with accessing multilateral climate funds and having a project that could qualify for support considering the different scales and focus of other multilateral or UNFCCC climate change funds, are likely reasons why RMI has not accessed these funds. In the interim, multilateral implementing entities (MIEs) such as the World Bank, the United Nations Development Programme (UNDP), the Asian Development Bank (ADB), Food and Agriculture Organisation (FAO), and the United Nations Environment Programme (UNEP) could potentially assist RMI to access the multilateral funds. So far UNDP has supported Solomon Islands, Samoa, Cook Islands and Papua New Guinea to access the Adaptation Fund, which has reached its 50 percent cap for MIE access.

⁹ For the purposes of the Assessment EU is considered as a bilateral partner.

¹⁰ GEF operated fund and supported RMI with funding for the PACC project.

4.1.3 Regional Organisations

The three major regional organisations that undertake work in climate change financing are PIFS, the Secretariat of the Pacific Regional Environment Programme (SPREP), and the Secretariat of the Pacific Community (SPC). These organisations are not strictly sources of funding. They do, however, play an important conduit role in channelling climate change finance to RMI from other, usually bilateral, sources. For example, Japan's PEC Fund is managed by PIFS; SPREP has Regional Implementing Entity (RIE) status for the Adaptation Fund, and is implementing the Pacific Adaptation to Climate Change (PACC) project and Pacific Islands Green House Gas Abatement through Renewable Energy Project (PIGGAREP); while SPC provides assistance under the EU's Global Climate Change Alliance: Pacific Small Islands States (GCCA: PSIS), SPC/GIZ CCCPIR and several other donor funded programs it implements. In addition, GEF funds have been provided to RMI through SPREP (PACC Project) and SPC (IWRM Project).

4.2 External Climate Change Funding in the RMI

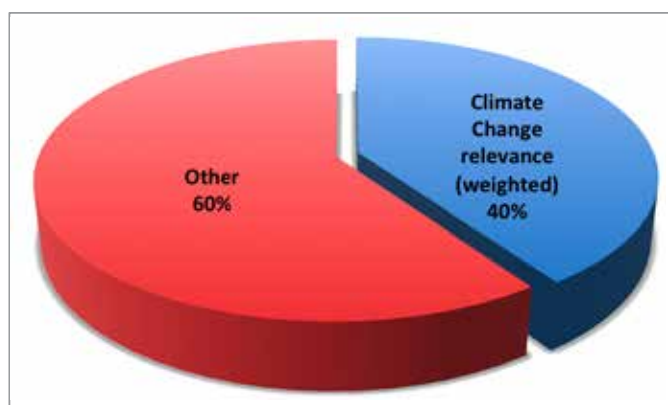
There is a widespread perception within RMI that the country is not receiving the necessary climate change financing to meet its needs. This perception arises from widespread awareness of the significant and well-publicised international pledges of climate change financing yet a perceived limited flow of climate finance that has actually materialised at the country level that people can easily associate with these international pledges.

Figure 3 shows that from the total funding allocation (~\$84.5 million) of projects that address climate change measures in RMI between 2008 until now, 40% of that amount (~\$34.1 million) was weighted as climate change relevant using the methodology applied in this assessment.

Figure 4 illustrates recent projects in the RMI that can be linked to climate change objectives. Sometimes these projects may address climate change issues as secondary objectives but in most cases the projects are specifically linked to climate change. Projects are grouped into those funded by bilateral (red) or multilateral (gold) sources. The title of the project, the magnitude and source of funding, and the climate relevance weighting is indicated for each project. The projects are also grouped according to the classification of whether their main climate change focus is Adaptation, Mitigation or Other (e.g. Enabling).

Although it is perceived that RMI has not received significant flows of climate change finance it is clear that RMI has actually accessed, and continues to access, significant funds for projects that address climate change issues. This analysis seeks to quantify the amount and sources of the funds received.

**Figure 3: Total Allocation on Projects that address Climate Change - 2008-present
(Total \$84.5 million)**



4.2.1 Climate Change Finance Expenditure Analysis

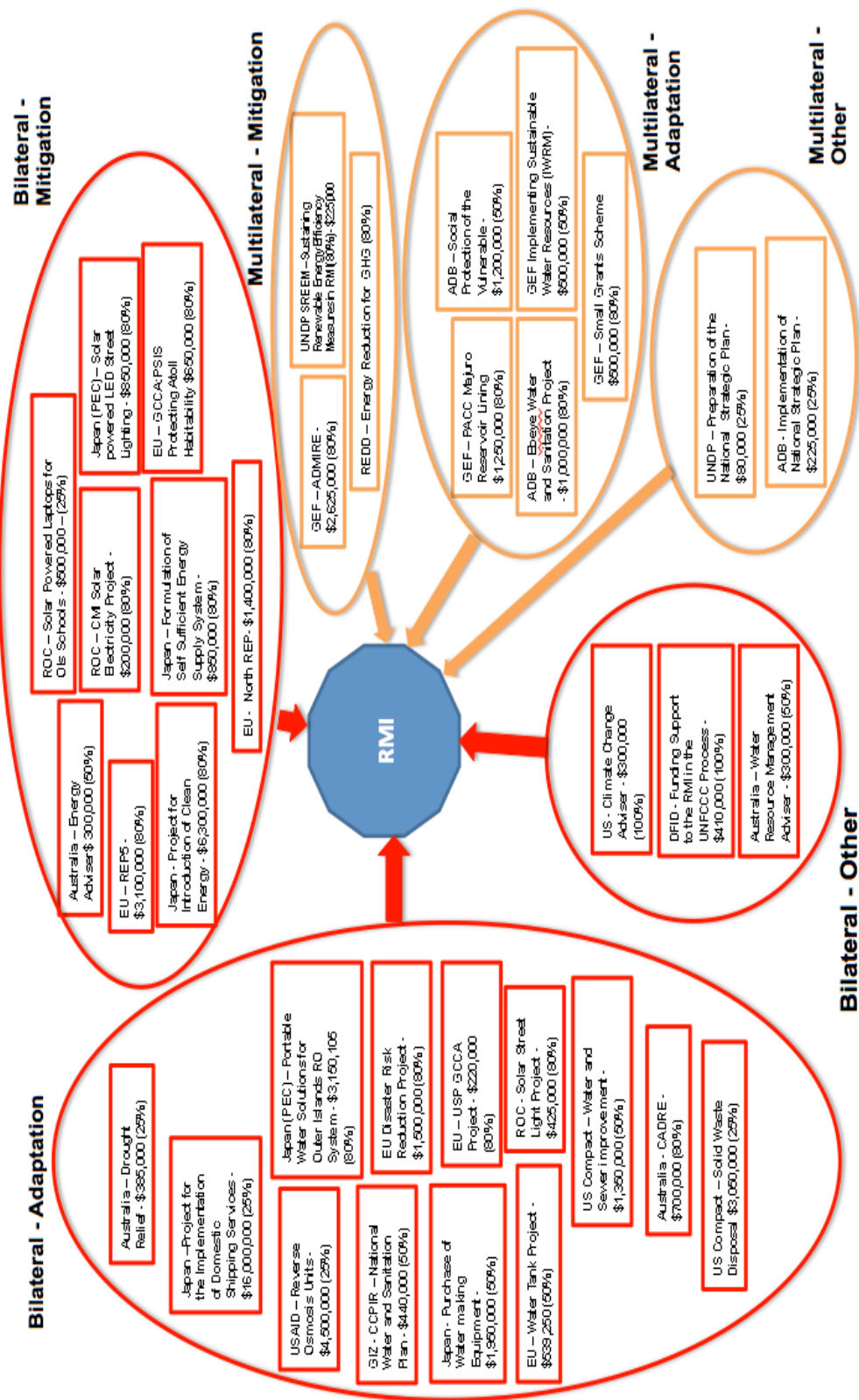
Climate change projects are either financed from a single source or multiple sources under a co-funding arrangement. For the purpose of easier and more meaningful analysis co-funded projects are designated with a "principal source". In most cases this "principal source" was clearly identifiable from sources such as Japan, the United States or the European Union. In some other cases projects were co-funded by more than one donor or source in which case the majority funder was designated as the "principal source".

In reality all financing originates from a bilateral source but once it enters the multilateral system, or provided through regional programs, it is more difficult to track, so where financing is sourced from funds such as GEF and ADB these are considered multilateral and designated as such.

The RMI Budget only provides an incomplete record of much of the other development assistance they receive outside the US Compact assistance and the Republic of China (Taiwan) budget support. As a consequence the assessment used a variety of other information sources to identify a more complete set of projects. Combining all identified projects (both budgeted and unbudgeted), each project was weighted according to climate change-relevance or objective based on the PCCFAF and CPEIR methodologies. Appendix 3: Methods and Assumptions provides more detail on the methodology of the analysis including weightings.

By weighting the spending on projects according to their relevance based on expected climate outcomes, the analysis has attempted to quantify the funding sourced for climate change-related activities (see Figure 3). This helps quantify funding directed to adaptation, mitigation and other (including enabling) objectives.

Figure 4: Major Climate Projects and Funding Sources in RMI, 2008-present¹¹



¹¹ Figure focuses on national projects where specific allocations could be identified and does not necessarily reflect all regional and national projects from which the RMI benefits.

4.2.2 Funding Sources

As indicated in Figure 5, the major source of climate change funding to the RMI was the Japanese Government, through both its bilateral program (33%) and its PEC Fund (9%), accounting for 42% of total identified flows. The European Union (17%) was the next biggest contributor to climate change funding, mainly through the European Development Fund (EDF) projects for renewable energy, disaster risk management and water.

The US also provided substantial funding through the Compact and other assistance (16%) to improve water security in the aftermath of recent droughts. Meanwhile GEF (13%) provided funds for water and renewable energy through the ADMIRE Project, as well as for community projects through the GEF Small Grants Scheme. GEF was by far the largest multilateral source of funding accessed by RMI.

Figure 5: Key Climate Change Funding sources for RMI (\$34.1 million)

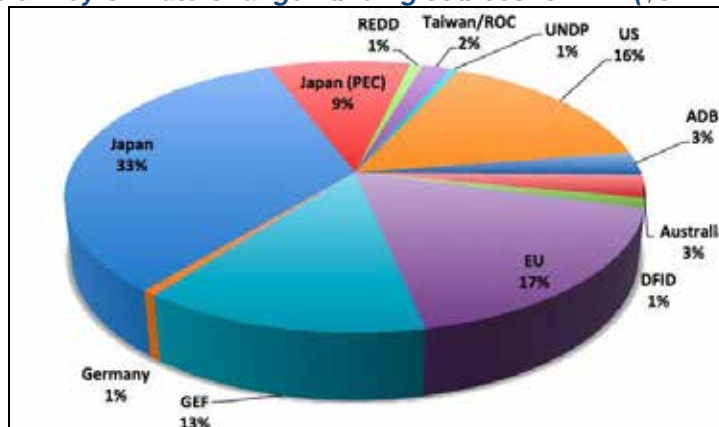
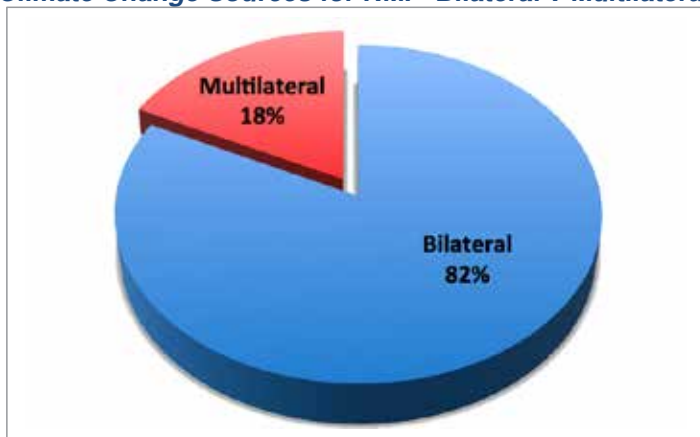


Figure 6: Key Climate Change Sources for RMI - Bilateral v Multilateral (\$34.1 million)



It is interesting to note that despite the significant attention dedicated to multilateral sources RMI has accessed the vast majority (82%) of its climate change-related funding through bilateral sources (Figure 6). This may be a reflection of the problems identified previously regarding accessing multilateral sources of finance. But it also raises questions about whether RMI's focus on accessing multilateral funds for climate change is appropriate. This is not to say that multilateral sources of climate financing will not become more important over time, but for now it appears that bilateral sources of financing are more accessible and offer greater opportunities for increased flows of climate change finance. This situation may persist until mechanisms and policies at the national and international level can be put in place to help RMI access more climate change finance from multilateral sources.

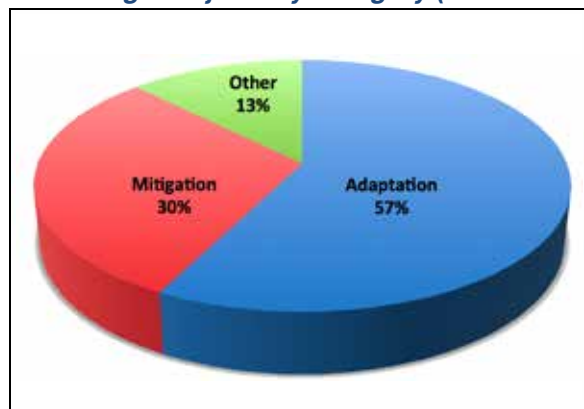
4.2.3 Adaptation and Mitigation

RMI's climate change focus has primarily been directed towards adaptation and disaster risk management (DRM). While mitigation projects are important they are often considered more from an energy security and economic perspective (reducing power bills). Lowering carbon emissions does not appear to be prominent

among the motives for undertaking renewable energy and energy efficiency projects. However the Government has taken steps to reduce its carbon emissions and shift to a lower carbon development pathway through its commitment in the 2013 Majuro Declaration on Climate Leadership. It is also a political statement to support advocacy for greater emissions reduction pledges in the UNFCCC negotiations.

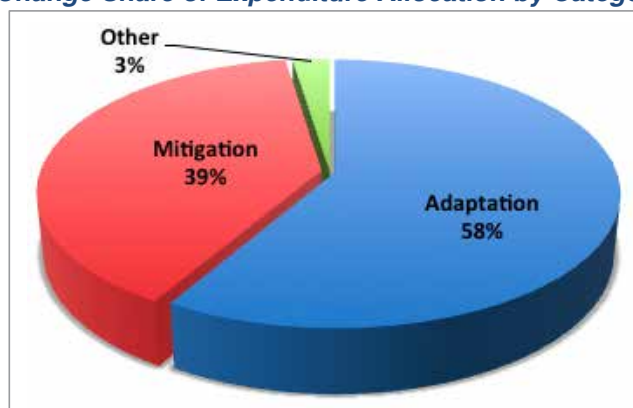
As indicated in Figure 7 the assessment revealed that the majority of projects focus on adaptation (57%), with a much smaller share of projects focusing on mitigation (30%).

Figure 7: Climate Change Projects by Category (Total no. of projects = 40)



However when projects are assessed according to the amount of funding directed to different climate change objectives (Figure 8) most spending is directed to adaptation (58%) while spending on mitigation has increased somewhat in proportion (39%) to the share of the number of climate-related projects. Meanwhile, spending focused on “Other” climate change related objectives including policy and enabling issues is quite small (3%). The higher share of spending on mitigation projects (compared to the total number of projects) is probably a reflection of higher capital costs associated with mitigation projects.

Figure 8: Climate Change Share of Expenditure Allocation by Category (\$34.1 million)

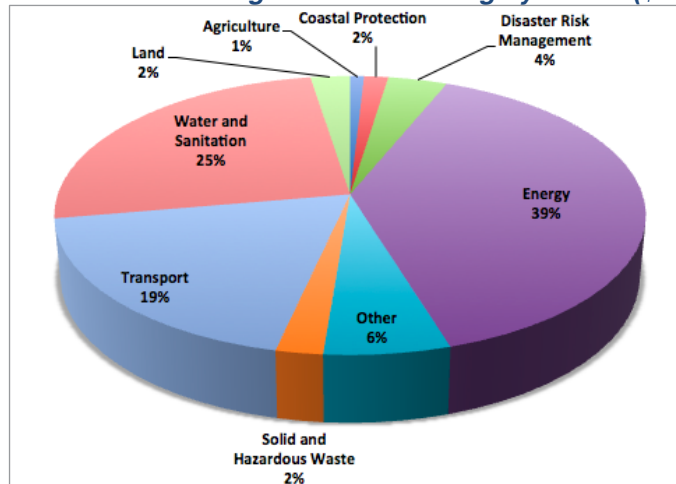


4.2.4 Sectoral Funding

In assessing the climate change funds accessed by RMI it is useful also to look at the sectors in which financing has been directed.

Figure 9 indicates that climate change financing is concentrated in the energy sector, and in the water and sanitation sectors. These two sectors accounted for 39% and 25% of climate change financing respectively. The transport sector was also a significant target area accounting for 19% of the funding. This share is significant and is partly the result of the climate considerations included in two large infrastructure projects – i) Japanese Domestic Shipping Services Project and ii) the US Federal Aviation Authority funded Majuro Airport Realignment Project – both of which have significant climate-related components.

Figure 9: Climate Change Related Funding by Sector (\$34.1m)

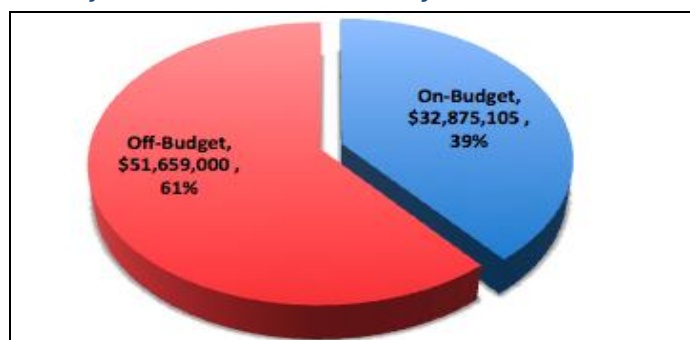


4.2.5 Projects Reflected in Budget

The preceding analysis was based on information from a range of sources. RMI does not keep a comprehensive list or database of development projects let alone climate change projects. One of the sources was the RMI Budget but this does not provide a comprehensive coverage of projects funded by development partners. In fact, many of the projects identified in this analysis are not reflected in the Budget figures. As discussed in more detail in Section 5, to adequately track, monitor and evaluate climate change finance requires that these projects be reflected in the annual budget documents and preferably channelled through the Government's public financial management system.

Figure 10 illustrates that of the projects identified only 39% of the spending on these projects were reflected in the budget. This indicates a significant gap in the reporting and tracking of climate change activities in RMI.

Figure 10: Projects identified in the Analysis and Reflected in RMI Budget





4.3 Recommendations

A number of recommendations can be drawn from the preceding analysis that may assist RMI to access more climate change resources. However, merely accessing additional climate change finance does not guarantee that these finances will be effectively utilised due to RMI's limited capacity to absorb these funds. These issues will be dealt with in subsequent sections.

Key recommendations are:

1. RMI should place greater emphasis on bilateral climate change financing channels, and from those multilateral funds with which it is familiar and has past experience.
2. Focus efforts to improve accessibility to external climate change finance through strengthening domestic coordination and governance systems, including building capacity for climate change project formulation, development and management.

- 
3. Investigate allocation of Compact and other long-term funding to support the coordination by a central agency of all ministries and agencies in their roles as implementing agencies for climate change projects and activities.
 4. RMI should consider how the use of Compact funds might be used to support climate change priorities, for instance through revisiting infrastructure designs to increase the climate resilience of existing and future infrastructure.
 5. RMI should develop and maintain a database of all projects funded by development partners – not just climate change projects.
 6. To the extent possible, all projects should be reflected in the RMI National Budget.
- 

5 Public Financial Management and Expenditure Analysis

Key messages

- The best organised countries will likely access more funding, not necessarily those countries most in need.
- The Government's current PFM System will most likely be an impediment to accessing new climate change finance due to poor procurement processes, fragmented administrative structures, lack of transparency and limited links between budget and policies.
- At present most climate change assistance is project based but a strengthened PFM system will provide RMI with a wider range of potential modalities through which it can receive and channel climate change finance, and offer greater flexibility in terms of meeting national development objectives.
- The PEFA study identified a range of deficiencies in the RMI's PFM System that will most likely constrain the country's ability to effectively utilise climate change finance.
- The draft PFM Roadmap sets out a medium-term plan to address many of these deficiencies.
- Improving the PFM system must be seen as a whole of Government effort that brings whole of Government benefits.
- Implementation of the NSP provides an opportunity to improve PFM systems, especially the link between budgets and plans.
- RMI faces a tight fiscal environment up until at least FY2023 and, without a change in budget priorities, funds available for climate change response measures are likely to fall in line with the reduction in Compact funding.
- The RMI budget does not effectively document external development assistance and, therefore, does not accurately reflect the actual funds available for development and climate-related activities.

A well-functioning public financial management (PFM) system is critical for effectively implementing national policies and programs to achieve stated objectives, especially in regard to climate change-related policy objectives which are heavily dependent on external financial assistance. There is no difference between securing finance for climate change activities and securing funding to address any other Government policy objectives, and they should be approached in the same way.

One of the expected outputs of the assessment is to ensure that accessing climate change finance is considered as part of the broader effort to improve the overall PFM system in RMI. Improving the PFM system must be seen as a whole of Government effort that brings whole of Government benefits.

In discussions, RMI officials expressed constant and persistent frustration at the apparent inability of the Government to access pledged funding in order to address the Government's climate change objectives. In most cases this concern was raised by officials with a strong commitment to addressing RMI's obvious climate change-related needs and may be unaware that the deficiencies in the existing PFM system is, in fact, a major constraint on their ability to access climate change finance. The PFM system and processes are important as:

- **All public expenditures should flow through and be reflected in the Government budget and, therefore, through the PFM system. This will enable effective monitoring and assessment of progress towards achieving national targets and objectives.** The National Budget is the main policy document of Government, outlining what financial resources are being provided on an annual, and also preferably on a medium-term, basis. The Government should clearly state its objectives and the Appropriation Acts passed by the Nitijela should provide the funding by which the Government can achieve these objectives. It is therefore important that the Government explains what resources are available and are being directed to the achievement of these objectives. The new National Strategic Plan (NSP) lists Environment, Climate Change and Resilience as one of its five priority sectors. A well-functioning PFM system will be critical to the measurement and evaluation of the achievement of climate change-related objectives.
- **Donors will be much more flexible and forthcoming with climate change funds if PFM systems are robust, transparent and reliable.** Robust PFM systems increase donor confidence that the recipient government is able to effectively manage and be accountable for the funds provided, and that a clear audit trail exists. This is an essential prerequisite for direct budget support.

- **The development of a robust RMI PFM system will allow development partners to consider additional financing modalities beyond the project-by-project approach that dominates existing climate change funding flows.** In the absence of a robust PFM system development partners are more readily able to track, control and audit projects and, thereby, feel confident that they can account for taxpayer funds. A robust and well-functioning PFM system can perform these tasks on their behalf and open up the door for more flexible and administratively efficient funding modalities such as direct budget support, national climate change trust funds, and more direct access to international funds through accreditation as a National Implementing Entity (NIE). As such establishing a strong PFM system will greatly enhance opportunities for accessing greater amounts of climate change finance.
- **The greater use of local systems leads to lower costs of compliance and greater efficiency.** In recent years greater emphasis has been given to the Paris Principles on Aid Effectiveness whereby development partners work together to provide aid through the use of recipient Government systems. This often involves providing assistance in the form of budget or sector wide support which can be directly channelled through PFM systems and aid coordination mechanisms. This approach provides significant administrative efficiencies and increased flexibility for recipient governments in terms of how they achieve their national objectives, including climate change. Robust and transparent PFM systems are an essential prerequisite to such funding modalities.

RMI will clearly need substantial additional resources over the coming years to adequately respond to the impacts of climate change but without a robust PFM its ability to secure these funds will be significantly constrained.

5.1 Public Financial Management Analysis

While the RMI Government's need for climate change funds is clear, and their (and development partner's) desire is for RMI to take responsibility for managing these funds, the current PFM system is not sufficiently robust to enable this to happen. As identified in the 2012 Public Expenditure and Financial Accountability (PEFA) Assessment (Betley et al, 2012) the existing PFM system has a range of shortcomings. In response to the PEFA Assessment, the Pacific Financial Technical Assistance Centre (PFTAC) helped the RMI Government prepare a Public Financial Management Reform Roadmap (PFM Roadmap) (Mayes and Naidu, Initial Working Draft April 2013) to address those shortcomings. So far RMI has yet to finalise and adopt the Roadmap which suggests that there may not be an appreciation within the Government of the significance of the PFM weaknesses.

The Government as a whole – not just the Ministry of Finance - will need to make a serious commitment to this effort that recognises the role of all government officials in proper and prudent financial management. That commitment needs to be made knowing that the PFM reform is a whole of Government effort that will bring whole of Government benefits. It will also need to be backed up by evidence that specific actions are being taken to address problems identified in the PEFA Assessment; and by events since the completion of that report. This is essential to securing increased climate change finance flows.

5.1.1 PEFA Findings

The primary strengths found in RMI's PFM systems were identified by the 2012 PEFA (Betley et al. 2012) as:

- i. adherence to budget discipline at the aggregate level;
- ii. transparency of inter-governmental fiscal relations;
- iii. orderliness and participation in the annual budget process, and
- iv. predictable amounts of direct budget support provided by external development partners.

But, the PEFA also identified several aspects of PFM that were performing poorly. The indicators that showed the weakest PFM performance (scores of C, C+, D, D+) are discussed in the following sections.

Budget Credibility

- Composition of expenditure out-turn compared to original approved budget (PI-2).

While the PEFA found that aggregate expenditure over the review period was largely in line with the level planned in the budget, at the level of line ministries and agencies, actual expenditures differed significantly from those planned in the budget. This is a reflection of weaknesses in expenditure controls, as well as unclear rules for moving expenditures between appropriations.

Comprehensiveness and transparency of the budget

- Classification of the budget (PI-5).

A key issue affecting accountability is the fact that the highest level for budget appropriation is the source of funding rather than the relevant agency (administrative classification). This weakens ministry/agency-level accountability for the use of these funds by not clearly conveying in an integrated manner how all funds may come together to finance particular services.

- Comprehensiveness of information included in budget documentation (PI-6).

Relative to the PEFA criteria, RMI budget documents are not comprehensive, and should, include macroeconomic assumptions and fiscal policy objectives, and at least a three-year run of budget data (e.g. data on the previous year's actual spending, followed by revised spending estimates for the current year, as well as that for the proposed budget).

- Extent of unreported government operations (PI-7) and oversight of aggregate fiscal risk from other public sector entities (PI-9).

Significant amounts of public resources are not included in the budget information provided to the Nitijela (Parliament) for their scrutiny. The budget discussed with the Nitijela does not include all government spending from extra-budgetary funds (e.g. social security) or any discussion of potential fiscal risks from public enterprises, other off-budget operations, or sub-national government over the medium-term.

- Public access to key fiscal information (PI-10).

Limited fiscal information on the Government's national budget is available to the public in the form of audited annual financial statements and compliance audits available on the Nitijela's website. In addition, while the Public Accounts Committee (PAC) hearings are open to the public, their reports on the subject of the hearings (i.e. the audit reports) are not published. In particular, it is not possible for members of the public to get copies of the budget documents or audit reports without specifically requesting a copy from government staff.

Policy-based budgeting

- Multi-year perspective in fiscal planning, expenditure policy and budgeting (PI-12)

The PEFA assessment found weak links between sector plans and budgets, and budgets are, in the main, not actively planned within a multi-year framework. While some line ministries (e.g. the Ministry of Health) have prepared supplemental budget submissions on the basis of policy objectives and have included forward estimates, others have not done so. With institutional responsibilities for recurrent and investment budgets split between two separate entities, there is no explicit linkage between the two processes.

Predictability and Control in Budget Execution

- Predictability in the availability of funds for commitment of expenditures (PI-16)
- Recording and management of cash balances, debt and guarantees (PI-17)
- Effectiveness of payroll controls (PI-18)
- Transparency, competition and complaints mechanism in procurement (PI-19)
- Effectiveness of internal controls for non-salary expenditure (PI-20)
- Effectiveness of internal audit (PI-21)

On the expenditure side, the PEFA assessment found no regular and timely routine for reconciling data (payroll, other expenditures, and banking data), combined with limited segregation of duties for controls. This potentially weakens the effectiveness of expenditure controls.

While a formal commitment control system is in place, the evidence shows that, in practice, there is a greater reliance on more informal procedures and the formal controls are not followed on occasion.

Clear, officially documented, comprehensive government-wide internal controls are lacking. There appears to be a widespread lack of clear understanding about the actual (rather than legal) rules and procedures for internal controls, even with those who are directly involved in applying them. Evidence, including from external audit, suggests that the rules are not complied with in more than a minority of cases.

Formalising internal control procedures (e.g. through publishing and disseminating a comprehensive Standard Operations Manual) would provide a framework within which to enforce controls.

The lack of an operational internal audit function (meeting international standards) means that management does not have access to its own mechanism to monitor and provide assurance on the performance of internal control and other systems. Formal criteria for identifying and assessing fiscal risk are not yet in place.

With specific regard to procurement, the low rating is the result of:

- A Procurement Code that does not:
 - apply to all procurement undertaken using government funds;
 - provide for public access to all of the following procurement information: government procurement plans, bidding opportunities, contract awards, and data on resolution of procurement complaints; and
 - provide for an independent administrative procurement review process for handling procurement complaints by participants prior to contract signature.
- No reliable data exist on the value of contracts awarded by methods other than open competition which are not justified in accordance with relevant legal requirements.
- The government does not systematically provide the public with the key procurement information listed.
- No independent procurement complaints mechanism exists.

Accounting, Recording & Reporting

- Timeliness and regularity of accounts reconciliation (PI-22)
- Availability of information on resources received by service delivery units (PI-23)
- Quality and timeliness of in-year budget reports (PI-24)
- Quality and timeliness of annual financial statements (PI-25)

Over the past few years, only limited in-year budget execution reports have been issued, thereby providing insufficient information to management to monitor budget performance.

While a financial management information system (FMIS) is in place, it is not used to its fullest capacity in order to control expenditures or to provide comprehensive information, e.g. on arrears, even though it appears to be technically capable of doing so.

External Scrutiny and Audit

- Scope, nature and follow-up of audit (PI-26)
- Legislative scrutiny of the annual budget law (PI-27)
- Legislative scrutiny of external audit reports (PI-28)

While audit coverage is comprehensive, severe staffing constraints in the Audit Office limit its ability to perform many of its own audits, including special investigations and other non-statutory audits.

The Nitijela plays a relatively structured role in scrutiny of the budget and of audit reports. Standing Committees

(Appropriations and Public Accounts) hold public hearings on their reviews of the draft Appropriation Bill and on audit reports, respectively.

However, in the absence of a more policy-oriented basis for the budget, scrutiny by the Nitijela is limited to reviewing line items, and they spend relatively limited time doing so. The Appropriations Committee does not get involved prior to the detailed preparation of Estimates.

Follow-up actions taken by the audited entities to address findings and recommendations in both audit and Public Accounts Committee reports are very limited.

Table 2 summarises RMI's performance against the relevant PFM Indicators which relate to pursuing NIE Accreditation. These indicators can be used as proxies for other development partners' views about RMI's readiness for other modalities of accessing climate finance.

Table 2: PFM Indicators Relevant to NIE Accreditation - RMI Ratings

Performance Indicator No.	PFM Performance Indicator	Overall Rating ¹²
	Credibility of the budget	
1	Aggregate Expenditure out-turn compared to original approved Budget	B
2	Composition of expenditure out-turn compared to original approved budget	D+
	Comprehensiveness and Transparency	
5	Classification of the Budget	D
6	Comprehensiveness of information included in the Budget documentation	D
10	Public access to key fiscal information	D
	Policy-Based Budgeting	
12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	D
	Predictability and Control in Budget Execution	
19	Competition, value for money and controls in procurement	D
20	Effectiveness of internal controls for non-salary expenditure	D+
21	Effectiveness of internal audit	D
	Accounting, Recording and Reporting	
25	Quality and timeliness of annual financial statements	Not rated
	External Scrutiny and Audit	
26	Scope, nature and follow-up of external audit	C

5.1.2 General Implications

Public financial management concerns the efficiency and effectiveness of the use of public resources, therefore interdependence between the components of the budget cycle means that weaknesses in one part can adversely affect other parts and thereby constrain the achievement of better budgetary outcomes. Conversely, improvements in one area which are not matched by corresponding changes in other areas can undermine the initial reforms. The strengths and weaknesses of the PFM system found in the PEFA assessment have an impact on the three measures of budget effectiveness – aggregate fiscal discipline, allocative efficiency and technical (operational) efficiency.

The analysis highlights the government's ability to achieve its broader fiscal and service delivery objectives. In particular, the achievement of broad fiscal goals is strengthened through the effective management of fiscal aggregate parameters.

In terms of ensuring that resources are allocated (in plan and in fact) appropriately to meet desired policy goals, a good starting point has been established with the introduction of portfolio budgets (e.g. education and health). However, while these budgets may assist with planned allocations, they are just the start, as they are not operational in all sectors. There continues to be a weak relationship between planning and budgeting, with limited consultation between the two during budget preparation and policy planning.

¹² PEFA scores are allocated on a scale of A to D

Weaknesses in the ability of stakeholders to hold government to account (e.g. for the achievement of policy priorities), are found in the insufficient dissemination of timely information, such as on budget implementation and audit reports, to/from stakeholders, including the public. This results in part from inadequate record-keeping, and may reflect the lack of importance attached to documenting and disseminating information.

The efficiency of the use of resources may potentially be monitored through the use of the financial management information system. Nonetheless, the ability to act on this information, including the underlying reasons for inappropriate or inefficient expenditure management, is currently hampered by weaknesses in systematic record-keeping and reconciliations (which potentially undermine data accuracy), in internal controls, in the absence of internal audit, and in inadequate follow-up to audit and PAC recommendations.

5.1.3 Priorities for an Action Plan

The draft PFM Roadmap proposes concentrated work on many of the PFM weaknesses over the next 3 years. In terms of making a convincing case to donors that the GRMI is serious about reforms, the two areas that are in greatest need of attention are the processes for conducting procurement and better integrating planning and budgeting.

With regard to procurement the GRMI may want to consider contracting with a professional procurement agent to:

- coordinate/conduct all procurement on behalf of government agencies (including state-owned enterprises and any other autonomous agencies);
- develop a code of ethics for procurement officials; and
- train and license a cadre of professional public procurement officers.

In terms of the integration of planning and budgeting, the current dysfunctional split of responsibilities for the recurrent and development budget needs to be addressed, and the notion that planning can be conducted without good information on the performance of the economy, revenue collections, or reference to policy costs needs to be revisited. Some approaches to solving problems found with the current arrangement might involve:

- Marrying the two operations of OIDA/Budget and EPPSO into one “Budget preparation unit” in the Ministry of Finance or ensuring much closer collaboration between the two to strengthen the integration of budgeting and planning. This is the approach in many developed countries.
- Combining the contents of currently separate department plans and budgets into one integrated policy-focused budget document. This, again, is the approach in most developed countries.
- Beginning the budget preparation process much earlier – at least 9 months before the start of a fiscal year in order to have more serious deliberations on affordable policy choices given probable economic and revenue outlooks over the medium and longer term. This is particularly important in RMI given the potential phase-out of Compact funding and challenges posed by a poorly funded Social Security system.

5.2 Expenditure Analysis

The Government Budget is the main policy document of any government, laying out the plans and associated spending for implementing its policy program. Given the high priority afforded to climate change in many of RMI

Government’s policy documents, the Budget should reflect this by dedicating significant resources to address its climate change objectives.

This Section will analyse the Government’s Budget over the period FY2009-FY2014 in an attempt to quantify spending on activities directed to addressing climate change-related objectives in the Budget. It will attempt to do this in the context of Government efforts to implement its broader policy program, such as the program outlined in the NSP.

Where the Budget includes external funding this will be included, though it is apparent from Section 4 that a large number of external funds are not reflected in the Government Budget.

5.2.1 Budget Process

RMI has a fiscal year running from October to September. The Budget Coordinating Committee (BCC) oversees the formulation of the annual budget. The high-level inter-ministerial BCC is chaired by the Chief Secretary and includes the Secretary of Finance, the Assistant Secretary of Finance (Budget/OIDA), the Attorney General, the Deputy Commissioner of PSC, and representatives each from the Office of the President, the Office of Compact Implementation, and EPPSO. The Budget process normally commences in March/April of each year.

It is not clear from the Budget Documents what amount of funds is dedicated towards achieving climate change objectives. The information provided to the public as part of the RMI Government Budget is relatively limited, especially in policy detail. While there is considerable information available to public servants this is not generally available to the public to closely scrutinise Government operations. The documents usually available for public scrutiny are the fiscal year Appropriation Bill and the accompanying Budget Statement.

The Appropriation Bill provides funding allocations by program, normally at a Departmental level. There is no other policy information in the Bill but the Budget Statement provides more detail, mainly in the explanation of macro level fiscal policy and management of the Budget.

The Minister of Finance presents the Appropriation Bill to the Nitijela on behalf of the Cabinet in a speech. The Bill is considered in detail by the Appropriations Committee made up of members of the Nitijela who query line Ministries on the contents of their budgets in a series of public hearings, which are broadcast on national radio. The Appropriations Committee report of these hearings is presented back to the Nitijela before finalisation and passage of the Appropriation Act. Committee members have significant detail during Committee discussions but this information is not widely distributed outside the Nitijela and is not usually available to the public. There is no integrated “Budget Document” as is the case in most other countries.

5.2.2 Budget Structure

The RMI Government Budget is unusual in that it is organised at its highest level by the source of funding. The Budget is presented and accounted for according to Fund, with the two largest funds being the Compact Funds and the General Fund (consolidated revenue). Federal Grants provided by the US Federal Government are also significant and these are accounted for according to individual grants. As such it is difficult to identify and aggregate spending dedicated to achieving Government objectives that may benefit from funding across a range of these funds. For example, Education spending is split between the General Fund, the Compact Education Grant, the Supplementary Education Grant (SEG) and Federal Grants. This makes it difficult to monitor how the overall portfolio of Education is performing as the monitoring is done by funding source. The Ministerial Budget Portfolio Statements attempt to draw these funding sources together but this is a very time consuming and complex exercise when PFM systems are geared to compartmentalising activities by funding source.

5.2.3 Current Financial Position

The Compact requires the RMI Government to produce a Medium-Term Budget and Investment Framework (MTBIF) to guide its fiscal policy. In recent years, however, the MTBIF has fallen out of use. Despite this the Government has moved to combine the MTBIF with the Fiscal Management Model (FMM), which takes a longer-term view of fiscal policy.

The FMM aims to model the impacts and consequences of policy choices in a non-technical way using all government fiscal accounts. It aims to assess various scenarios for revenue, expenditures, and fiscal position over the long-term (i.e., to 2030). The Ministry of Finance uses the MTBIF/FMM as an internal document to guide its fiscal policy. Combining the MTBIF and the FMM would be a positive move. In fact, the FMM could, with an appropriate set of assumptions, help to model the fiscal impact of climate change over the longer term. Wider use of the FMM and explanation to the public would help explain to decision makers and the public the long-term impact of short-term policy decisions, not least those decisions that might have a climate change implication.

In the absence of better modelling of the fiscal situation, the current fiscal situation is best reflected in two recent analyses undertaken by the USDA Graduate School and the International Monetary Fund (IMF).

In August 2013 the USDA Graduate School produced an assessment of RMI Government's fiscal position based on a review of FY2012. This assessment painted a worrying picture of the Government's financial situation. It concluded that:

"The limited ability of the government to borrow to finance a deficit, the fine balance between revenues and expenditures, and the high risk of insolvency in the SOE sector, all indicate that RMI remains in a precarious fiscal position" (USDA Graduate School 2013, p. 11).

Reiterating the significant fiscal challenges facing RMI, the Staff report of IMF Article IV visit of November 2013 concluded that:

"RMI faces persistent budget deficits, substantial fiscal risks from poorly performing state-owned enterprises (SOEs) and the social security system, and the expiration of most Compact grants after FY2023." (IMF 2014, p. 1)

The fiscal outlook faces a number of critical challenges over the medium to long-term. One of the major challenges is how to manage fiscal policy in the face of declining recurrent grants under the Compact. Under the Compact agreement, each year the annual recurrent grant declines (referred to as the annual decrement), with the declines offset by annual increases in the contributions to the Compact Trust Fund (CTF).¹³ The contributions to the CTF are shown as part of the Budget but are locked away from use in the corpus of the CTF. One of the findings of the USDA (2013) report was that, according to current projections the proceeds from the CTF would not be sufficient to replace Compact grants at the end of the current funding period in 2023.

Because of this RMI Government must consider the following questions in its ongoing management of fiscal policy.

- In the light of continuing demands for Government services, especially health and education services, how will RMI fiscal policy deal with the annual decrement in Compact recurrent grants through to 2023?
- What actions need to be taken to ensure the Compact Trust Fund (CTF) will be sufficient at the end of the current financing period to meet the discontinuation of Compact funding?
- Can RMI solicit additional contributions to CTF from external contributions and/or run surpluses that can then be invested in the CTF?
- How will the Government manage the expenditure reductions in budget and how will this impact on its ability to meet its climate change objectives?
- As recurrent grants decline will climate change receive less funding?

5.2.4 Climate Change Spending in the Budget

To get a sense of the priority the Government places on climate change it is helpful to analyse the patterns of spending from the Government budget. The analysis is somewhat limited by the lack of easily accessible historical data, especially on actual outcomes against budgeted allocations. While this data is provided in audited financial statements, the format of the audited financial statement differs markedly from the format of the Appropriation Act, which makes comparison difficult. As such the analysis focuses on the publicly available budget allocations for FY2009-FY2014.

In analysing RMI's Budgets, it is assumed that Climate Change objectives are addressed in a broad range of Government programs from Education and Health, to Internal Affairs, Foreign Affairs, Energy and Infrastructure development. Climate change-related activities also occur in Government agencies supporting the economic sectors such as tourism, water, fisheries and agriculture.

Some areas of spending have an obvious and direct relevance to meeting the climate change objectives of the

¹³ An inflation adjustment applied to Compact grants means that in effect grants can still increase in nominal terms, though decline in real terms.

Government. These programs include OEPPC, EPA and the Energy Planning Division¹⁴ in the Ministry of Resources and Development (MRD). However, it is also clear from discussions with other Ministries and Departments that many other, less obvious, programs in Government address climate change related issues. For example, the Ministry of Education's curriculum includes aspects of climate change through its science curriculum and life skills activities such as home gardening. The Ministry of Health assigns staff and resources to deal with climate change related health issues arising from droughts and other climate change impacts. The Ministry of Internal Affairs also has an Outer-Island Economic Development Fund that finances projects that often address climate issues at the grass roots level.

In determining an appropriate weighting for climate change-related activities in individual programs, weighting has been assigned according to an assumption of how much time staff might dedicate to addressing these issues in their work. This approach was adopted on the basis that spending in many programs is predominantly salaries, and therefore using time invested to deliver climate change-related objectives was a reasonable approach in the absence of a more detailed assessment. The Government may benefit from more detailed assessment of Government programs based on broader consultation with Ministries. Appendix 5: Climate Change program Weightings in RMI Budget provides detail on the weighting assigned to Government programs in the analysis.

5.2.5 RMI Expenditure on Climate Change – Budget Analysis

RMI Budget is made up of a number of separate Funds. The main source of budget funding is the Compact, which accounts for more than \$70 million, or more than half of the total revenues.¹⁵ Compact Funds comprise Compact recurrent grants including infrastructure grants, the Special Education Grant (SEG), Kwajalein landowners' payments and contributions to the Compact Trust Fund (CTF).

The next major fund is the General Fund made up of locally generated revenues including import taxes, income taxes, company taxes, along with Marshall Islands Marine Resources Authority (MIMRA) royalties from fishing licenses, dividend income from the RMI Ship Registry and direct recurrent budget support from the Republic of China (ROC). The General Fund normally comprises approximately 25% of the Budget.

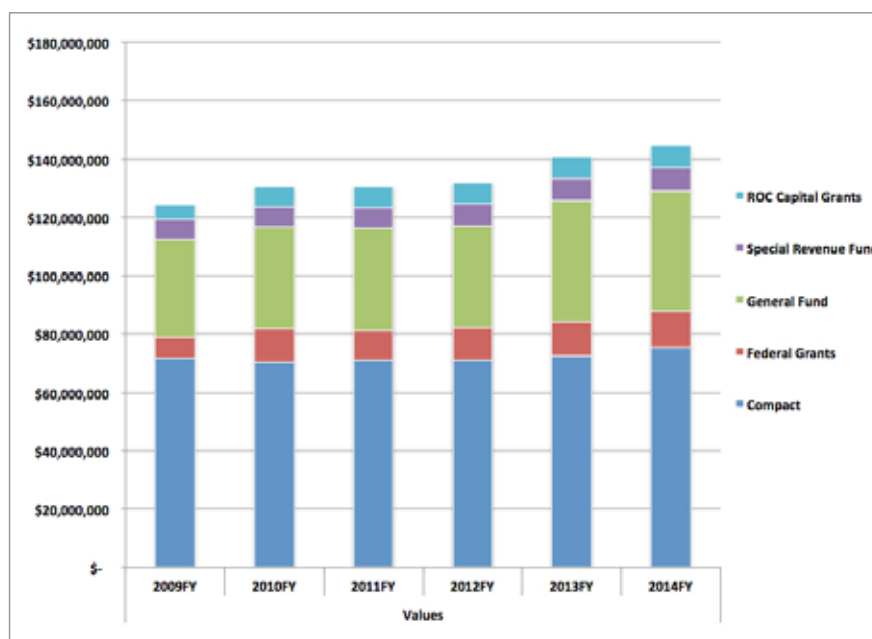
Federal Grants provided by the United States Federal Government are also significant and are predominantly provided to support health and education programs and amount to less than 10% of the Budget. There are a number of Special Revenue Funds that retain revenues for use by Government Ministries. Most prominent of these Special Revenue Funds is the Health Care Fund, which helps to fund the overseas medical referral program of the Ministry of Health. Finally there is the ROC/Taiwan Capital Project Fund, which accounts for approximately 5% of total revenue (currently \$7.4 million per year).

¹⁴ The Energy Planning Division is somewhat misleadingly described as the Renewable Energy Office in the Appropriation Act

¹⁵ Although the Compact is made up of different funds, for the purposes of the analysis these funds are all considered under the classification as Compact.

Figure 11 shows the contribution of each of these funds to the RMI Budget over the period FY2009-FY2014

Figure 11: RMI Government Budget by Fund, FY2009-FY2014



It is worth noting that the growth of the Budget over the period FY2009-FY2014 has been fairly restrained, with each individual fund remaining relatively stable in terms of the contribution it makes to the overall budget. The budget has grown from \$124.4 million in FY2009 to \$144.5 million in FY2014, or about 4% per annum in nominal terms. Although this is an increase in real terms, the overall fiscal environment is likely to be constrained over the medium to long-term with potential implications for climate change financing¹⁶. The growth will likely be constrained somewhere in line with inflation, unless there are major changes to the revenue base. Since the Compact is the largest contributor to overall revenues and the recurrent grants are projected to decline in real terms, additional pressure will be placed on the General Fund to maintain Government services through at least the remainder of the current Compact funding period to FY2023.

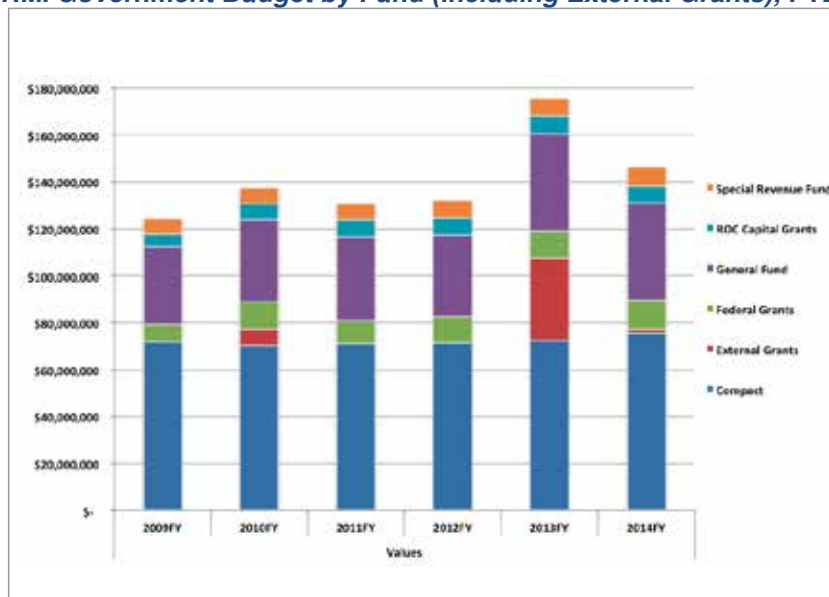
In a number of years over the period in question the budget also includes External Grants. These grants reflect funding of Government projects from external sources, sometimes, but not always, channelled through the Ministry of Finance. Figure 12 shows the impact these grants have had in recent years. The impact in some years was substantial while in other years there was no funding reported.

The amounts reported in the budget are erratic with substantial amounts reported in FY2013, when a large amount of External Grants (\$34.9 million)¹⁷ were reported, while in other years no External Grants were reported. These External Grants are important in that they often include significant funding for climate change related projects. Where these projects were reported in the Budget they were also reflected in the discussion in Section 4.

¹⁶ Some Compact resources such as Compact Trust Fund contributions and Kwajalein Landowner payments have increased though they are not available to the GRMI for spending on achieving Government objectives.

¹⁷ For the purposes of the analysis US Compact Grants and ROC Capital Grants are not considered as External Grants.

Figure 12: RMI Government Budget by Fund (including External Grants), FY2009-FY2014



What is apparent from a comparison of Figure 11 and Figure 12 is that the Budget is not an accurate representation of all the resources being devoted to development in RMI. If the Budget documentation is interpreted at face value, then it suggests that no External Grants were forthcoming to RMI in FY2009, FY2011 and almost nothing in FY2012. However, in reality funding was received but not accurately reported in a timely manner in the budget. This suggests a major gap in the reporting of funds being dedicated to addressing development objectives, and in particular to climate change efforts in RMI.

5.2.6 Estimating Climate Change Related Funding in the RMI Budget

In order to get some estimate of the amount of spending in the RMI Budget directed to achieving climate change objectives, the analysis attempted to apply a weighting to Government programs as described in Section 5.2.5. This reveals some interesting results.

Figure 13 and Figure 14 provide estimates of the climate change-related spending in the budget both without and with external grants. Without external grants, climate change-related spending averages around 4% (\$5.2 million) of total spending in the Budget while when External Grants are included this share varies between 4% (\$4.6 million) and 9% (\$14.4 million) of total funding. In a fiscal environment of declining real revenues and fiscal restraint, the most obvious area for Government to increase its spending to address climate change-related objectives would be through leveraging its recurrent spending to access more External Grants, both to support recurrent and capital activities.

Figure 13: Budget Climate Change Related Allocation - FY2009-FY2014

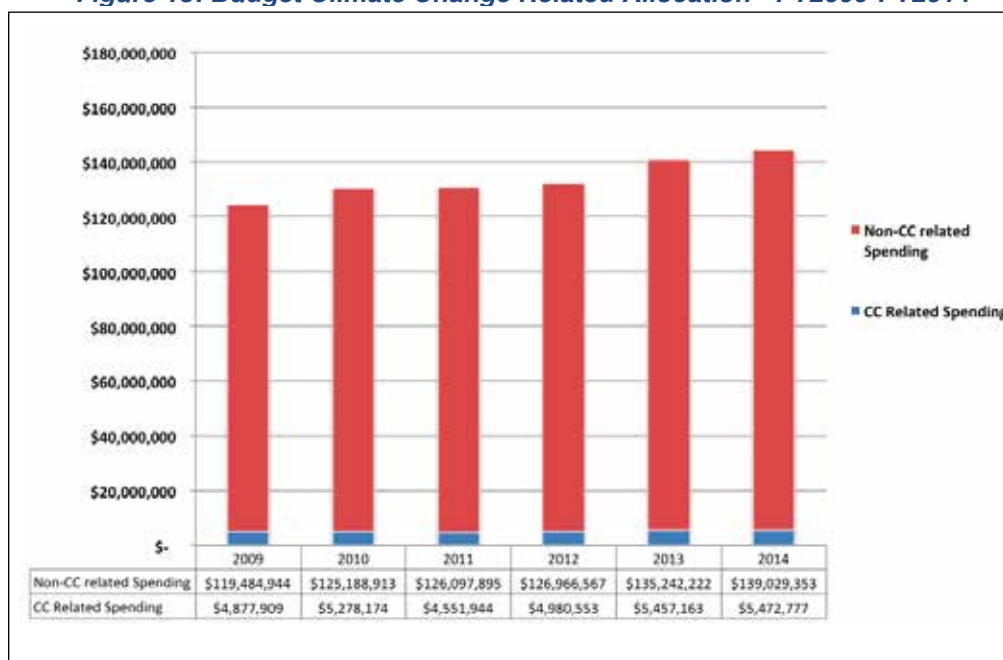


Figure 14: Budget Climate Change Related Allocation (including External Grants) - FY2009-FY2014

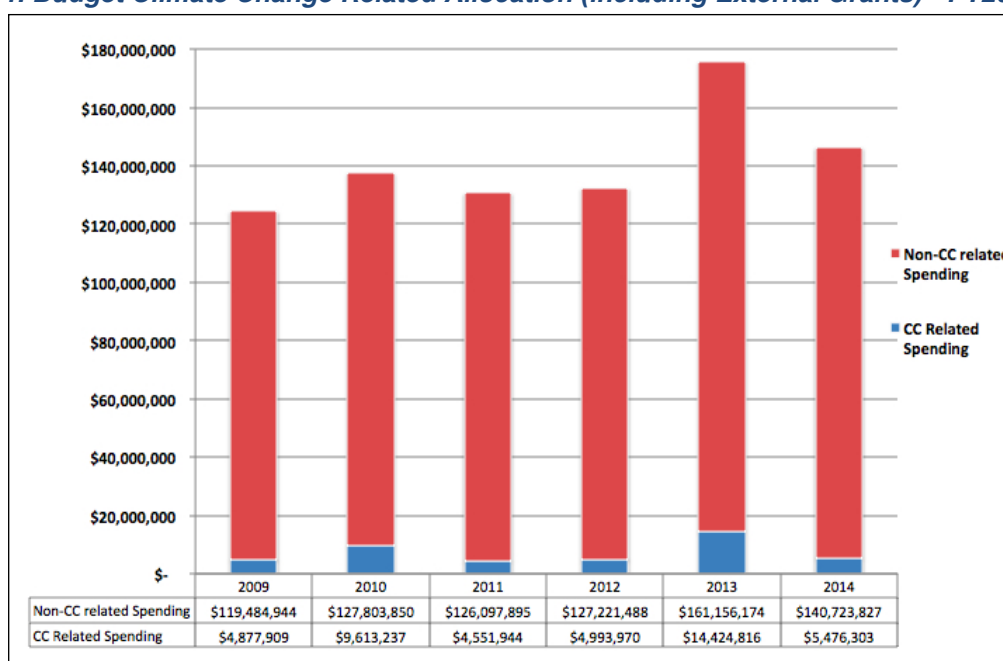


Figure 15 and Figure 16 show the detailed composition of this climate change-related spending in respect to whether spending is allocated to Mitigation, Adaptation or Other activities. Figure 15 highlights the majority of spending in the RMI Budget (without External Grants) goes to “Other” activities which include enabling activities, awareness raising, education and health activities. With the inclusion of external grants (Figure 16) the Adaptation and Mitigation spending increases significantly in the years when significant External Grant funding was received (i.e. FY2010 and FY2013), indicating that not only is there a big impact from External Grants in financing climate change-related activities, but that most external assistance is going to adaptation and mitigation.

Figure 15: Budgeted Climate Allocations by Type, FY2009-FY2014

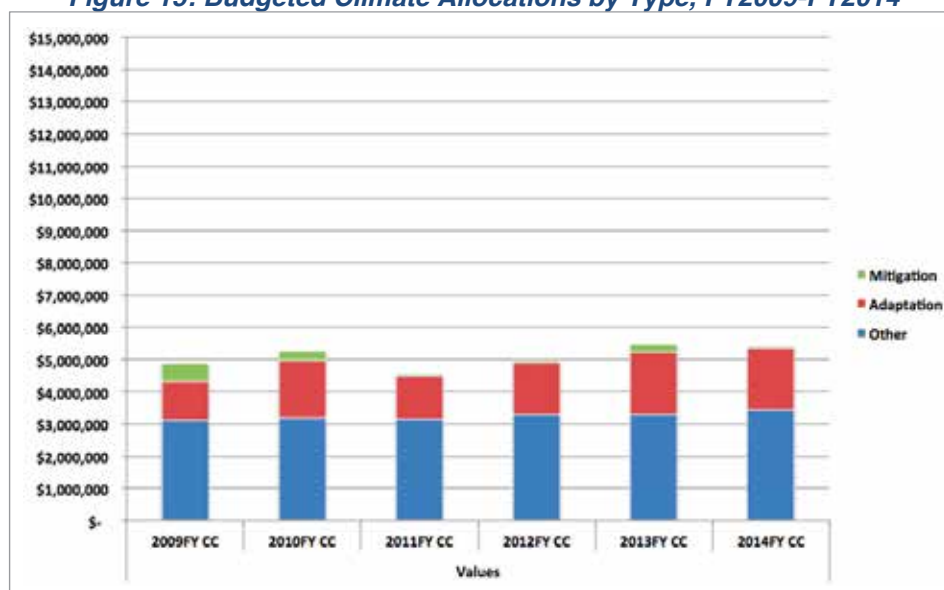
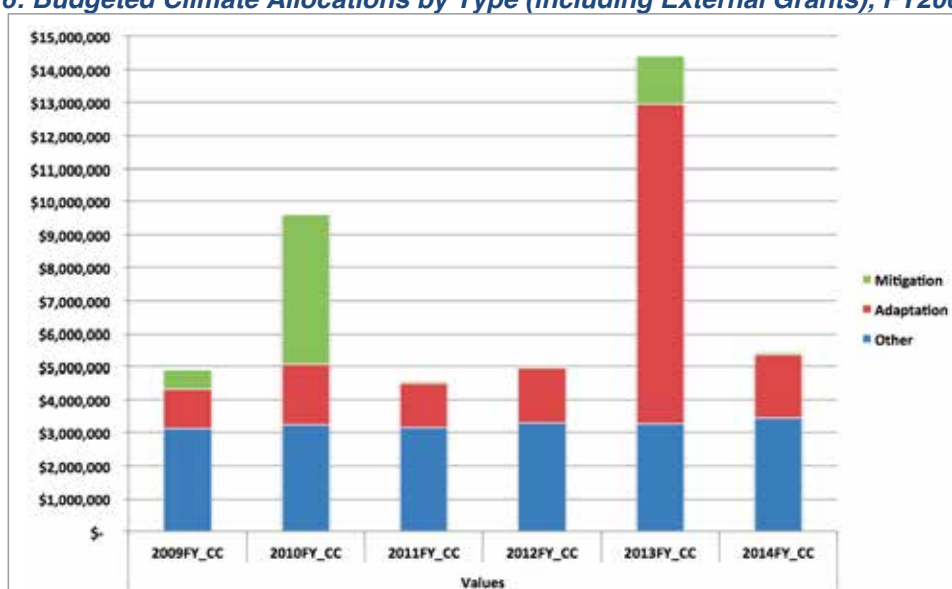


Figure 16: Budgeted Climate Allocations by Type (including External Grants), FY2009-FY2014



5.3 Financial Flows in RMI

The total picture of financial flows from the Budget and extra-budgetary sources requires bringing together the Expenditure Analysis and the Funding Source Analysis. Financial flows are shown in Figure 17, which attempts to combine financing from the Budget and from extra-budgetary funds. This is done by averaging the annual estimate of financing from the various funding sources trying to estimate what would be the financial flows in a “typical” year.

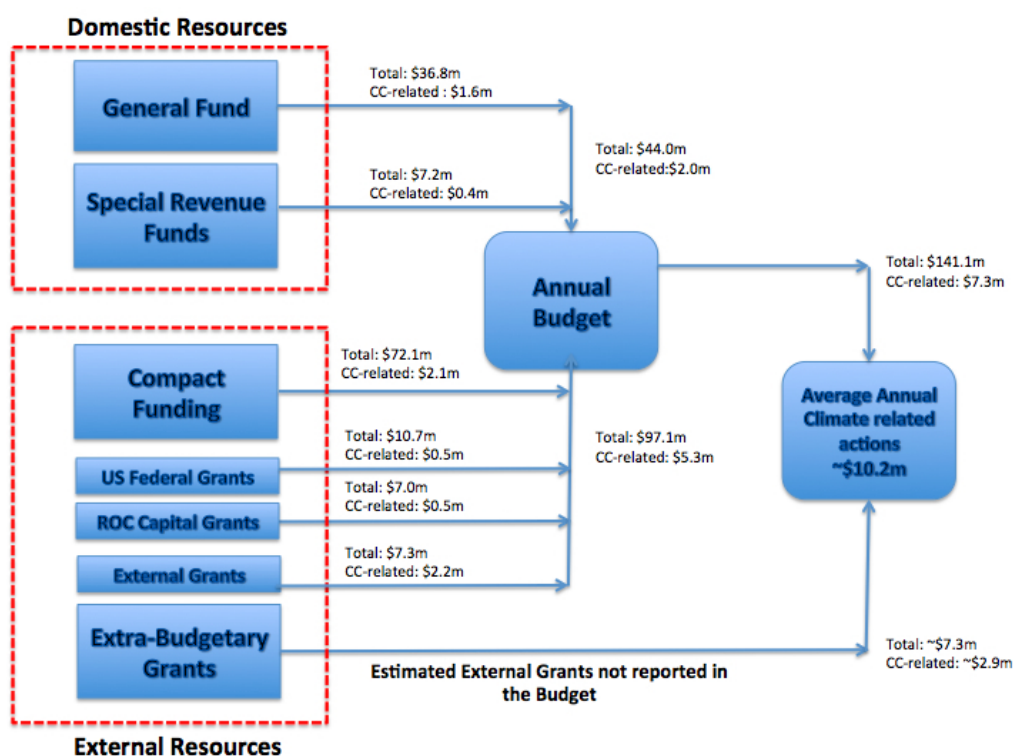
Figure 17 shows the ‘estimated average’ annual financial flows from each of the various funds in the Government’s “Annual Budget”. These flows are supplemented by “Extra-Budgetary Grants” funding estimated in the Funding Source Analysis. This analysis suggests that the average annual financing for climate change-related activities is approximately \$10.2 million per year from all sources – comprising \$7.3 million from within the Budget and \$2.9 million from extra-budgetary grants.

Another point arising from this figure is the low proportion of funds generated from domestic resources. The counter point to this observation is that RMI has a heavy reliance on finance from external sources (i.e. Compact, Federal Grants, ROC Capital Funds and External Grants), whether channelled through the Budget or outside it. One of the implications of this is that when activities are being generated from external sources, the

ability of the Government to direct finance to meet its own objectives is reduced. External parties will, of course, have significant influence over how these external funds are used.

While it is unlikely that Government can significantly increase the proportion of domestic financing, if PFM systems can be strengthened there is scope for increased use of the budget support modality. This provides RMI greater control over the use of these external funds.

Figure 17: RMI Estimated Annual Financial Flows - Budgeted and Extra-Budgetary



5.4 Recommendations

1. The Ministry of Finance (MoF) should finalise and implement the PFM Roadmap to help address the deficiencies in the PFM system with Development partners encouraged to support these efforts.
2. Ministry of Finance and EPPSO must work together to integrate the PFM Roadmap and the NSP (both have the same timeframes - 2014-2016) and similar objectives in the PFM area.
3. MoF, EPPSO and line Ministries should collaborate to prepare one integrated policy-focused medium term budget (with details at the program levels and covering all funds) combining currently separate department plans and budgets. This document should be widely published and available to the public.
4. To increase confidence in PFM systems, MoF specifically look to overhaul its procurement processes and consider contracting a professional procurement agent to manage public procurement.
5. RMI to prepare and adopt a Decrement Plan to deal with declining real Compact Grants, and consider how this might impact on the government's climate change-related activities.
6. The MoF introduce medium-term budget perspective through its Fiscal Management Model and Medium Term Budget and Investment Framework (MTBIF) – this is a major component of the PFM Roadmap and NSP.
7. The MoF look to use the FMM to model the long-term fiscal implications of climate change on the Government Budget.
8. EPPSO, OEPPC and MoF collaborate to develop a methodology to tag and weight spending and projects relevant to climate change to monitor the effectiveness of climate change finance.
9. The RMI Budget needs to fully integrate development assistance to ensure that it better reflects the resources being directed to the Government and the achievement of objectives as outlined in the NSP.
10. MoF to increase publicly available information on budget to increase transparency of the Budget process.

6 Policy and Planning Analysis

Key messages

- Future access to climate change finance will be influenced by how well RMI's development and sector policies integrate climate change considerations, and by how well projects that are proposed for funding are aligned with these policies and plans.
- The way climate change adaptation is framed in policies has an influence on what kinds of actions might be funded by development partners and climate funds, since many donors will look to the project's climate-related rationale when deciding on allocating "climate finance".
- Addressing core development priorities will simultaneously make RMI more resilient to climate change and funding of core priorities using climate finance more feasible.
- The NSP provides a good basis for soliciting climate change finance in a way that can not only address specific climate change-related risks but also support progress on wider development objectives.
- The JNAP takes a rather narrow approach to defining adaptation priorities, but does lay the ground for any future implementation plan to better align development priorities with climate change responses. The JNAP appears to have focused on a very small number of sector policies in order to draw out its priorities. In future revisions, and in any implementation plan, a much wider array of sectors should be integrated.
- Sector policies and plans need to more clearly articulate how they will contribute to achieving national climate change objectives.
- Implementation plans need to be developed for the NSP, JNAP and climate related sectors and should spell out how broad policy-level goals will be achieved, including what actions to be prioritised for funding.
- National and sector policies and plans related to climate change need to adopt a more integrated programmatic cross sectoral approach.

This section focuses on whether RMI's policies and plans are developed in such a way that they are likely to:

- (i) deliver genuinely effective responses to climate change, and
- (ii) attract climate change finance.

The first point concerns how well RMI's policies and plans reflect "best practice" approaches to climate change adaptation and mitigation. The way in which policies and plans are framed can influence how resource allocations are prioritised and used, and hence their effectiveness in achieving climate change objectives.

The second element concerns perceptions of how well climate change is "mainstreamed" into national/sector policies and plans and whether a sufficiently strong link between national development objectives and climate change exists. Development partners attach considerable importance to clearly linking proposed climate change response measures to national/sector development objectives. For example, the existence of a credible development plan that effectively integrates climate change considerations is one of four criteria of the EU budget support eligibility.

This assessment focused on policies at the national level, however sub-national policies are also important, especially given the dispersed nature of RMI in terms of geography and governance structures. Sub national policies and plans (at the atoll level) also need to clearly articulate linkages between their climate change and atoll development priorities, and how these align with national priorities and objectives.

6.1 Key attributes for policies and plans

This section examines how well RMI has "mainstreamed" climate change into national policies and plans, based on the following criteria:

1. *Climate change should be clearly integrated into the national and sector development plans.* There are different ways in which climate change might be reflected. For example: as a policy objective (e.g. "resilience to climate change"); as a threat to the accomplishment of national/sector goals (e.g. specific risks such as drought, storms, new disease vectors); and the extent to which specific actions are prioritised to address specific climate change risks. The sector may also be described not only as

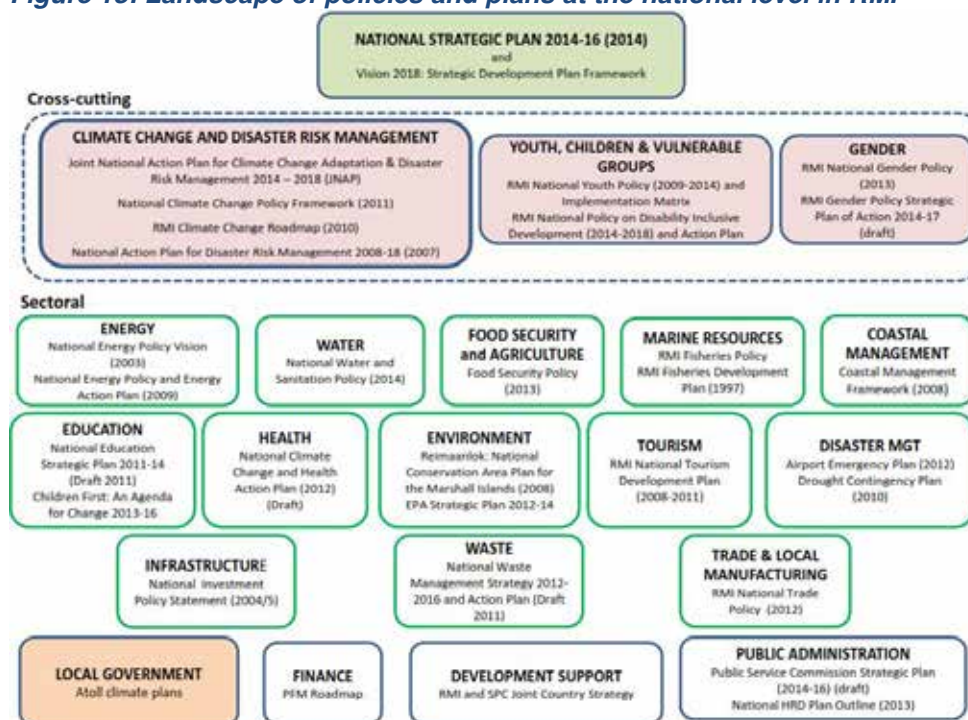
vulnerable to climate change but also as a tool in itself for reducing general vulnerability of communities and ecosystems to stress, including climate change, or building their general capacity to adapt to future challenges.

2. *Vulnerability should be described and differentiated.* Reducing vulnerability is a key aim of “adaptation” efforts. Vulnerability might be framed in either its wider contextual sense (i.e. many underlying drivers of vulnerability might be recognised, among which climate change is one factor) or alternatively more narrowly to specific climate change impacts. How this is framed will influence the types of responses that a policy or plan might address. Generally, taking a wider contextual approach to defining vulnerability will involve a broader range of actions relevant to climate change objectives, and thus widen the prospects for use of climate change finance. Further, it is desirable for policies and plans to differentiate vulnerability, since not all people and places are equally vulnerable. For instance, factors such as gender, age, disability, income, sector, and physical location all have some bearing on vulnerability and on capacity to cope with and adapt to stress.
3. *Policies and plans should have stakeholder ownership.* Engaging a broad range of stakeholders during the development of policies and plans can build more broad based ownership which is essential to achieving and sustaining response measures. This includes reflection on whether policies and plans recognise a role for communities, private sector, civil society and other stakeholders, and how it seeks to empower them, (for example, how are non-government stakeholders involved in decision making processes?)
4. *Coherence between policies is important.* The priorities of the national development plan should be embedded into specific sector policies, and vice versa, so that they are consistent and reinforcing.
5. *Policies should have the necessary support for implementation.* This includes supporting legislation or regulations, detailed implementation plans that translate overall goals into tangible activities “on the ground”, and a link to budgets.¹⁸

6.2 Existing landscape of national and sector plans

The array of RMI plans and policies are mapped out in the NSP, and summarised in Figure 18.

Figure 18: Landscape of policies and plans at the national level in RMI



Note: Other relevant policies may be missing from this figure, for instance cultural heritage, transport and communications, and land use.

¹⁸ In the case of RMI's climate change activities, many of the resources are expected to come from development partners, which makes it difficult to forecast budgets. This means that policies and plans sometimes have the role of highlighting needs but are not necessarily commitments to implement.

It should be noted that several of these plans have been superseded, while others are still in draft form. The *National Strategic Plan 2014-2016* (NSP), endorsed by the Nitijela in April 2014, expands on the previous national development strategy, *Vision 2018*. Similarly, the *Joint National Action Plan for Climate Change Adaptation & Disaster Risk Management 2014 – 2018* (JNAP) supersedes the *National Climate Change Policy Framework* (2011) and the *National Action Plan for Disaster Risk Management 2008-18* (2007).

A complete analysis of all RMI's policies and plans is beyond the scope of this assessment. In the following subsections, observations and recommendations regarding a number of important policies and plans are presented, which may also indicate more general patterns across other policies. Specifically, this analysis looks at:

- The *National Strategic Plan*, and its precursor *Vision 2018*;
- The *Joint National Action Plan for Climate Change Adaptation & Disaster Risk Management 2014 – 2018* (JNAP); and
- Sector case studies, covering water, energy, food security and coastal management. The first three of these are the priorities of the NSP, while coastal issues are a source of major climate vulnerability in atoll countries and are constantly highlighted by RMI when describing its exposure to climate change risks.

6.2.1 National Strategic Plan 2014 and Vision 2018

The NSP, which builds on *Vision 2018*, was recently endorsed by the RMI Cabinet in early 2014, and in the process of finalisation. As result only a draft of the NSP was reviewed for this assessment.

Both *Vision 2018* and the draft NSP clearly articulate RMI's development efforts and priorities, and the significant development challenges they face. High external debt and import dependence, limited human and financial resources, and the threats of climate change are all identified as major development constraints. The NSP also highlights a range of social development issues and a need to address the different vulnerabilities across the community relating to gender, age, disability and income levels.

Climate change is clearly identified as a key threat to social, economic and cultural development. One of the NSP's five sector themes specifically relates to "Environment, Climate Change and Resiliency", covering climate change, disaster risk management and response, and terrestrial and marine resource management and conservation. Progress towards achieving target objectives under the "Environment, Climate Change and Resiliency" theme, will be heavily influenced by progress and achievements under the other four sectors: social development, infrastructure development, sustainable economic development, and good governance. This is especially the case in terms of climate change that cuts across all sectors.

Overall, the NSP provides a sound framework for implementing responses to climate change, and for deploying climate change finance in a way that addresses climate change-related objectives and contributes to wider development goals .

6.2.2 Joint National Action Plan (JNAP)

In its present form, the JNAP provides useful overarching framework for addressing climate change and disaster risk but does not provide a clear action plan and implementation timetable. Analysis of the JNAP identified a number of areas where it could be expanded and strengthened. These include:

- Need for the JNAP to be expanded to include an implementation plan for implementing specific actions to achieve the goals and outcomes identified in the six JNAP priority areas;
- a realistic budget and cost estimate needs to be developed for the implementation plan and updated regularly to include additional priority response measures as they are identified;
- the JNAP mentions the *RMI Energy Policy and Action Plan*, *Agriculture and Food Security*, *the National Water Resource Management Framework*, *outcomes of the 2011 National Water Summit*, and *the EPA Coastal Management Framework*, but does not reference a range of other policies and plans relevant to climate change (including health, tourism, fisheries, infrastructure, education and trade). The JNAP needs to be expanded and specifically linked to these important sectors highlighted in the NSP;

- the concept of climate change “adaptation” is framed quite narrowly, focusing on specific climate change-related impacts rather than on tackling the wider sources of vulnerability and/or gaps in enabling conditions. This narrows the scope of the JNAP and constraints its ability to contribute to broader development and resilience-related objectives. The JNAP needs to be revised to reflect RMI’s broader national development priorities and the role they play in increasing resilience to climate change;
- the JNAP mentions the need to target vulnerable groups, including women, but needs a stronger gender lens and the importance of the empowerment of women in responding to climate change; and
- a range of government and non-government stakeholders indicated limited engagement with, and connection to the JNAP, suggesting a relatively low level of ownership and awareness may exist across the broader community, despite widespread consultation during the preparation of the draft JNAP. In particular there also seems to be some confusion across government departments about whether the JNAP supersedes the DRM Action Plan and the Climate Change Policy Framework – this is not explicitly addressed in the JNAP and this should be resolved. Many of these issues can be addressed through further consultations – taking note of possible reasons for the apparent lack of awareness that was created by previous consultations¹⁹ – particularly as implementation plans are developed.

The JNAP does, however, identify actions that can reduce vulnerabilities across different sectors. For example:

- Goal 2, which focuses on education and awareness, emphasises building human capacity, which is a priority in the Vision 2018.
- Goal 4, which focuses on energy security, explicitly mentions the vulnerability of RMI to changes in external markets for energy and food, and this does focus on several of the JNAP priorities.
- Goal 5, which focuses on local livelihoods and community resilience, includes an outcome of ensuring reliable access to clean fresh water, and its framing is broader than just climate change impacts on water resources, which is useful, but Goal 5 does not effectively address food security in a broader sense and should be expanded to reflect this.
- Goal 5 also identifies “effective management of coastal resources including land and marine biodiversity”, which is useful as protecting and enhancing the country’s natural resource base is important to reducing vulnerability.

As the JNAP was only approved in 2014, it was not possible to evaluate the extent to which it has helped direct external resources towards particular priorities in RMI.

6.2.3 Sector policies

Among the sector policies reviewed in detail for this assessment, most identify a wide range of sources of vulnerability (not just climate change). Further, most recognise that vulnerability is unevenly distributed, point to different factors that influence vulnerability (including gender, income, age, disability), and emphasise that actions should specifically target the most vulnerable. Most also highlight specific risks posed by climate change (e.g. to infrastructure). These are useful features.

It is beneficial that future revisions of sector plans and policies need to more clearly articulate the contribution they will make (if implemented) to building resilience, including to climate change. For example, the *National Water and Sanitation Policy* could be more explicit about how spending resources on the priorities emphasised – securing water supplies, protecting critical infrastructure, targeting poor and disadvantaged, improving health outcomes and thus improving coping capacity of individuals to absorb short term stress – will contribute to improving RMI’s overall resilience to climate change.

¹⁹ There may be a number of plausible explanations for what appears to be a low degree of JNAP ownership. Firstly, by focusing consultation on department heads rather than lower levels of technical staff, awareness may have been stifled by poor vertical information flows within line ministries (see similar comments in the analysis of institutional arrangements). Secondly, line ministries and departments may feel isolated by the plan’s lack of specific details, or “actions”. For instance, one ministry suggested that the JNAP does not address agricultural issues, yet the plan does state that it takes into account the “agriculture and food security” policies, and one outcome under Goal 5 mentions food security. However, since the JNAP lists only goals and outcomes but provides no detail about specific actions to address food security, it may be difficult for departments to see their “action” priorities.

The *National Food Security Policy* (2013) is a good example of identifying climate change links. To provide a platform for aligning sector development priorities to climate change adaptation, and thus to climate finance funding opportunities. Other policies should develop similar links. The Food Security Policy emphasises that vulnerability is the product not only of specific risks such as drought but also health (high NCD rates, exposure to contaminated food and water), the need to modernise agricultural production and take advantage of “value adding” opportunities (e.g. coconut production), unsustainable fisheries management, environmental degradation (including waste generation and disposal, biodiversity protection), and indirect risks due to price changes in the international market for imports. Such factors all have a significant influence on the capacity of communities in RMI to cope with stress and/or adapt to climate change.

The Food Security Policy also highlights differing levels of vulnerability across the community, for example the way in which gender influences vulnerability and access to resources.

The *Coastal Management Framework 2008* offers a much more hazard-focused response to climate change. It states that “The Marshall Islands will be increasingly battered by storms that in lower sea levels would not have threatened the coastal defence”, and that “There are only a few options for adaptation: build up shoreline defences and elevating structures, pushing development and construction away from the coastal zone (still possible in rural areas) and (worst case) evacuation of affected areas”. However, many of the other issues covered in the Framework – such as coastal dredging practices, waste management, the establishment of conservation areas and the enforcement of marine water quality regulations – will actually play an important role in improving RMI’s resilience to climate change. Therefore, in terms of being able to attract climate change finance to implement other priorities across the different sectors, the Framework should explicitly link these measures to efforts to build general coping capacity and resilience to climate change, rather than discuss adaptation purely linked to specific climate impacts.

Table 3: Analysis of the integration of climate change into four sector policies

Policy	Is CC explicitly mentioned as a risk for achievement of sectoral goals?	Is building resilience to cope with CC or capacity to adapt an explicit goal?	Will achievement of policy goals contribute to building resilience and/or adaptive capacity?	Are priorities coherent with NSP?	Is there a detailed implementation plan?
Food Security Policy 2013	Yes	No	Yes	Yes	No
National Energy Policy 2009	No	No	Yes Also to reducing GHG emissions	Yes	Yes
National Water and Sanitation Policy 2014	Yes	Yes but only with respect to water security	Yes	Yes	No
Coastal Management Framework 2008	Yes	No	Yes	Yes	No

6.3 Recommendations

In summary, adopting the following recommendations would strengthen links between RMI’s policies and plans to priority climate change action, and positions RMI to better design projects and attract funding available through climate change finance channels.

1. Develop specific implementation plans for climate-related sector policies, and for the NSP and JNAP, to indicate how broad policy-level goals will be achieved, including what actions to be prioritised for funding and how these actions will contribute to building climate resilience. These should be linked to annual and medium-term budgeting and resource plans to be effective.
2. Revise policies to include integrated multi sector “whole of island” approaches that recognise overlaps between the goals of energy, water, food security, health, land resources, and other priority areas. For example, the Coastal Management Advisory Committee (CMAC) facilitates exchange and joint day-to-day planning between sectors and similar approaches in other sectors would be of value.

3. Policies, as they are revised and updated, should articulate explicitly how their goals and activities make a contribution towards RMI's efforts to reduce climate risks, build resilience, and increase adaptive capacity. This does not necessarily mean that the suggested actions themselves need to change but that they be more explicitly linked to RMI's efforts to building climate resilience.
4. The policy development and planning process needs to include mechanisms for fostering wider stakeholder engagement and ownership. The low level of awareness and ownership of the JNAP highlights the need for improved stakeholder consultation and engagement in future revisions or development of an implementation plan.
5. The *Environment Protection Act* (1986) should be amended to indicate how it can be used to support RMI's effort to respond to climate change.
6. A robust climate change M&E framework should be implemented, with suitable indicators, to measure the impact of current climate-related programs and policies. This is crucial as a planning tool for the NCCC and other national development machinery, to be able to review the effectiveness of actions and adjust accordingly.

7 Institutional Analysis

Key messages

- Responsibility for implementing climate change-related activities is widely spread across ministries and entities, which makes sense given that activities are mostly implemented at the sector level.
- Two priority gaps that need to be addressed are the need to (i) improve coordination of climate change activities across RMI, and (ii) increase information exchange and knowledge management. Both of these depend heavily on how well they can be supported by OEPPC and the NCCC, as well as how active other ministries/departments are in participating.
- OEPPC needs strengthening if it is to be able to fulfil its mandate of coordination and act as the hub of information on climate change-related activities. At present it is constrained by, among other things, the significant burden of regional and international climate change meetings, which come at the expense of domestic coordination and support across government.
- The NCCC should be re-invigorated, by expanding membership (including not only department heads), introducing clear processes for decisions and documentation, and by central offices such as OEPPC and EPPSO playing the central role in providing other parts of government with oversight and the opportunity to engage on climate change issues.
- With regards to learning through monitoring and evaluation, the roles of EPPSO and OEPPC should be clarified and strengthened, to ensure RMI is learning from its efforts to implement actions that respond to climate change. This is crucial if use of funding is to be made more effective over time. Further, M&E of the NSP is essential to track progress and help RMI learn from experience.
- At present, project activities tend to be formulated largely with a specific sector focus. Mechanisms should be established to develop more integrated multi sector proposals, which would be more likely to attract finance and deliver more effective outcomes (to ensure activities funded through climate change-relevant finance contribute to achieving RMI's development priorities identified in the NSP).

This section looks at RMI's institutional landscape for responding to climate change, including how the roles and responsibilities of different actors are defined and delineated. The basic roles and responsibilities of the main institutions involved in coordinating RMI's response to climate change are briefly outlined in Box 4 Below. A basic organisational chart of the RMI Government is provided in Appendix 6: RMI Government Organisational Chart.

Firstly, an overview of the key functions that need to be served within RMI, in order to effectively respond to climate change and better utilise available climate change financing is provided. This is followed by an assessment of the extent to which RMI's current institutional arrangements perform these functions, including the process of information exchange between different actors, how planning and implementation matters are coordinated, and how learning is supported. It concludes with some recommendations for improving current arrangements.

Box 4: Current Institutions in Climate Change Coordination

Office of Environmental Planning and Policy Coordination (OEPPC): OEPPC was established by the OEPPC Act (2003). OEPPC's role is to i) act as an advisory body to the Office of the President, Cabinet, the Ministries and government agencies on environmental planning and policy matters – including issues related to climate change; ii) be the focal point in coordination, management and implementation of international environmental projects/programs and iii) act as the national point of contact in all negotiations with external partners and lending institutions on programs and/or projects of assistance. OEPPC also works in partnership with other government ministries and agencies, and the international community to prepare strategies to mitigate the negative impacts of climate change and prepare adaptation plans. It has the domestic climate change coordination role and is Secretariat to the National Climate Change Committee (NCCC) and provides technical support to MoFA during international negotiations on climate change.

National Climate Change Committee (NCCC): NCCC is responsible for ensuring progress on adaptation and mitigation elements of the JNAP, and to ensure new and emerging climate change initiatives in RMI are linked and integrated into JNAP priorities. NCCC is chaired by the Chief Secretary with membership comprising mostly Secretaries, Head of Agencies. The Director of OEPPC is Vice-Chair of the NCCC. Members often meet as the National Disaster Committee (NDC) during emergencies. OEPPC is Secretariat to this Committee with support of the Senior Climate Change Advisor.

Office of the Chief Secretary (OCS): OCS reports to the Office of the President and is responsible for the functioning of government ministries. OCS also houses the Disaster Office, which is responsible for disaster preparedness, risk reduction and response, and the National Disaster Committee (NDC). OCS also has administrative responsibility for OEPPC and the Economic Policy, Planning and Statistics Office (EPPSO – see below). The Chief Secretary chairs the NCCC.

Ministry of Foreign Affairs (MoFA): MoFA is the political focal point for the international climate change negotiations, together with the mission in New York and with bilateral partners and regional organisations. It works closely with OEPPC to coordinate international positions on climate change. Bilateral grants for projects are negotiated through MoFA (except for EU). The MoFA Secretary is a member of NCCC.

Ministry of Finance (MoF): MoF facilitates and handles funding from multilaterals (e.g. World Bank, ADB) as well as the European Union (EU). MoF also represents RMI on climate change issues at a range of other international and regional fora (e.g. Forum Economic Ministers Meeting) where climate change finance is discussed. MoF has no designated staff working on climate change issues. The Secretary of Finance is a member of NCCC.

National Disaster Committee (NDC): NDC was established under the Disaster Assistance Act (1994). The NDC is comprised of the Chief Secretary as Chair, with other Government Secretaries as representative members. The NDC's role is to ensure multi-stakeholder coordination and collaboration across government ministries for all disaster related management activities.

Economic Policy, Planning and Statistics Office (EPPSO): EPPSO reports through OCS to Cabinet on the development of sound economic policies and strategic planning, including developing and overseeing the implementation of the National Strategic Plan (NSP).

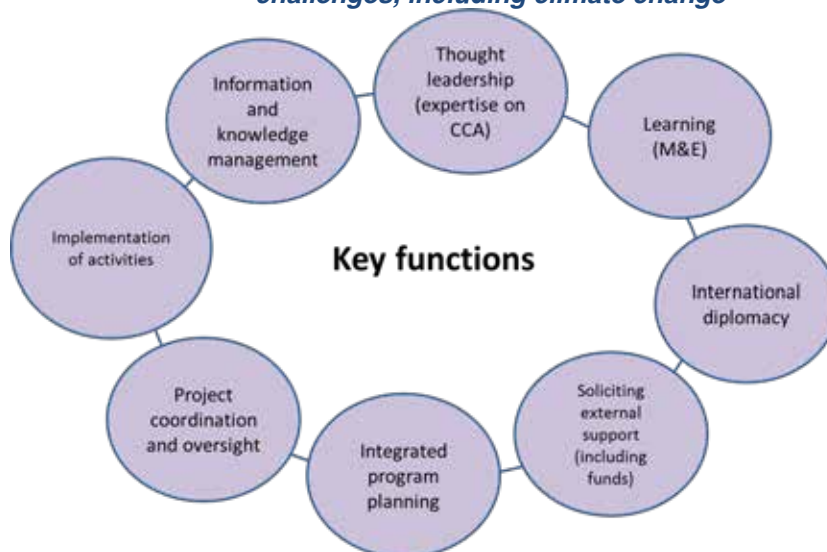
7.1 Key functions that need to be served by the country's institutional arrangements

To develop and implement responses to climate change, and to help attract and effectively utilise climate change finance, the following “functions” need to be established and performed across government:

- Information and knowledge management;
- coordination and oversight of climate change policy and planning;
- coordination of “on the ground” climate change response action;
- thought leadership, particularly expertise in engaging with the climate change adaptation agenda (through which external resources are channelled);
- development of integrated multi-sector programming;
- monitoring, evaluation and learning;
- coordinated approaches to attracting external sources of climate change finance;
- financial management and reporting on climate change matters; and
- climate change related foreign policy/relations (international diplomacy).

These different functions of institutional arrangements need to be strengthened by government for responding to climate change. This does not imply that all functions need to be performed by a single office or ministry but rather to have effective mechanisms across government to ensure these functions are fulfilled. However, opportunities exist to amalgamate and collocate some functions to help facilitate exchange between core staff. Figure 19 presents the essential functions of an effective government institutional arrangement.

Figure 19: Essential “functions” – the pillars of an effective, long term response to RMI’s future challenges, including climate change



7.2 Effectiveness of current institutional arrangements

7.2.1 Information and knowledge management

The ability for different parts of government, and ideally the community, to access and share information is crucial to being able to prioritise, plan, implement, and coordinate effective climate response measures. Similarly, a system for maintaining and managing data concerning climate change projects and programs in RMI would provide a platform for more effective coordination and reporting.

An institutional culture is therefore needed that can support open information sharing and exchange, which:

- Provides different stakeholders with an overview of weather-related risks and, and the projected impacts of climate change, in order to facilitate their integration into sector and local planning initiatives;
- ensures accurate estimates of loss and damage costs are compiled following weather related disasters, such as storm surge, wind damage and extended drought, in order to support the development of appropriate risk transfer mechanisms such as disaster insurance, and where possible contribute relevant data to the international discussions on loss and damage;
- facilitates oversight of “implementation” activities occurring in-country, such as the array of project and program activities that contribute to RMI’s response to climate change;
- enables cross-government discussion to identify existing and emerging response needs across priorities different sectors, and thereby facilitate better integrated multi-sector planning;
- creates awareness of potential climate change financing opportunities that may exist to fund identified response needs;
- provides transparency to development partners, government and the community on where climate change related financial assistance to RMI is being directed, and the links to national financial management and reporting systems; and
- builds human capacity across government to understand climate change risks and integrate these risks into development plans and initiatives.

At present RMI’s, climate change information and knowledge management is both limited and fragmented. Even within the Ministry of Finance comprehensive information on climate change funds being received is not available, while central agencies such as OEPPC also have an incomplete view.

Although there are some good examples of departments working together, there are also examples of poor interdepartmental communication. This may be due to overly hierarchical (vertical) information flows and/or territorial issues. In general, OEPPC does not gather information in a way that would enable them to have good oversight, and the ministries themselves don’t actively provide information to OEPPC.

Table 4 provides an overview of which agents in RMI are best-placed to ensure a well-functioning information and knowledge management system. Based on the existing arrangements, there are existing national government bodies that could fulfill this role (OEPPC and/or the NCCC), though EPPSO and the Ministry of Finance (in relation to financial flows) can also make important contributions. Assessments of OEPPC and NCCC capacity are presented in more detail in Section 7.3. Note that all government entities also need to play a role in providing input and/or participating in exchange.

Table 4: Responsibilities for ensuring and coordinating information exchange

Information/knowledge need	Coordinating body	Key inputs from
Provide different stakeholders with an overview of weather-related risks, and the projected impacts of climate change	OEPPC Climate Change Adviser compiles and shares material	Educational institutions Weather Office using projections from projects like PACSAP etc
Ensure loss and damage cost estimates are compiled following weather related disasters	National Disaster Office	Ministry of Public Works – to provide estimates of losses and damage Emergency management Office
Facilitate oversight of what “implementation” activities are happening in country	OEPPC compiles NCCC as a forum for sharing	EPPSO All agencies All active non-government partners, including CBOs, education institutions, etc
Enable cross-government discussion on climate change response needs and priorities	National Climate Change Committee EPPSO	All agencies
Create awareness of potential climate change funding opportunities that are available	OEPPC	Ministry of Foreign Affairs, Grant Writing Office, Ministry of Finance EPPSO (if they are to develop and maintain a list of all climate related development assistance received by RMI, as suggested during consultations for this assessment) Individual agencies as opportunities arise
Provide transparency of the climate change related financial resources received by RMI from external development partners, and where these are being channelled	Ministry of Finance	OEPPC Marshall Islands Mayors Association (MIMA)
Build human capacity across government	Public Service Commission Educational institutions	OEPPC Climate Change Adviser

7.2.2 Project coordination and oversight

As shown in Section 4, there is already a wide range climate change related activities underway in RMI. This study identifies 40 different projects, many of which may have multiple sub-components.

Without effective coordination and oversight, it is difficult to take advantage of potential synergies between activities, or to ensure that experience and lessons learnt are being used to guide future response measures.

Under current arrangements, several actors appear to have some responsibility for coordinating climate change-related activities, and their respective responsibilities are not clearly delineated:

- *National Climate Change Committee (NCCC)*. The Secretaries and department heads’ committee that discusses climate change issues. The same members are also on other committees (including as the National Disaster Committee), so it is not always clear when the NCCC is meeting.
- *Office of the Chief Secretary* – Chairs the NCCC, is responsible for reporting to the Minister for Climate Change (Minister in Assistance to the President) and Cabinet. Important role in connecting the government’s activities to the political level (Nitijela, Cabinet, President). The Office of the Chief Secretary also oversees the Disaster Office, OEPPC and EPPSO. At present, the heavy workload of the Chief Secretary limits NCCC activity.
- *OEPPC* – established to play a central coordinating role for government, including climate change, and also provides advice to Cabinet on all Multilateral Environment Agreements (MEAs). It also coordinates

preparation of the JNAP and Secretariat of the NCCC, and responsible for overseeing implementation of the Climate Change Policy Framework.

- *Ministry of Foreign Affairs* – coordinates negotiations and engagement with the international climate change process, external development partners (donors) and regional CROP organisations.
- *Ministry of Finance* – responsible for administering financial resources that are channelled to RMI, including those for climate change related activities. Also represents RMI at some regional and international forums where climate change issues are discussed, such as the Forum Economic Ministers Meeting and other forums, hence needs to coordinate with other government agencies to ensure consistent messaging and information sharing. Finance is also the central contact point/coordinating agency for all ADB, World Bank and EU projects.

Improving information exchange and knowledge management systems, discussed in the subsection above, is an important initial requirement for improving overall coordination.

7.2.3 Implementation of activities “on the ground”

Climate change response activities cover a wide range of sectors and different geographic locations (including outer islands). They include hard infrastructure measures (coastal protection, water treatment and supply, waste and wastewater management facilities, transportation and communication assets), soft infrastructure (vegetation planting for coastal protection, etc), awareness raising and capacity building (at the government, private sector, and community level), and conservation programs. A list of climate change related projects identified by this assessment is presented in Appendix 4.

Table 5 lists the implementing and coordinating agencies²⁰ for each of the 40 climate change projects identified in this study with clear national funding allocations to RMI and also identifies the coordinating and implementing agencies, including:

- The Ministry of Resources and Development (MRD) which is responsible for energy policy, coordination and some implementation, and also responsible for agriculture and food security, and includes MIMRA which oversees marine resources.
- The EPA which is responsible for coordinating and administering the Environmental Protection Act and the Coastal Conservation Act. It also manages the GEF Pacific Integrated Water Resource Management Project.
- Ministry of Education
- Public Works
- EPPSO
- Marshalls Energy Company (MEC)
- Majuro Water and Sewer Company (MWSC)
- KAJUR
- Disaster Office
- Majuro Atoll Waste Corporation
- Non-government e.g. CMI, USP, WUTMI
- Local government

²⁰ The coordinating agency is the agency overseeing the projects funds and managing the overall project while the implementing agency is responsible for actual work to undertake the project such as construction, training, earthworks, etc.

Table 5: Climate Change Project Implementing and Coordinating Agencies - No. of individual projects

Implementing Agencies	Coordinating Agencies											Total
	CMI	EPPSO	MoF	MoFA	MPW	MRD	MTC	OCS	OEPPC	USP	UNDP	
CMI	1	-	-	-	-	-	-	-	-	-	-	1
CSOs	-	-	-	-	-	-	-	1	-	-	-	1
Disaster Office	-	-	1	-	-	-	-	1	-	-	-	2
EPA	-	-	-	-	-	1	-	-	1	-	-	2
EPPSO	-	2	-	-	-	-	-	-	-	-	-	2
KAJUR	-	-	-	-	-	-	-	1	-	-	-	1
MAWC	-	-	-	-	-	1	-	-	-	-	-	1
MEC	-	-	-	-	-	8	-	-	-	-	-	8
MISC	-	-	-	-	-	-	1	-	-	-	-	1
MoE	-	-	-	-	-	1	-	-	-	-	-	1
MoFA	-	-	-	1	-	-	-	-	-	-	-	1
MPW	-	-	-	1	-	-	-	-	1	-	-	2
MRD	-	-	1	1	-	-	-	-	2	-	-	4
MWSC	-	-	-	-	1	3	-	2	1	-	-	7
OCS	-	-	1	-	-	-	-	1	-	-	-	2
OEPPC	-	-	-	-	-	-	-	1	-	-	-	1
RMIPA	-	-	-	-	-	-	1	-	-	-	-	1
USP	-	-	-	-	-	-	-	-	-	1	-	1
Various	-	-	-	-	-	-	-	-	-	-	1	1
Grand Total	1	2	3	3	1	14	2	7	5	1	1	40

MRD is particularly active as an implementer, with its responsibility for Energy, Water and Agriculture. OCS and OEPPC are also active as implementing agencies, which is somewhat unexpected given their mandates, but reflects that projects become embedded in those offices responsible for climate change and disaster risk coordination and management.

It is important to note that often what is being implemented is not a specific “climate change” project, but rather an activity that has positive benefits in terms of increasing RMI’s capacity to cope and/or to adapt to climate change. For example:

- Assistance to the Majuro Waste Company under the US Compact to address waste management problems will indirectly improve the resilience of Majuro by reducing health concerns, marine contamination and other problems that can undermine livelihoods and resilience.
- In the energy sector, the EU North Rep project has the goal of improving the quality of life by providing access to basic electricity services on outer islands, and thereby will improve livelihood and resilience to climate change and will simultaneously reduce the need for fossil fuels to meet energy demand, thus contribute to RMI’s efforts to curb greenhouse gas emissions.
- The Social Protection of the Vulnerable in the Pacific project implemented by ADB using funds provided by Japan will (i) provide socioeconomic support to the vulnerable population to alleviate the impact of recent economic crises and weakening informal safety nets, for instance through support to vulnerable communities for coconut tree planting, and to government agencies to build capacity.

Successful and efficient implementation also relies on other functions working well, such as the oversight and expenditure approval processes of the Ministry of Finance. These are discussed in the section on PFM and Expenditure Analysis.

7.2.4 Thought leadership

In order to develop proposals that attract international finance for climate change, it is often necessary to involve specific climate change expertise and knowledge, to link priority actions with climate change-related outcomes. This expertise is also needed for developing domestic responses to the projected impacts of climate change (adaptation), for designing initiatives to build human capacity across government and within the community, for supporting government in international negotiations and advocacy, and to support “mainstreaming” of climate change across government and community activities.

Climate change “specialists” are most likely to be located in OEPPC, in particular the Senior Climate Change Adviser (at the time of this assessment was currently being recruited). It is important this adviser possess a good knowledge of climate change.

7.2.5 Integrated programming

Integrated planning develops proposals that involve multiple sectors and delivers multiple objectives and outcomes. For instance, energy, water and food security components integrated into a single project. Integration implies tackling issues from a holistic multi-sector perspective to take advantage of synergies and to ensure that efforts in one area do not have unforeseen adverse impacts in another. Better strategic planning will support a move away from small, adhoc projects towards more programmatic approaches that are better able to achieve RMI’s priorities in terms of both climate change and disaster resilient development.

In practice, integrated planning requires working across government, and with local government and communities, to develop response options to address an issue that take into account the impacts and outcomes across a range of sectors. OEPPC and NCCC are likely to be important players in terms of developing integrated multi-sector approaches as they can bring together a broad range of stakeholders and take a more holistic perspective than may be the case from a response option developed solely from the perspective of a specific sector.

In the case of RMI, existing processes do not facilitate good consultation or the development of well integrated approaches. For example, if the RMI Ports Authority or Air Marshall Islands wants to deliver a project, the current process requires that they go through their board, the Minister and Cabinet first, after which the project proposal comes to the relevant Ministry for comment. Further, other ministries only become informed after the decision to proceed has been made, if at all. This sequence diminishes the opportunities for more integrated approaches to be developed.

7.2.6 Learning

Learning from previous experience is an essential function to improving the effectiveness of future actions. Monitoring and evaluation (M&E) should primarily be directed at determining whether or not a response measure, or set of measures, has delivered the intended outputs and outcomes that the intervention was designed to achieve. It is also a useful process in identifying problems and issues that were encountered during implementation. M&E is an essential element of the programming cycle. Critical evaluation of climate change response measures that have been, or being, implemented allows RMI to learn from experience and ensure the design and implementation of future initiatives are effective and well targeted.

Entities implementing projects and programs are usually responsible for M&E functions, though as far as possible they should have some level of independence and objectivity. It is also important that national coordinating entities are involved in the M&E process to some extent and, more importantly, to utilise the knowledge products emanating from the M&E process. Their involvement can also assist in (i) establishing an M&E framework that is able to capture important outcomes relating to climate change, vulnerability and risk, and (ii) help draw together information and findings in a form that can help inform and improve future climate change response option.

Note that although development partners often include some form of M&E component to projects, this tends to be limited to the life cycle of the project and in some cases is output-based. This is not sufficient for a proper evaluation of the real impact of a project, assessing post project sustainability of the project outcomes, or generating knowledge products and lessons learnt. Where possible follow-up evaluation of projects and programs several years after they have been completed is a very useful means of identifying the real outcomes of a project and the long term sustainability of these outcome. It is beneficial for RMI to undertake an on-going post-project evaluation process to ensure that it can capture the real benefits and lessons learnt of the climate change response it has implemented.

At present, responsibility for M&E is unclear. In particular, the roles of EPPSO and OEPPC could be clarified. There is currently no centralised reporting and reflection on learnings from the climate change projects and

programs that have been implemented in RMI. The result is that there is limited feedback or information provided to help guide the design and implementation of future response actions to ensure that mistakes are not repeated.

7.2.7 Accessing external resources

Accessing external funds to support climate change response measures should be a critical area of institutional focus for RMI and an area that this analysis focussed considerable attention. Key functions include: preparing and coordinating climate change proposals for international funds and facilities, engaging with bilateral and multilateral development partners, and engaging with other potential contributors (NGOs and private sector entities) that can also provide technical and financial resources to support RMI efforts to respond to climate change.

RMI has adopted a multi-institutional approach to accessing external resources and a range of ministries and departments are engaged in this area. Some project activities are initiated by contact between individual departments and donors while, others managed through more centralised processes (for instance any ADB project will be coordinated through the Ministry of Finance).

Although a range of ministries are actively seek external support the key institutions in relation to attracting external finance include:

- Ministry of Foreign Affairs maintains bilateral relationships and is the principal agency in terms of accessing external climate change funding support.
- OEPPC's plays an important role coordinating climate change response measures in RMI, although the extent to which they play a major role in sourcing external support was somewhat unclear.
- The Grant Writing Office, within the Ministry of Finance, assists ministries and other stakeholders prepare funding proposals and plays an important role as well.

7.2.8 Financial management and reporting

The Ministry of Finance needs to play a key role in managing resources that are made available to RMI to implement climate change-related activities, including to report on the use of funds (both to development partners and to the Nitijela). The Ministry of Finance also influences the work of line ministries, since they need to be able to draw funds from dedicated accounts as needed during project implementation. Several institutional issues were identified during the assessment that need to be addressed, especially in relation to financial management of climate change funds.

From the line ministries' perspective there were some issues associated with the management and timely disbursement of funds from MoF. Some ministries suggested that there needs to be more efficient and timely disbursement of funds as long delays between funds being requested and made available can adversely impact on project delivery.

From the development partner's perspective they see a need for greater transparency, accountability and auditing of the use of resources.

For the Cabinet and Nitijela, and across government, the need is for transparency as well as comprehensive coverage in budgeting and reporting.

These issues are discussed in detail in Section 5 on PFM and Expenditure Analysis.

7.2.9 International climate change relations

Responsibility for international climate change relations and advocacy seems to be relatively clearly defined. Overall, the Ministry of Foreign Affairs (MoFA) has the lead, with technical input on specific issues provided by OEPPC. Communication and coordination between these two offices, and with the RMI Permanent Mission in New York, appears to function well.

However, two points are worth noting regarding the potential for improvement. Firstly, it has been noted that the Ministry of Finance also represents RMI in some forums where climate change finance is discussed, in particular the Forum Economic Ministers' Meetings, but does not coordinate its positions with MoFA, nor provide regular reporting back to MoFA. The Ministry of Finance is also the main focal point for major sources of climate change finance such as the Asian Development Bank, World Bank and the European Union. It is recommended that MoF and MoFA should work more closely together and develop a stronger information flow between these agencies. Furthermore, overall coordination can be improved by ensuring all ministries report regularly on activities related to climate change, both nationally and internationally (including meetings), through the NCCC.

Secondly, participating in regional and international forums and negotiations appears to place stress on already thinly stretched staff resources, and is impacting domestic coordination efforts. While participation in regional and international forums at present might be perceived by RMI as a strategic priority, and for some meetings a national obligation to agreements that RMI signed up to, the consequence is reduced capacity domestically to coordinate climate change activities and to ensure available funds are being well-used. OEPPC's capacity to coordinate is severely constrained by its regional and international focus considering the office only has three established positions (Director, Deputy Director and Chief of Administration, Finance and Planning). This reduces its effectiveness in fulfilling its important domestic coordination role. It is clear that OEPPC needs to clearly rationalise its international meeting schedule. It needs to better prioritise which meetings it attends, critically assesses the real merits and outcomes of participating in these meetings, and devote much more attention to how participation in these meetings benefits RMI's capacity to address domestic climate change priorities. In addition OEPPC staffing could be expanded to ensure that domestic coordination requirements are better serviced.

7.3 Key roles of the National Climate Change Committee and OEPPC

Overall, based on the observations of different RMI stakeholders, the two key bodies – i.e. OEPPC and NCCC – could function better with increased resources and a refocussed effort. Hence there is a need to restructure and revitalise these entities.

The National Climate Change Committee (NCCC)

The NCCC is the main forum in which representatives from different government departments can participate in cross-government discussions about climate change. It is also given responsibility for the JNAP implementation.

The functionality and effectiveness of NCCC presently appears to be constrained by:

- insufficient specialty/technical knowledge amongst committee representatives (department heads who are mostly administrators and not technical people) to make informed decisions on climate change response needs, the best use of the climate change resources available, and to effectively support climate change mainstreaming across RMI;
- an over reliance on vertical information flows from secretaries and heads of ministries and agencies, which tend to be relatively to be unreliable and inconsistent;
- over-burdened in terms of the administrative workload that it can effectively process (as noted previously in this report the same NCCC members are also on a range of other committees, as well as being Departmental Heads);
- lack of clear structure and protocols on roles and responsibilities, as well as limited secretariat support to document and coordinate the NCCC (there are no regular reporting requirements and no written records of meetings or discussions). Instead the NCCC relies on adhoc communication, has limited information sharing across different ministries and limited proactive engagement of departmental staff; and
- limited representation from other important stakeholders and inadequate sector coverage (for example, MIMA, the Grant Writing Office, WUTMI, limited MRD participation and NGO representatives).

The Office of Environmental Planning and Policy Coordination (OEPPC)

In the Act establishing the OEPPC, its roles are described as:

- a) “to act as an advisory body to the Office of the President, Cabinet, the Ministries and government agencies, on matters of environmental planning and policy generally;
- b) to act as the focal point of contact in the coordination, management and implementation of all international environmental projects/programs and to ensure the successful implementation of such projects; and
- c) to act as the national focal point of contact in all negotiations with external sources and lending institutions on programs and/or projects of assistance”

Overall, OEPPC should be the lead climate change agency in terms of: coordinating information and knowledge management; project and programme coordination; thought leadership (for instance, supporting mainstreaming of climate change into national and sector plans); and to some extent capacity building across government. It could also lead integrated planning on climate change, and contribute to ensuring a robust and meaningful M&E process is established in terms of whole of government management of climate change, in close collaboration with EPPSO.

To date, OEPPC appears to have struggled to fulfil its mandated responsibilities. This can be seen, for instance, in the Office’s incomplete information about climate change projects underway in RMI, despite overall project coordination being a key part of its mandate. This is due to several factors.

- The Office has very limited human resources (only 3 permanently funded staff, the rest being project-based).
- Due to its mandate to represent RMI internationally too much, OEPPC staff time is devoted to international meetings and conferences which limits time available to perform its domestic functions.
- OEPPC has been without a climate change adviser recently, which is a role envisaged to carry out many of the key OEPPC functions.
- In the absence of a strong forum for centralised discussion, it is difficult for one Office to effectively convene the necessary stakeholders and/or information for effective coordination and management.

Recommended Actions

To function effectively as a “clearing house mechanism” that can coordinate a centralised process for discussing climate change issues, prioritising actions and accessing external funding for climate change related activities, OEPPC needs to be able to convene a regular dialogue forum that brings together different departments. This is, in fact, the role that can be played by the NCCC. While chaired by the Chief Secretary, the secretariat support and day-to-day follow up of the NCCC can be undertaken more effectively by OEPPC, particularly by the newly recruited climate change adviser. Allocating responsibility for the NCCC secretariat functions to OEPPC would enhance its role as the key climate change coordinating body.

Clarity is also needed on the exact role envisaged for OEPPC with regards to “the acquisition, coordination and negotiation of climate change finance”, which is a role it has been flagged as having but which is not clear. While climate change expertise (on adaptation, in particular) can certainly be used to strengthen government and community proposals for funding, another question is whether the OEPPC should act as a funnel for all funding requests, or whether this would represent another unnecessary layer of bureaucracy. The potential role of EPPSO here is also an open question; as the office responsible for overseeing implementation of the NSP, EPPSO could play a useful role in helping to ensure project proposals are in line with the NSP priorities. To be able to do this, EPPSO and/or OEPPC need to be involved in the process of proposal preparation, and from their side need to commit resources towards assisting ministries and other stakeholders refine their project proposals.

It was proposed a JNAP Unit will be established to coordinate the implementation of the JNAP but it is not clear. It is unclear where this unit will be located. It will be important to ensure that it works closely with, or located in, OEPPC to ensure effective coordination with the broader RMI initiatives.

7.4 Recommendations

Overall, greater clarity is needed on the specific roles of different departments and offices in planning, coordination and implementation of the government’s response to climate change. The JNAP Unit in particular

needs to be nested within the existing climate change coordination structures due to the overlapping nature of its proposed functions relative to other government entities.

1. A reinvigorated NCCC

- A central advisory committee, which is the role currently played by the NCCC, is an important tool for ensuring coordination, information exchange (communication), capacity building, and for facilitating integrated planning. A vibrant inter-departmental group, with wider representation than the current NCCC membership, is needed to facilitate better information flows across ministries, departments and other non government entities. Experiences with both the CMAC and the Energy Task Force highlight the merits of either expanding membership of this core committee to include more government and non-government stakeholders, or to create an alternate committee which enables lower-level participation (i.e. department staff, below heads). A more inclusive structure, whether as the NCCC itself or as a group that reports to the NCCC, is consistent with the JNAP approach to adopt a flat hierarchical structure for managing climate change.
- An expanded NCCC with clear procedural protocols and written documentation, would help invigorate information exchange and improve coordination. This arrangement could also be used as a forum for regular OEPPC reporting on (i) JNAP implementation, (ii) ongoing climate change related activities, and (iii) upcoming opportunities.

Box 5: Water sector institutional arrangement example

Sector example – water

Institutional arrangements that RMI has put in place for the water sector may provide a useful model. The *National Water and Sanitation Plan 2014* proposes to establish:

- a Water and Sanitation Commission with responsibility for decisions about resource allocation and sector priorities and for anticipating emerging challenges (this would be equivalent to the NCCC, though may have wider membership);
- a National Water Office responsible for “on the ground” implementation activities including planning, M&E of activities across the sector, and preparation of a Water and Climate Outlook report (this is equivalent to the OEPPC / JNAP Unit); and
- local Water Committees, which provide the link to the *Reimaanlok National Conservation Area Plan* and its community based approaches to resource conservation.

2. A better resourced and more strategically focused OEPPC

- Responsibility for coordination should be one of the main roles of the climate change adviser at OEPPC. This includes responsibility for knowledge management (collating and maintaining information about existing activities), including secretariat support for the NCCC.
- OEPPC should either maintain a database on all projects that are being (or have been) implemented, or should support EPPSO to fulfil this role (as they are also intending something similar to coordinate implementation of the NSP). In either case, this requires OEPPC and/or EPPSO to have regular information from line ministries and other implementing entities to enable them to track progress. Regular reporting to the NCCC by OEPPC and/or EPPSO on activities would also assist with monitoring implementation of both the NSP and the JNAP, and be a useful source of information for the production of a regular State of the Environment report. Further, it will help to identify gaps in existing priorities, as well as synergies between activities where resources may be used to achieving multiple goals simultaneously.
- To improve communications and raise broader awareness and transparency on climate change response action across government OEPPC and EPPSO should work with MoF to produce a regular joint newsletter for circulation within (and beyond) government. More active engagement from the Ministry of Finance with other parts of government would greatly assist in delivering a broader ‘whole-of-government’ approach and improve information flows.
- To improve learning outcomes EPPSO and OEPPC should assess how to improve and support national level M&E with a greater focus on outcomes as opposed to outputs, and help identify what could have been done better. Furthermore, greater clarity is needed on the specific roles of EPPSO and OEPPC (as well as other departments) in regard to M&E design, data collection and coordination, reporting, and information sharing.

- To implement these measures some resource re-allocation may be required. In particular, the RMI Government needs to decide how best to shift OEPPC's focus more towards improved domestic coordination, either through reduced attention towards international and regional engagement activities, and/or increase OEPPC staff resources. This was a significant gap identified during the assessment.
3. Engaging local government and non-government stakeholders
 - Although the main focus of this analysis is on institutional arrangements at the national level, it is important to give consideration to how the RMI government might better engage and support the needs of local government and of other organisations that are working with communities to implement climate change activities.
 - It is important that local government is also actively engaged in information exchange. The role of MIMA here is critic two way communication between the community and government.
 - Organisations such as WUTMI, who work on the ground with communities (e.g. in the preparation of atoll action plans) should also be brought into the information and knowledge exchange process.
 - Both national departments and local governments can make better use of the Grant Writing Office (GWO), as a source of expertise in proposal preparation and for information about funding opportunities. There needs to be greater awareness of the GWO ability to assist local governments to respond to funding opportunities. At the same time, staff at the GWO need to increase their awareness and understanding of climate change, through training and capacity building, and also be adequately resourced to effectively support national efforts in sourcing external finance.
 4. Technical and substantive “thought leadership” – The new Climate Change Adviser being recruited for OEPPC should have sufficient knowledge and experience of climate policy and adaptation planning. The role should be domestically focused, and specifically include building capacity across government to better understand climate change impacts and integrate response measures into sector policies and plans.
 5. Project coordination – OEPPC should build and maintain an active database of past and ongoing projects that are related to climate change, or should assist EPPSO in undertaking this task (to avoid duplication of effort). Reporting on activities by OEPPC, Finance, EPPSO and by implementing departments needs to be regular, centrally collated, and formalised. Coordination needs to be an active function, not just maintenance of a static project list. The role should identify ways in which projects can build on each other to improve resource efficiencies and ensure coherence (and reduce potential for duplication).
 6. Information and knowledge management – A reinvigorated NCCC would stimulate greater information flow and exchange, and should seek to harness the enthusiasm and expertise of lower level (technical) staff, not only department heads. Dedicated resources should be allocated by government to information and knowledge management, including positions that focus on this role. Additionally, a needs analysis should be undertaken across government (and including other stakeholders) to determine what kind of information is needed or desired by different stakeholders, and in what form would be most effective. The preparation of a guideline on information management would also be useful, which identifies who needs to know what and who is responsible for coordinating and sharing information and in what form.
 7. Learning (M&E) – Roles in designing and implementing M&E need to be clarified, in particular between EPPSO and OEPPC. These offices should support implementing departments to design and carry out M&E with a focus on outcomes and their sustainability. A functioning NCCC, along with regular reporting requirements (e.g. to support NSP, JNAP implementation, NCCC discussions, and possibly State of the Environment reporting) would provide mechanisms for feeding lessons learnt back to government to inform future project designs.
 8. Integrated program planning – NCCC and OEPPC both need to support a more integrated multi sector programming approach to ensure proposals from individual departments or stakeholders are considered against the JNAP and NSP outcomes and objectives. OEPPC should assist line ministries integrate climate change considerations into sector policies and plans and also ensure that a broader range of sectors are

incorporated into the JNAP and NSP. EPPSO should support project proposal development to make projects more consistent with the NSP, and thus ensure they contribute to NSP priorities.

9. Attracting external climate change finance – As the contact point for many bilateral and multilateral relationships, the Ministry of Foreign Affairs needs to be active in taking project proposals to potential donors. To do this, OEPPC and EPPSO need to be active in providing MoFA with funding proposals from across government, and especially actively working with the Ministry of Finance (e.g. through the Grant Writing Office).
10. International climate change relations and engagement – There is a need to streamline input requirements from different departments and ensure that they focus greater attention on domestic climate change activities.

8 Human Capacity Analysis

Key messages

- The overall volume of human capacity allocated to the climate change program is low relative to the importance placed on climate change as a national priority, and the magnitude of the work involved.
- A significant proportion of the existing human capacity consists of expatriate staff undertaking project specific, short term activities. This inhibits the ability of the RMI to build and sustain local capacity, maintain consistency and develop corporate knowledge.
- The absence of a dedicated focal point for climate change in the Ministry of Finance is a notable gap, given their key role in managing resources.

This section assesses the human capacity of RMI to access and manage climate change finance from international donors. The specific focus of this report is to assess the human capacity of RMI to access and manage climate change finance. The institutional and systemic aspects of capacity building are assessed in this report's Institutional and Policy Analysis sections.

8.1 The role of human capacity in climate change finance

Accessing and managing climate change finance depends heavily on the capacity of RMI to develop and implement various activities and projects. Effective use of existing funding assistance can be just as important as preparing a grant proposal when it comes to accessing climate change finance. Every aspect of the climate change finance cycle relies upon RMI having or accessing appropriate human capacity. Limited national capacity is often cited by donors as the main reason for not allocating funding to countries, or only delivering assistance through a limited range of modalities (PIFS, 2013c).

Undertaking advocacy, engaging with donors and preparing grant proposals is highly resource intensive and often requires specific skill sets. Upon receiving funding, the recipient also needs to fulfil administrative and reporting obligations to the donor, which are often time consuming, though this varies between donors. Meeting these obligations is a key part of maintaining RMI's reputation with the donor and encouraging future investment.

In addition to reporting and administrative obligations, RMI also needs to put the funding to its intended use and successfully achieve the expected outcomes of both the donor and RMI. This also requires significant human capacity. At a broader national level, there also needs to be capacity to coordinate, plan and prioritise the individual projects or grants and ensure that finance is effectively utilised and contributes to achieving national climate change and development objectives. As highlighted earlier in this report if RMI seeks more flexible and administratively efficient forms of climate change assistance, such as budget support, donors need to be confident that RMI can successfully plan, coordinate, implement, and report on their own climate change activities. Donors need to also recognise that RMI must strengthen its human capacity and institutional structures to effectively manage climate change finance flows and efforts should be directed to building this capacity..

Ideally, RMI should have dedicated staff for the different aspects described above, so that the management of funds received and the implementation of activities are not carried out by the same staff.

8.2 Existing human capacity in the Marshall Islands

This section identifies the existing human resources available to administer RMI's climate change program, and discusses how they are currently used and distributed.

8.2.1 Status of existing human capacity

In RMI, the climate change agenda is well recognised and publicised by RMI Leaders at the national, regional and international fora. Despite this high profile, however, nearly all stakeholders consulted during this assessment flagged the lack of human capacity as a key obstacle to RMI's effective access and management of climate change resources. The RMI NSP 2014-2016 (RMI, 2014a) recognises that human capacity needs to be strengthened across the board. The NSP also highlights this lack of technical capacity in relation to disaster risk reduction. The RMI JNAP (RMI, 2014b) also notes the need to build climate change and disaster capacity under Goal 1, Objective 1.3.

This section aims to first describe in general terms what climate change human capacity already exists in RMI. Quantifying exact human capacity was problematic, as many positions contribute indirectly to climate change outcomes without it being clearly delineated in the position ToR, or only engaged in climate change on a part time or adhoc basis. For the purpose of this assessment, human capacity has been divided into three general categories;

- 1) **Core climate change positions** – these are positions where the management of some aspect of climate change is the primary purpose (or one of the primary purposes) of the position. In these positions, it is assumed that the majority of the staff member's activity will contribute directly to climate change outcomes.
- 2) **Related climate change positions** – these are positions in sectors which are widely recognised as being closely related to climate change, but it is not the primary purpose of the position (e.g. energy, or agriculture). In these positions, it can be estimated that a portion of the staff member's activity will contribute either directly, or indirectly, to climate change outcomes.
- 3) **Non-core climate change positions** – these are positions in sectors which in the past have not been considered to have close linkages to climate change, but are increasingly recognised as playing an integral role in an effective climate program. This might include positions in finance, education, health or public works for example. These positions are more likely to involve the staff member acting as the sector representative for climate change related matters, as well as positions where climate change might be the primary focus of the role.

Core climate change positions

Based on the above definitions, there were 16 positions in the RMI Government which could be considered core climate change roles. Three are permanent climate change staff members in OEPPC (all of whom were local staff at the time of assessment), plus one US funded Climate Change Adviser, which was being recruited. These staff members are responsible for coordination of climate change programs and policy development in RMI.

OEPPC also had five short term climate change project staff which included a mix of both local and expatriate staff. These positions are funded by various international donors and regional organisations to manage specific climate change related projects. However, the assessment identified that the project staff were sometimes side-tracked into working on general OEPPC activities. Although the diversion of project staff time to other general duties of OEPPC can hinder the timely implementation of projects, this arrangement is also providing short term supplementation to OEPPC capacity. Apart from the project staff, the RMI Government has also engaged two consultants to support the Government in international climate change negotiations, with funding support from the United Kingdom. In addition the RMI Ambassador to the United Nations and the Minister responsible for Climate Change also play a core role in representing RMI's interest at the United Nations Framework Convention on Climate Change (UNFCCC) negotiations.

Moreover another key position that directly supports climate change mitigation efforts in RMI is the Energy Planner that is housed at the Ministry of Resources and Development (MRD). Another two project staff that play direct climate change roles are also hosted at the Environment Protection Authority (EPA).

In summary it is evident that a significant proportion of climate change work in RMI appears to be delivered by temporary project staff, and a relatively large proportion of these are expatriates.

Related climate change positions

There is a large number of permanent staff throughout RMI Ministries and Agencies that work in fields closely related to climate change activities on a regular basis. The following organisations were identified as dedicating a percentage of staff time to activities which achieve climate change outcomes, both directly and indirectly;

- Ministry of Foreign Affairs
- Ministry of Finance
- Marshalls Energy Company (MEC)
- Majuro Water and Sewerage Company (MWSC)
- Ministry of Internal Affairs
- Marshall Islands Marine Resources Authority (MIMRA)
- Environment Protection Authority
- Grant Writing Office
- Ministry of Resources & Development
- Office of the Chief Secretary
- Coastal Management Advisory Council
- Majuro Weather Station

In addition to efforts by permanent staff, the EPA, MRD, MWSC, OCS and MEC all had additional funding and/or project staff or volunteers to undertake projects with climate change benefits. In particular, a large percentage of staff time in the Energy Planning Division of MRD is dedicated to renewable energy projects and agriculture (food security), most if not all of which are donor-funded. These positions could perhaps be considered as core climate change positions, but have been placed in this category for two reasons: (i) energy staff also dedicate around half of their time to non-renewable fossil fuel activities, and (ii) many renewable energy projects in RMI have multiple purposes, with one being mitigation, but another key purpose is energy security, particularly on outer islands. So while the staff can be considered to spend a large percentage of time on projects with positive climate change outcomes, it is not necessarily their primary purpose or function.

In addition, the Secretary of each line Ministry in the RMI Government, and some other key organisations, participate in the NCCC. The members of this committee are also on numerous other committees (e.g. disaster, food security), in addition to carrying out their administrative responsibilities at their respective ministries or departments. Therefore while members of this committee play a key role specifically related to climate change, it cannot necessarily be assumed to take up a large proportion of their time.

Although the Ministry of Finance (MoF) has to date not been a prominent participant in the climate change arena (other than administering funds), the importance of MoF accessing, directing and managing climate change finance is becoming increasingly recognised as important. Nonetheless, MoF demonstrates minimal engagement or ownership beyond standard administrative functions in relation to climate change activities, despite its importance as an emerging national priority.

Non-core climate change positions

There are a number of sectors which are becoming increasingly recognised as being key to addressing climate change, but it is not part of their core business. There are a range of institutions across different sectors that dedicate some time to climate change related activities. For example participating in climate change related committees, conducting community awareness, or mainstreaming climate change into their policies and plans. These include:

- Ministry of Health
- Ministry of Education
- Majuro Atoll Waste Company
- Marshall Islands Visitors Authority (MIVA)
- Marshall Islands Mayors Association (MIMA)
- Public Service Commission
- Women United Together Marshall Islands (WUTMI)
- University of the South Pacific (USP)
- College of the Marshall Islands (CMI)
- Economics, Policy, Planning and Statistics Office (EPPSO)
- Ministry of Public Works
- Ministry of Transport and Communication

In addition to efforts by permanent staff, some organisations such as WUTMI, USP and MAWC also had staff implementing climate change related activities.

8.2.2 Use of existing human capacity

Distribution of human capacity between permanent and project staff

Unlike sectors such as health or education, climate change is not specifically included in the Compact. The Compact recurrent grants do however provide for activity in the Environment Sector and Public Sector Capacity Building. In theory, this provides the Government some scope to use Compact funds for the purposes of building capacity for climate change. As the Compact Funds are already allocated, there would need to be a conscious effort and political will to reprogram funds to climate change and away from others. This would be difficult given the importance of support to health and education.

At present, a significant proportion of RMI's climate change human capacity is locked into project specific, short term activities, often donor-funded. Much of this is infrastructure-focused, reflecting donor priorities and RMI's inability to have more ownership towards any climate change financing which becomes available. RMI therefore has few climate change finance resources devoted to long term, sustainable capacity building activity in climate change.

During stakeholder consultations many highlighted the lack of technical capacity in the local workforce, and limited staff numbers, to access finance and implement climate change response measures. This could be a key reason why there is a dependence on hiring external technical expertise for projects, sometimes missing opportunities to build capacity of local counterparts as part of the project. In some instances, stakeholders stressed the need to build local capacity to formulate grant proposals and manage their funding, for example MIMA and WUTMI.

Having such a transient, largely expatriate, workforce inhibits the ability of RMI to build and sustain local capacity, maintain consistency across portfolios and build corporate knowledge. Resources flow in and out, with each new staff having to acquaint themselves with the same local knowledge as the one before. It means that RMI is constantly stretched beyond its capacity to develop more integrated programmatic approaches and a continuation of the project by project approach. As highlighted previously there also appears insufficient time allocated to information management among RMI staff, which further inhibits capacity building and corporate knowledge.

Distribution of human capacity across sectors

The magnitude of human resources devoted to climate change is, overall, low relative to the importance placed on climate change as a national priority. Only a handful of permanent staff are available to coordinate and manage climate change activities and the NCCC meets only intermittently. This is a major constraint to efforts to access more climate change finance.

Most ministries and agencies dedicate at least some effort towards climate change projects and programs, particularly closely related agencies such as the EPA, and the Energy Planning Division of MRD. But here again the level of engagement in climate change is highly constrained by lack of human capacity.

A key identified gap is the absence of a dedicated climate change position or focal point in the Ministry of Finance, despite their important role in administering most external climate change finance received by RMI. This issue was mentioned by several donors during the consultation process and is considered an impediment to increased finance flows. In addition, the Grant Writing Office has only three staff and all have received little or no climate change specific training; even though they have an important role to play in accessing additional climate change financing.

Distribution of human capacity between international and national priorities

RMI has a well deserved reputation as being a leader in climate change advocacy for small-island developing states. They focus an enormous amount of effort in ensuring the RMI are represented at key regional and international climate change negotiations and conferences. This type of advocacy and negotiation is an important part of the climate change finance cycle.

During the consultation, however, a number of stakeholders noted that the balance of time and resources being spent off-island is detrimental to achieving domestic climate change priorities and greater attention needs to be devoted to effectively manage and coordinate climate change activities at the national level. The lack of attention to domestic climate change issues undermines donor confidence in RMI's ability to receive and manage additional climate change support. As mentioned earlier in the report this is an issue that the RMI government must resolve.

8.3 Development and management of human capacity

This section reviews activities presently directed at building RMI's human capacity in climate change and discuss opportunities to expand this work.

8.3.1 Human capacity development activities

RMI's NSP highlights the need to develop the nation's human capacity. The NSP delegates human resource capacity development to the Public Services Commission, and the National Training Council (NTC). Several initiatives are underway or planned, including the Public Service Commission Workforce Plan and the Human Resource Development (HRD) System Framework Development.

RMI's JNAP also has a human capacity element that relates specifically to climate change and disaster risk management as the following objectives under Goals 1 and 2:

- Objective 1.3: Strengthen human resource capacity of key organisations for CCA/DRM including at the national and local government levels, and key local community leaders and NGOs.
- Objective 2.1: Plan for the development of human resources to provide, improve and retain the technical, scientific, management skills and expertise in-country.

Lead agencies nominated to undertake the actions include the Office of the Chief Secretary, NTC, MoIA, and the National Human Resources Advisory Board (consisting of the MoE, CMI, USP and PSC). Under s.405 (e) of the OEPPC Act (2003), the OEPPC also has a responsibility to provide training and advice relevant to climate change.

There did not appear to be any current activities or plans to increase the capacity of RMI specifically to access climate change finance. The most relevant activity currently underway is the recent recruitment for a Climate Change Adviser to sit within OEPPC and provide secretariat support to the NCCC for a two year term (funded by the US). Activities were also being undertaken to increase the technical capacity of the OEPPC, with one permanent staff member undertaking training on climate change negotiations. No climate change finance related training had been provided to the Grant Writing Office. WUTMI had an Australian volunteer on board to act as a general grant writing mentor, but not specific to climate change. Technical assistance programs such as the PACTAM have also been accessed in some situations, for example at the MWSC.

RMI is devoting considerable effort to improve access to education (e.g. teacher salaries increase, MoE report cards, school infrastructure), which will have a long term benefit to building human capacity. This will help build internal capacity to manage their own climate change program, and may also build resilience in the general community to the impacts of climate change. In addition the Public Service Commission and USP are also supporting programs that encourage public servants to undertake certificate programs in management and master of business administration for senior government officials. This will help broaden the human resource base and it would be useful to increase RMI's support to climate change related training and courses.

8.3.2 Discussion of capacity development activity

As discussed in previous sections, there is relatively little activity being undertaken to develop RMI's capacity to access climate change financing, especially when compared to the amount of effort being put into delivering climate related infrastructure projects. Implementing the human capacity building elements of the JNAP and NSP action plans will contribute to building capacity but additional measures will also be required.

Building climate change capacity in a strategic manner can have significant benefits to RMI's ability to access climate change finance. This is because by increasing human capacity, the nation is increasing the amount of time and technical expertise available to dedicate directly towards advocating, engaging with donors, writing proposals and administering the grants, to eventually bring in more money. In addition to these direct activities, building capacity in RMI to successfully deliver projects, coordinate and prioritise action and manage finances, all pay dividends when donors are considering whether to provide assistance, and in what modality. Increasing capacity can have a positive self-perpetuating effect on climate change finance, and should be planned with a long term perspective.

The recruitment of the Climate Change Adviser is an opportunity to begin the process of building a self-sustaining capacity development program to support the nation's overall climate change objectives.

To ensure local capacity and knowledge is built and retained a suite of short and long term capacity building measures are required. Long term strategic capacity building will still require complementary short term assistance. Opportunities such as the Regional Technical Support Mechanism (RTSM) or the Pacific Technical Assistance Mechanism (PACTAM) may be useful in filling short term gaps, provided that knowledge transfer to local staff is included in the ToR when the support is in country. These mechanisms could be used more broadly by RMI to procure assistance on capacity building and knowledge management, rather than just investments in hard (on-ground) adaptation measure.

8.4 Recommendations

Recommendations on what RMI could do to build human capacity in climate change areas are:

1. Investigate funding assistance opportunities to undertake capacity development planning work for climate change finance;
2. Develop a long term strategy and resourcing plan to build climate change finance access capacity in the RMI, starting with central agencies such as MoF, GWO, EPPSO, OEPPC and MoFA, before moving on to line ministries;
3. OEPPC and GWO coordinate training and information programs on funding opportunities and grant writing for line ministries, NGOs, local government and communities;
4. Government to investigate how the upcoming Regional Technical Support Mechanism (RTSM), administered by SPREP, and the Australian-funded Pacific Technical Assistance Mechanism (PACTAM), might be used to address short term capacity gaps and also build long term local capacity in RMI;
5. Ensure ToRs for all external technical assistance include a component covering knowledge transfer to local counterparts;
6. The Government should consider programming some resources under the Compact Public Sector Capacity Building Grant to support the development of human capacity in climate change related areas.
7. Each line Ministry delegate a focal point for climate change (officer level to ensure staff member has capacity to provide sufficient attention to the issue);
8. Review the short and long term benefits of re-allocating existing human capacity from international to national activities, both permanently and temporarily;
9. Strengthen capacity of the GWO, including specific training on how to address the climate change aspects in project proposals, and encourage wider uptake of the grant writing services by other agencies;
10. Progress implementation of actions under Objectives 1.3 and 2.1 of the Joint National Action Plan (JNAP);
11. Expand existing support of the PSC to include formal climate change training courses.
12. Identify needs, and include, responsibility for information and knowledge management in job descriptions and agency plans.

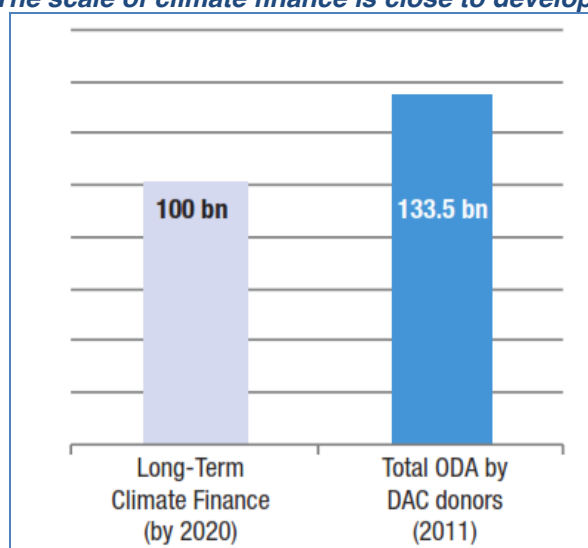
9 Development Effectiveness Analysis

Key messages

- High level political engagement and leadership support are key ingredients for successful reform in countries and donor agencies.
- RMI Government is taking a positive lead role through the development of its NSP, JNAP, Climate Change Policy Framework and relevant sector plans.
- RMI Government has been active and vocal about climate change matters both regionally and internationally and at the same time also taking leadership in advocating this issue (e.g. Majuro Declaration on Climate Leadership & Cartagena Commitment to ensure future public infrastructure has climate change considerations).
- There is increasing frequency of informal donor-to-donor consultations with interest in more structured coordination arrangements under strong government leadership. However, development assistance to RMI is not well coordinated and at times duplicative.
- The Government should strengthen engagement with its development partners using avenues like a reinvigorated Donor Roundtable Meeting process and explore the development of a single government reporting framework/template for donors and partners.
- Although there are identified gaps in the RMI PFM system, as the Government take necessary steps to strengthen their financial system, it is preferable for donors and development partners to utilise national systems, and ensure timely financial reporting to the Budget/OIDA Unit within the Ministry of Finance for budget predictability purposes.
- RMI Government must devote more resources to its planning and aid management functions to enable effective implementation of the NSP while developing, finalising and implementing the Development Cooperation (ODA) Policy with long-term advisory support.

Over the next six years, climate change finance for adaptation and mitigation is expected to increase, from the \$30 billion pledged in fast start financing for 2010-2012 to a target of \$100 billion annually by 2020. This magnitude is significant even in comparison with official development assistance (ODA)²¹

Figure 20: The scale of climate finance is close to development finance



(Source: OECD DAC, 2011)

Given its potential scale, the effective delivery of climate finance is imperative. Both funders and recipients want to ensure that climate finance contributes to climate change adaptation and mitigation, and furthermore positive development outcomes, such as poverty reduction.

²¹ Commitment of \$100 billion per year includes private finance, while ODA does not include private finance. However the scale of the climate finance is still considerable.

In order to ensure effectiveness of climate finance, several conditions need to be met. These include:

- i. The use of finance needs to be led and owned by recipient countries. This means that the recipient country should be able to use the finance in line with its strategic priorities. Furthermore, climate change should not only be addressed in standalone climate change reports but also fully integrated into national and sector development plans.
- ii. The finance needs to be channelled into recipient country's existing systems. The systems include the country's PFM systems and national and sector development plans. Climate finance should not create parallel processes in isolation from the country's existing systems.
- iii. Funders should ensure coherence in provision of finance among themselves. As more "climate funds" and bilateral and multilateral donors provide climate finance, funders need to pursue a common approach in order to reduce transaction costs and excessive administrative burdens in recipient countries.

The conditions are derived from the principles stated in global frameworks such as the Paris Declaration on Aid Effectiveness, Accra Agenda for Action; and Para 34 on Climate Change Finance from the Fourth High Level Forum on Aid Effectiveness in December 2011 (Busan Partnership for Effective Development Cooperation). In the Pacific, efforts to improve development effectiveness are guided by the Pacific Principles on Aid Effectiveness and the Cairns Compact on Strengthening Development Coordination (Forum Compact) agreed by Forum Leaders and endorsed by key development partners in August 2009. Peer reviews are a key part of this package of development coordination initiatives, in particular the Forum Compact where reviews are focused on how Forum Island Countries (FICs) with support of development partners use their own money and the aid they receive to ensure a better life for their people and make progress towards achieving their national priorities, including the Millennium Development Goals (MDGs).

RMI was the sixth FIC to have undertaken the Peer Review process under the Forum Compact in February 2012. The Peer Review made a total of seventeen recommendations including ten to the Government of RMI, six to RMI's development partners, and one to the Forum Secretariat to strengthen RMI's national planning oversight and policy development functions, budgeting, PFM, and aid management institutions and policies. In March 2013, RMI hosted a Peer Review follow up mission from the Forum Secretariat, which identified significant steps by RMI with the support of its development partners to implement some of the recommendations. Key climate change and aid coordination and planning agencies such as OEPPC and EPPSO have participated in consultations associated with the Peer Review and are involved in some of the reforms being undertaken as a result of the review, but there are still opportunities for further improvement.

Development effectiveness is a cross-cutting issue, relevant to all PCCFAF dimensions. Key findings of other related analyses are discussed under respective dimensions within the report. This section focuses on relevant development effectiveness issues not covered in other sections, in particular ownership and leadership; alignment and harmonisation; and management for results and mutual accountability.

9.1 Ownership and Leadership

Under ownership and leadership, the analysis focuses on the following two key guiding questions:

- i. Does RMI take the lead role or drive its own climate change policies, programs and priorities?
- ii. Is there demonstrated commitment at the highest decision making level in RMI to established processes?

According to Woods et al., (2011) who evaluated the Paris Declaration, high level political engagement and leadership support are key ingredients for successful reform in countries and donor agencies. In RMI, although a proposal to establish a new Ministry for Climate Change is still in the pipeline, the Government is taking a positive lead role in the establishment of its own climate change policies, programs and priorities.

Currently OEPPC is the mandated lead coordinating agency for climate change and other environmental conventions. In early 2014, the RMI Government endorsed the National Strategic Plan (NSP) 2014-2016 which is a 3-year rolling plan, and builds on the Vision 2018. The NSP development was coordinated by the EPPSO with assistance from UNDP and has a key component on climate change with an implementation matrix.

Under the overarching Plan, OEPPC has also developed the JNAP. This is a significant step to integrate Climate Change Adaptation and Disaster Risk Reduction/Management which links to the regional efforts to integrate the two thematic areas through the development of the Strategy for Climate and Disaster Resilient Development for the Pacific (SRDP). Prior to that OEPPC also developed a National Climate Change Policy Framework 2011 and a National Action Plan for Disaster Risk Management 2008 – 2018 launched in 2007. In addition to these core national climate change related policies, the Government has also taken efforts to integrate climate change into other related sector policies, including the National Energy Policy and Energy Action Plan 2009, the draft Gender Policy, the draft National Climate Change and Health Action Plan, the Food Security Policy 2013, the National Water and Sanitation Policy 2014, and so forth. These national climate change policies, programs and priorities, although developed through external funding support, and with some external technical assistance, were nationally driven by the RMI Government.

In regards to demonstrated commitment at the highest decision making level, RMI is continuing to demonstrate commitment at the highest decision making level to established processes on climate change. Placing the climate change portfolio under the Minister in Assistance to the President was useful to raise the profile of climate change matters in RMI both at the regional and international arena. Recent ministerial changes and interim possession of the responsibility for climate change by the Minister of Foreign Affairs maintains this commitment.

In addition the RMI Government has been very active and vocal about climate change matters both regionally and internationally with good support from their Ambassador to the United Nations and negotiations support provided by the Independent Diplomat team. Recently the RMI Government has made some very powerful high level statements on climate change including during the Rio+20 Conference, UNFCCC COP negotiations, the United Nations General Assembly Meeting, the 2013 Pacific Islands Forum Leaders Meeting in Majuro and the 2014 Cartagena Dialogue convened in Majuro. At the Cartagena Meeting, the RMI President made a strong commitment that no new public buildings in the Republic of the Marshall Islands would be built without climate change considerations in mind.

Similarly during the Forum Leaders Meeting held in Majuro in 2013, the RMI Government also endorsed climate change as the theme of the meeting and in line with that organised a Roundtable of Experts on Climate Change. The Majuro Declaration on Climate Leadership that came out with the Leaders' Communiqué was a high level commitment by Forum Member Countries and supported by development partners. RMI's commitment is summarised in the table below.

Table 6: RMI's Commitment during the Majuro Declaration on Climate Leadership

Country	Subject of Commitment	Target for Action	Where reflected	Year
RMI	Emissions Reductions Renewable Energy Energy Efficiency Energy Access	Pursuant to the Republic of Marshall Islands 2009 National Energy Policy and Energy Action Plan, the 2011 National Climate Change Policy Framework and Joint National Action Plan (for climate change adaptation, energy security and disaster risk reduction), and the Green Energy Micronesia initiative: 1. A 40% reduction in CO ₂ emissions below 2009 levels by 2020; 2. Electrification of 100% of urban households and 95% of rural outer atoll households by 2015; 3. The provision of 20% of energy through indigenous renewable resources by 2020; 4. Improved efficiency of energy use in 50% of households and businesses, and 75% of government buildings by 2020; 5. A 20% efficiency improvement in transportation sector fuel use by 2020; 6. Feasibility studies and internationally supported	Barbados Declaration on Achieving Sustainable Energy for All in Small Island Developing States (SIDS), available at http://www.undp.org/content/dam/undp/library/Environment%20and%20Energy/Climate%20Change/Barbados-Declaration-2012.pdf	2012

Country	Subject of Commitment	Target for Action	Where reflected	Year
		financing plans for innovative 'game-changing' renewable energy and sustainable development opportunities including Majuro atoll waste-to-energy and Kwajalein/Ebeye atoll OTEC plants undertaken by 2015.		
RMI	Emissions reduction	40% reduction of CO2 emissions below 2009 levels by 2020, pursuant to the 2009 National Energy Policy and Energy Action Plan, and subject to the provision of adequate international support.	UN Document FCCC/AWGLCA/2011/INF.1, p. 30, available at http://unfccc.int/resource/docs/2011/awglca14/eng/inf01.pdf	2010

Furthermore, having the Chief Secretary as the chair of the NCCC reflects the importance of this issue and provides the leadership necessary to guide the Government's response. Discussion on the NCCC is covered in the Institutional Analysis section. There is also opportunity for the national government to show concrete leadership by strengthening coordination and engagement on climate change with the Local Government/MIMA, NGOs, private sector, communities, and SOEs to promote ownership and whole-of-government leadership.

The OEPPC is also taking positive steps to strengthen RMI's commitment on climate change at the highest level through the recruitment process of a Climate Change Adviser on a 2-year contract with funding from USAID. These are important efforts to improve coordination and to enable OEPPC to fulfil its responsibilities set out in the OEPPC Act 2003.

9.2 Alignment and Harmonisation

Under alignment and harmonisation, the analysis focuses on the following key guiding questions:

- i. Do development partners align with RMI objectives and use country structures, systems and mechanisms?
- ii. Do development partners adopt performance indicators incorporated into country policies and action plans?
- iii. What portion of development assistance falls outside the direct purview of national systems?
- iv. Are programs well coordinated to prevent duplication and fragmentation of efforts?
- v. How do bilateral, regional and multilateral organisations engage with RMI?
 - In-country presence?
 - Short term or long term engagement?
 - Climate change related support and broader development assistance

In RMI there are ongoing efforts by development partners and the Government to convene regular discussions and negotiations on key areas for assistance aligned to RMI's national priorities. However there is no active formal arrangement that facilitates this effort except ad hoc discussions with donors for responses to natural disasters, annual budget prioritisation and project proposals. The assessment identified that formal donor-donor (inclusive of all development partners based in RMI) collaboration and coordination is relatively weak. As a result, and further exacerbated by the lack of adequate capacity in OEPPC, development assistance to RMI is fragmented, often duplicated, and not properly coordinated. The Climate Change Adviser being recruited for OEPPC is expected to play a key role in helping to improve coordination and harmonisation of climate change assistance to RMI. Also the donor roundtable which is a crucial forum for the Government and development partners that may consider issues including alignment and harmonisation was last convened in 2010 whilst another was proposed for this year (during the time of the assessment).

In addition there is little clarity within the Government as to which agency should lead on development planning and aid coordination, a responsibility that both the Ministry of Finance and EPPSO are only partially fulfilling.

However the Government is taking steps to develop a Development Cooperation Policy to guide engagement with its development partners, including clarifying aid management roles within government entities and setting expectations with development partners. There is increasing frequency of informal donor consultations with interest in more structured coordination arrangements under strong government leadership. Development partners welcome the government's initiative to develop a Development Cooperation Policy for RMI.

The Peer Review follow up mission undertaken by the Forum Secretariat in March 2013 identified that the RMI Government is strengthening its capacity to improve national planning oversight and policy development functions. The recently approved NSP was developed to provide medium term guidance for planning and resource allocation. For example, agencies under the Office of the Chief Secretary are being resourced to effectively undertake roles in national planning, managing aid, economic planning, forecasting, national statistics and improving performance auditing.

While ROC/Taiwan is flexible with its assistance to the GRMI with a view to align with national objectives, other partners are more rigid with their development assistance and delivery of programs that are already programmed. This is a key challenge for a small atoll country such as RMI because they lack the flexibility to properly align development assistance to their national objectives. To some extent the RMI PFM systems are set up to most appropriately manage and account for Compact funding only, as opposed to implement government policies and achieve national objectives.

The Joint United Nations Agencies has engaged in a consultation process with the RMI Government to align and harmonise their recent United Nations Development Assistance Framework (UNDAF) cycle to the National Strategic Plan 2014-2016. Although there are ongoing efforts by other development partners to align and harmonise their development strategies to RMI's objectives, there is opportunity for improvement. This is expected to be further strengthened with the recent endorsement of the NSP by the Nitijela and also the launching of the JNAP for climate change and disaster risk reduction.

Forum Leaders and Ministers have continuously reaffirmed their preference for delivering climate change financing through national systems including direct budget support. Currently RMI does not receive any direct budget support specifically for climate change. The European Union (EU) in a number of recent statements and initiatives has pledged their readiness to assist the RMI Government to become eligible for budget support from the EU. An EU funded project known as the Global Climate Change Alliance: Pacific Small Island States which is implemented by the Secretariat of the Pacific Community has a component on supporting the nine Pacific Small Island States including RMI with budget support readiness and assessments.

Although not directly related to climate change, ROC/Taiwan and the US Compact funding are delivered as budget support to RMI, while other development partners continue to deliver their assistance in the form of projects. Project support has limited flexibility when compared to other aid modalities, and has been a great concern for countries due to a lack of coherence (between projects and with national policies), no building of institutional capacity, lack of transparency and high transaction costs (Jelovac et al., 2008). Where there is more effective sector and operational plans, development partners operate a mix of project support and more flexible modalities, including budget support, using the RMI Government systems. In the case of RMI, a good number of climate change related projects fall outside the direct purview of national systems, in particular the budget documents. Figure 10 highlights that from the multi-year projects identified by this assessment around 61% of spending was not reflected in the Budget. From the analysis of the Expenditure (Figure 17), out of an average \$8.2 million of external estimated grants for climate change related expenditure about \$2.9 million was not reported in the budget. With the expected finalisation of the PFM Roadmap and other related national initiatives, this issue could be addressed.

As indicated in Figure 17 of the Expenditure Analysis section, from the broader external development assistance of around \$104.4 million, only about \$8.2 million (around 8%) was related to climate change support.

In regards to how bilateral, regional and multilateral organisations engage with RMI the Ministry of Foreign Affairs is the focal point. The RMI Ambassador to the United Nations who attends the UNFCCC negotiations

also reports to the Secretary of the Ministry of Foreign Affairs. OEPPC is the focal point for environmental conventions including the UNFCCC. EPPSO has responsibility for overseeing and monitoring implementation of the NSP. The Ministry of Finance is where funding for climate change should ideally be facilitated through. Other line ministries like the Ministry of Resources and Development are lead implementing agencies. As such these key Government agencies engage in various short term and long term discussions and arrangements with development partners. Key bilateral partners that are physically present in-country include the United States of America, Japan, and ROC (Taiwan). The United Nations Joint Presence in RMI represents UNFPA, UNDP, UNICEF, and UN Women. Other multilateral agencies like ADB and IOM also have their presence in RMI. For CROP agencies, the University of the South Pacific has a national campus in RMI while the Pacific Islands Forum Secretariat is represented in-country by the Smaller Island State Desk Officer. Other agencies and organisations like SPREP and SPC are represented through project staff and technical assistants.

9.3 Managing for Results and Mutual Accountability

In relation to managing for results and mutual accountability, this analysis focuses on two key questions:

- i. What are the mechanisms, processes and frameworks for monitoring the implementation of climate change policies and plans?
- ii. Are there collective mechanisms (involving government and development partners) for monitoring implementation of climate change policies and plans?

These aspects of development effectiveness consider the extent to which resources are managed and implemented in a way that focuses on desired results and uses information to inform decision-making, and enhances responsibility and transparency.

In RMI, mechanisms and processes to monitor the implementation of climate change policies and plans are included in the Implementation Matrix of the NSP, which has a key component on climate change, the JNAP and the Climate Change Policy Framework. But with the capacity constraints of OEPPC and EPPSO the monitoring and reporting is a challenge. In addition detailed monitoring of the NSP is yet to be institutionalised.

Even though donors require RMI to provide reporting and financial statements on project expenditure, overall donor practices are relatively weak. In particular in the provision of financial information to the Budget/OIDA Unit within the Ministry of Finance for budgeting and predictability purposes and the utilisation of national systems. Nevertheless the Government has signed Partnership for Development agreements with development partners such as Australia and others, which is aimed at strengthening managing for results and mutual accountability.

Efforts to improve monitoring of the NSP have been made, including the development of relevant sector strategies and plans and establishment of the NCCC, which aims to provide a mechanism for improved coordination and consultation for monitoring and evaluating climate change policy and program implementation related to the NSP. However, improvements in coordination and monitoring, and evaluation of progress in implementing climate change programs, are still needed. Capacity constraints within OEPPC are limiting progress in this regard, and in a range of other areas. However the recruitment of the Climate Change Adviser should help to reduce this constraint.

9.4 Recommendations

Despite certain positive initiatives progressed by both the RMI Government and its development partners, there are a number of suggested recommendations that could be considered to strengthen development effectiveness in the RMI.

1. The RMI Government must continue to prioritise resourcing to its planning and aid management functions and implement the National Strategic Plan. At the same time it should develop, finalise and implement the Development Cooperation (ODA) Policy. It should fast track the engagement of long term advisory support, in particular a Planning/Aid Management Adviser to provide hands on support and capacity building in planning and aid management and to support the development and implementation of the ODA Policy.

2. The Government should strengthen engagement with its development partners using avenues like a reinvigorated Donor Roundtable Meeting process and explore the development of a single government reporting framework/template to donors and partners. The planned donor roundtable this year could consider formalising a more regular dialogue of development partners possibly corresponding with JEMFAC meetings.
3. Government to request all development partners including CROP agencies for a forward mission schedule (annual and updated 6 monthly) and institute a Mission Free Period during the critical Government budget review period. In line with this, development partners and CROP agencies that are active in the same sectors must improve coordination of their technical support and missions to RMI, encourage joint missions where practicable, and respond to RMI's request for forward mission schedules.
4. Although there are identified gaps in the RMI PFM system, as the Government takes the necessary steps to strengthen their financial system, it is preferable for donors and development partners to utilise national systems, and ensure timely financial reporting to the Budget/OIDA Unit within the Ministry of Finance for budget predictability purposes.
5. Donors and development partners present in-country should consider some formal arrangement to strengthen sharing of information and lessons learnt across whole of the development partner circle. This will benefit effective coordination and harmonisation among development partners.
6. Government should consider more structured and regular dialogue with the private sector, NGO community and civil society on overall development priorities, including the development, implementation and monitoring of the Private Sector Development Strategy and the NSP.
7. Development partners should share common matrices and processes to help expedite the release of funding for project implementation.
8. In line with its mandate, OEPPC, in collaboration with the Environmental Protection Authority (EPA), should consider producing Annual Reports, and State of the Environment Reports every 3 years. In addition, developing a Climate Change Coordination Guidelines document would also be beneficial. These documents would enable specific reporting on progress of climate change programs in RMI.
9. The OEPPC should be adequately resourced and repositioned as a clearinghouse to effectively undertake its mandate ensuring future climate change programs align with the NSP and the JNAP key priorities. This can also be complemented with updating the OEPPC Act 2003 to ensure it fully reflects the increased climate change role that this office will play.
10. The RMI Government to further strengthen its relationship with other development partners not present in-country on climate change matters. In line with this, the Government could investigate the benefits of seconding a Government Officer, well versed with climate change and the UNFCCC negotiations, to the RMI Mission in Fiji, to strengthen cooperation and discussions with donors, development partners and CROP agencies not present in-country.

10 Assessment of Options

Ultimately the solution to the problems of accessing and effectively utilising climate change finance relies on some basic fundamentals. As with all aid there is no “money for nothing” solution. There is no “silver bullet” that will magically deliver unlimited amounts of climate change finance. Instead the solutions are more straight forward and mundane. They do not deviate far from development orthodoxy in relying on certain basics of development such as good governance, rule of law, effective systems and accountability.

10.1 Sources of Climate Change Finance

As highlighted in Section 4; Funding Source Analysis, RMI has accessed, and continues to access, considerable climate change finance from a variety of sources, mostly bilateral. While not all the projects identified could be strictly classified as “climate change” projects, they all contribute towards achieving the Government’s climate change objectives.

The predominant sources of climate finance were from Japan, both through its bilateral program and its PEC Fund coordinated out of PIFS. The EU was also a significant source of funds both through its various programs of EDF funding and its GCCA:PSIS projects. It is of interest to note that EU has made very preliminary moves towards considering budget support as a future modality for delivery of aid to RMI. While this appears to be a positive move it should be approached with a realism in terms of the strict eligibility requirements.

While the US-RMI Compact of Free Association funding assistance is largely programmed for the medium-term, this source should be recognised as part of any ongoing solution to meeting RMI’s climate change finance needs. The mere fact that it provides for half of the Government budget means that it has to be considered in the equation. It also has to be considered beyond FY2023 when earnings from the CTF are scheduled to replace the current grants. Funds provided by the ROC/Taiwan are also under-utilised in addressing climate change impacts given they are channelled directly through the RMI Budget as predictable budget support.

RMI has also accessed a range of other sources of funds including through ADB, Australia and GIZ to undertake other climate change related activities. But there are some existing funds that the Government has yet to readily access such as the Adaptation Fund (AF). The accreditation of SPREP as a Regional Implementing Entity (RIE) by the Adaptation Fund Board (AFB) in November 2013 is likely to improve RMI’s potential access to this Fund.

Box 6 outlines the process for applying for Adaptation Fund support through SPREP.

RMI would need to make significant progress towards achieving the goals of the PFM Roadmap over the next three years to be able to satisfy the fiduciary requirements of attaining National Implementing Entity (NIE) which would allow direct access to AF resources. There would need to be substantial improvements in national systems before this could be considered and these reforms will likely only be achieved over the medium to longer term.

Given that access to the upcoming Green Climate Fund (GCF) is expected to have similar access requirements as the AF, RMI will most likely only be able to access the GCF through other implementing entities in the immediate future.²² However it would benefit the Government if an NIE Rapid Assessment is undertaken for RMI in the short term. This can be supported by UNDP or other agencies that have expertise in this area.

²² The current procedures for accessing the Green Climate Fund are still under discussion so there is the potential that simplified procedures to allow easier access to the GCF could be agreed but at this point this does not seem like the expected outcome.

Box 6: Access to Adaptation Fund - Questions and Answers for Pacific in regards to SPREP as Regional Implementing Entity of the Adaptation fund

Getting started

Are you eligible to apply for funding? Only if you are a Party to the Kyoto Protocol, which all Pacific Island Countries are.

Prepare by studying the project eligibility and preparation process in the Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund.

Some key factors on what can be funded are contained in the definition of concrete adaptation projects and programs. A concrete adaptation project/program is defined as a set of activities aimed at addressing the adverse impacts of, and risks posed, by climate change. The activities shall aim at producing visible and tangible results on the ground by reducing vulnerability and increasing the adaptive capacity of human and natural systems to respond to the impacts of climate change, including climate variability. Adaptation projects/programs can be implemented at the community, national, regional and trans-boundary level.

Projects/programs require a specific objective(s) and concrete outcome(s) and output(s) that can be measured, monitored and verified. An adaptation program is a process, a plan or an approach for addressing climate change impacts that is broader than the scope of an individual project.

Develop the proposal

SPREP and other regional experts can be contacted for advice on the eligibility of a proposal, the content and scope, as well as potential synergies with existing programs and projects. It is important to fill out the form entitled "Request for Project/Program Funding from Adaptation Fund," and submit through SPREP as RIE.

What can be funded?

Funding will be provided on full adaptation cost basis of projects and programs to address the adverse effects of climate change. Full cost of adaptation means the costs associated with implementing concrete adaptation activities that address the adverse effects of climate change. The Fund will finance projects and programs whose principal and explicit aim is to adapt and increase climate resilience.

Decision criteria:

- (a) Level of vulnerability;
- (b) Level of urgency and risks arising from delay;
- (c) Ensuring access to the fund in a balanced and equitable manner;
- (d) Lessons learned in project and program design and implementation to be captured;
- (e) Securing regional co-benefits to the extent possible, where applicable;
- (f) Maximizing multi-sectoral or cross-sectoral benefits;
- (g) Adaptive capacity to the adverse effects of climate change.

Please Keep in Mind:

Parties who do not have a National Implementing Entity *must* submit their project and program proposals directly through accredited Regional or Multilateral Implementing Entities. Proposals require endorsement by the Designated Authorities of the country in which the project or program would take place. The Adaptation Fund Board accepts and considers project and program proposals throughout the year on a rolling basis.

Modified from SPREP Fact Sheet: Questions and answers for Pacific in regards to SPREP as Regional Implementing Entity of the Adaptation Fund – 25 November 2013.

10.2 Actions to improve Access to Climate Funds

10.2.1 PFM and Modalities

The PFM and Expenditure Analysis Section details significant deficiencies in the PFM systems that need to be addressed in order to significantly improve access to climate finance, especially with access to new modalities that provide RMI with greater flexibility.

The 2012 PEFA Assessment highlighted many of the shortcomings in the PFM system. The PFM Roadmap proposes a sensible and structured approach to dealing with these over the medium term. The Roadmap if implemented will overcome many of the shortcomings of the PFM system and open the way to more free and flexible access to climate finance.

One of the main shortcomings of the PFM system is its lack of links to policies and plans. The recent approval of the National Strategic Plan proposes to implement many of the same budget improvements as in the PFM Roadmap (See Table 7). Hence, among the most critical of actions needed from the RMI Government is to

ensure that the MoF and EPPSO coordinate implementation of both the PFM Roadmap and the new NSP. If this process is successful with OEPPC providing useful technical inputs, RMI will have removed a number of key impediments to accessing more climate finance and moving to NIE status.

Table 7: PFM Roadmap and the National Strategic Plan

PEFA Component	PFM Roadmap	National Strategic Plan
Timeframe	2014-2016	2014-2016
Policy Based Budget	Development of a National Strategic Plan	NSP Developed and approved in 2014
Policy Based Budget	Linkage of strategic planning documents with budgets	National Strategic Plan informed by Medium-Term Budget and Investment Framework, Ministry Plans and Annual Budgets
Comprehensiveness of the Budget Corporate or Medium-Term Planning	Introduce comprehensive corporate and sector planning processes	Ministry Three Year Rolling Plans
Comprehensiveness of the Budget	Integrate investment and recurrent budgets	Medium-Term Budget and Investment Framework
Comprehensiveness of the Budget	Expanded institutional coverage of the Budget, including extra-budgetary funds and accounts.	Medium-Term Budget and Investment Framework to guide NSP and Annual Budget Portfolio Statements
Comprehensiveness of the Budget	Introduce Portfolio budgeting across GRMI	Annual Budget Portfolio Statements
Medium-term Budgeting	Introduction of a medium-term budgeting framework	Medium-Term Budget and Investment Framework to guide NSP
Ministerial Budget Plans	Prepare a new schedule to the Budget summarizing funding for each line Ministry and agency from each funding source.	Annual Portfolio Budget Statements

Another major shortcoming is the weak procurement system within RMI. This is noted as a major problem and will concern development partners considering using national systems to deliver their assistance.

While the lack of linkages between policies and plans and the weak procurement system have been highlighted the PFM Roadmap provides a broad set of actions to improve PFM systems across the board and deserves commitment.

Overall the issue of modalities for climate change finance was not a major issue reviewed during the assessment. A greater focus was given to the amounts of money received, not so much the form in which funds were received. Despite that, the consideration of various modalities is relevant to guide PFM reforms needed to improve likelihood of increased access to international climate change finance. In discussions with development partners there were a range of views about what modalities might be considered – ranging from strict project-based modality for climate change activities to budget support and consideration of trust funds. An assessment of the various modalities open to RMI is provided in Table 8.

Table 8: Summary of Key Modalities

Modality	Policies and Plans	Status and Prospects
National		
General Support	Budget support is an unearmarked financial contribution to a recipient government's budget. International donor funds are channelled through the "national budget" using national systems for its delivery as well as for the evaluation of its effectiveness.	<p>GRMI receives substantial Budget Support currently from the ROC/Taiwan though this is channelled to the budget both as a direct grant to domestic revenues and more importantly as capital grants as a separate fund in the Budget. Greater use of the capital funds for climate related spending is possible though the allocations often cover recurrent expenses.</p> <p>The US Compact funding is not strictly budget support but functions as a special category all of its own. There is scope to use Compact Funds for climate-related activities through the sector grants most specifically through climate proofing of infrastructure, environment sector grants and public sector capacity building grants.</p> <p>The EU has expressed some interest in providing Budget support though the process can be quite involved. EU has offered support to help streamline climate related objectives into national policies which is one of four preconditions for budget support. Current PFM structures are unlikely to support such a modality without significant technical assistance.</p> <p>Overall PFM Systems at the moment, and for the foreseeable future, lack the necessary robustness and sophistication to entertain budget support much outside existing structures. Significant TA will be required to bring systems to an acceptable level over a number of years. In spite of this the PEFA report rates RMI an "A" on "Predictability of Budget Support"</p>
Sector Support	Sector budget support, like general budget support, is an unearmarked financial contribution to a recipient government's budget. However, for sector budget support, the dialogue between donors and partner governments focuses on sector-specific concerns, rather than on overall policy and budget priorities (OECD 2006)	<p>US Compact Funds to some extent operate as sector budget support with heavy focus on the Education and Health Sectors. As mentioned above there is scope to expand the use of Environment Sector Grants and the Public Sector Capacity Building Grant in the future.</p> <p>EU has expressed interest in providing sector budget support for the Energy Sector and is undertaking an initial assessment of RMI's readiness for such budget support, though this is at a very preliminary stage. Energy Sector Budget Support may well involve a climate component.</p>
National Funds (NCF)	NCFs can assist countries to collect, blend and coordinate resources to support action on climate change, and assist with strengthening national institutions (Flynn 2011). NCFs can be managed by the Government or be managed by a third party until sufficient capacity has been built.	<p>Marshall Islands has some experience with Trust Funds but mainly at the local Government level in respect of the management of damages and rehabilitation of the four nuclear affected atolls. The Compact II has established a Compact Trust Fund (CTF) which receives annual capital injections from the current Compact funding agreement. The ROC/Taiwan also make an annual contribution to this fund. The CTF is professionally invested and managed by US firms. The purpose of the CTF is to eventually replace the Compact Grants at the end of the current 20-year finding period after 2023. This would support the Government's recurrent operations and would be managed in similar fashion to the current Sector Grants. As mentioned above this could support climate-related activities in the sector grant areas under the Compact.</p> <p>There was little expressed interest in the establishment of a NCF though this modality would not be ruled out. There is potential for some development partners to entertain contributing to an NCF though improvements to the PFM and planning systems would help to elicit more support in the longer term. Any NCF considered must be open and transparent and linked to the National Budget.</p>
Direct Access	Accreditation of a local organisation as a National	RMI's well documented PFM deficiencies would suggest that Direct Access through achieving NIE status

Modality	Policies and Plans	Status and Prospects
	Implementing Entity (NIE) provides a country with direct access to the financial resources of a global fund such as the Adaptation Fund and, potentially, the Green Climate Fund.	would be questionable. While there are many actions that could be undertaken to move towards this long-term goal, this is not a viable modality for the foreseeable future. There are other options that should be explored in the interim (See Below – Regional/Multilateral Implementing Entities)
Community Based Funds	Community based funds can be established to provide funds to local communities to implement community development programs. Funds can be established on a national basis or for a specific purpose within a restricted geographical area, such as a community conservation area.	While capacity at the national level is lacking, capacity constraints at the local government level are even more acute. In general, capacity at the local government level would have difficulty supporting community based funds. There are exceptions in that the capacities in Majuro and Ebeye and the four nuclear affected atolls (i.e. Bikini/Kili, Eniwetok, Utrik and Rongelap) could potentially support such funds since they have greater capacity and revenue bases.
National Development Banks	NDBs are financial institutions that provide financing for the purposes of economic development. The majority of NDBs are state owned, however, some have mixed national, foreign and multilateral ownership.	Another possible modality could be based along the model of the Falekaupule (Outer-Island) Trust Fund Model in Tuvalu which pools resources from island communities, supplemented by development partner support, and then distributes funds from its investment earnings according to an agreed formula for community based projects (reflected in local government budgets). Such a model could be replicated to support resource-poor island communities undertake local climate-related projects.
Regional/Sub-Regional		The Marshall Islands Development Bank (MIDB) currently does not deal with climate-related financing activities but it could however be used as a possible conduit for climate-finance. The Government is considering taking a concessional loan from ICDF (Taiwan/ROC) to establish a revolving fund managed by the MIDB to help households, with assistance from MEC, retrofit their residences with energy efficient lighting and appliances. In the area of disaster assistance households do not tend to approach MIDB for assistance to undertake repairs instead they look to access direct assistance from the national government. There is opportunity for RMI to learn from the National Development Bank of Palau, which is channelling donor funds to support renewable energy and energy efficiency initiative in Palau.
Regional/Sub-regional Climate Fund	A regional or sub-regional climate fund could be established as an alternative to individual national funds. This provides countries with insufficient capacity to establish their own national climate fund with the opportunity to benefit from the services provided by a trust fund (see NCF entry above). It also provides a cost effective option for the region as a whole.	Given weaknesses in Government PFM processes and broader capacity limitations, RMI could benefit from establishment of a regional climate fund. RMI would obviously have more opportunity to influence the makeup and conditions associated with a regional or even sub-regional climate fund because of their membership in regional or sub-regional groupings. Examples are the Smaller Island State sub-grouping within the Pacific Islands Forum or the Micronesian sub-region.
Regional Capacity Support Facility (including RTSM)	A regional capacity support facility could provide technical assistance to countries where local expertise is insufficient or unavailable.	Another successful sub-regional fund is the Micronesian Conservation Trust (MCT) of which RMI is a member. Currently the MCT does not provide specific focus on climate change but this could be an area that can be explored further in the near future. It would benefit the MCT to assess integrating climate change considerations into the Trust Fund.
Regional and Multilateral Implementing Entities	An RIE can assist countries gain access to the financial resources of a global fund such as the Adaptation Fund and, potentially, the Green Climate Fund & build capacity within the region.	Given the limitations in human capacity within Government, RMI could benefit from establishment of a regional capacity support facility. Such a facility is being established under the PPCR, led by CROP Agencies in partnership with the ADB. This mechanism is referred to as the Regional Technical Support Mechanism (RTSM). It is administered by SPREP and will be rolled out in late 2014, which could support RMI from project development to monitoring and evaluation. As mentioned above SPREP has now been accredited as a Regional Implementing Entity (RIE) to the Adaptation Fund and will provide RMI with a more direct channel to access this funding source. It is likely to be a more accessible path than through existing MIEs due to the MIE cap.

10.2.2 Policies and Plans

The analysis of the RMI's policy and plans, and the mainstreaming of these, revealed that a high priority is placed on climate change in many policies and plans adopted and drafted by the RMI Government. However, while the policies and plans are there, and climate change related issues are seemingly integrated, there appears to be a gap in moving from theory to actual implementation of many of these plans. Practical action plans are critical to achieving climate related objectives and to use climate change finance effectively. As such there is a need to develop these practical action plans which are prioritised for attracting funding, rather than just being sound policies.

There is, however, a need to better integrate these policies and plans across sectors, as climate change response measures are perceived to be viewed in isolation from other relevant plans. An overall integration of climate change related policies through crafting "whole of government" responses that address the goals of multiple sectors simultaneously is needed. This would avoid duplication and overlap that might occur between the goals of energy, water, food security, health, land resources, and other priority sectors. At the community level this could also involve "whole of island" responses such as in the operation of the Coastal Management Advisory Committee (CMAC), which facilitates exchange and joint planning between sectors. Some similar mechanism for more integrated climate change policy and planning would be of value.

To stress the importance of climate-related activities, the revised and updated plans and policies should make climate change related goals more explicit in their design, and also how these will subsequently lead to increasing RMI's resilience to climate change. This is also important in the design and preparation of funding proposals that have climate change-related activities as a component, especially where they help RMI respond to climate change impacts on livelihoods, infrastructure and economic activity.

The test case for this will be the ability of the GRMI to practically integrate the implementation of the JNAP and related policies with the implementation of the new National Strategic Plan (NSP) recently approved by Nitijela. OEPPC will need to form a strong working relationship with EPPSO to mobilise their limited resources to achieve better implementation.

While plans and policies attempt to involve a wide range of stakeholders it is important that these are transformed into nationally owned documents. Draft plans are often initially prepared by external consultants, often from CROP agencies, but for these documents to be truly locally-owned requires that stakeholders review these policies and plans to ensure their own priorities are reflected in the final product. In that way they can fully commit to the implementation of these documents.

10.2.3 Institutions

Currently, institutional mechanisms relevant to climate change in RMI are not adequately supporting the achievement of the policies and plans mentioned above. The major coordinating mechanisms of the NCCC and the OEPPC are beset by problems arising from lack of resources and lack of capacity. Overall greater clarity is needed on the specific roles of the different agencies involved in planning, coordinating and implementing the Government's response to climate change.

Central to this improvement will be a re-invigorated central coordinating committee, either the NCCC or new body, involving more stakeholders, a more effective secretariat and greater engagement with the community. The reinvigorated coordinating mechanism would expand membership to: provide broader input from the community; specific and detailed ToRs outlining committee responsibilities; detailed agendas circulated in advance; regular scheduled meetings; detailed standardised issue papers; and written records of decisions. The ToRs would clearly detail the responsibilities of the committee, which would involve, among other things, oversight of the JNAP and integration of climate change activities with the NSP.

As Secretariat to the NCCC (or any revitalised body), OEPPC is crucial to the success of overall implementation of the Government's climate change agenda. At present OEPPC has been mandated a wide range of responsibilities but with limited resources. Furthermore, OEPPC devotes very limited resources to its domestic coordination role and, as a result the effectiveness of knowledge management, information exchange and project implementation have suffered.

With the approval and implementation of the new NSP, OEPPC should collaborate closely with EPPSO to prepare and maintain a database monitoring all projects and activities, including climate-related activities. This could involve OEPPC, EPPSO and the Ministry of Finance (MoF) producing regular publications explaining current activities leading to the achievement of the Government's climate objectives, including the funding being received to implement these activities. OEPPC and EPPSO would also need to collaborate on monitoring and evaluation (M&E) but it is critical that each agency's specific roles are clearly specified. This information should also be reflected in the RMI Annual Budget documentation.

To have institutions work well and ensure proper implementation of policies and plans it is important to look beyond the institutional arrangements at the national level. This has been alluded to in the recommendation above to broaden the membership of the NCCC (or its successor) to include greater non-government representation. In this respect the institutional arrangements should be expanded to ensure greater involvement of local governments and civil society organisations (CSOs) in institutional arrangements. Beyond NCCC there is also an opportunity for these groups to be more widely consulted to enable a free exchange of information on activities in various sectors, and to allow greater access of these groups to Government resources. A good example of this would be to allow greater access for NGOs and local Government to the Grant Writing Office (GWO).

10.2.4 Human Capacity

Capacity constraints in RMI have long been acknowledged. Some capacity issues have been attributed to the perceived poor quality of education available to students. While to some extent these perceptions persist, there have been significant improvements in the development of human capital over recent years.

In order to overcome the capacity deficiencies in RMI for accessing and effectively using climate change finance, RMI needs to develop a long-term strategy to address these human capacity constraints. This should involve both the development of new capacity, as well as strengthening existing capacity. Among the modalities that need to be considered are secondment schemes, short and long-term training activities, staff retention measures, and ongoing capacity building through resident expatriate staff. This capacity should look to focus on issues ranging from project implementation to specific skills development for accessing climate change finance.

The key institution in implementing the Government's climate change programs is OEPPC. This office is currently burdened with high levels of work but constrained in terms of the permanent staff resources it has available to fulfil its mandate. As such any capacity building efforts should usefully start here. To more effectively implement the Government's climate change programs the Government will need to strengthen and strategically support the human capacity of OEPPC to effectively carry out its mandate. The Compact could potentially be a source of financing through its Public Sector Capacity Building sector grants, or through the Environment sector grant. Just as the Education and Health Sector grants support permanent line positions in these two sectors, consideration could be given to funding line climate change positions in OEPPC and related areas such as key agencies implementing climate change-related activities. Both MoE and MoH face significant climate change challenges in their ongoing operations, so the use of the Education and Health sector grants could potentially fund climate change focal points in these and other line Ministries.

Support for OEPPC should help to provide some long-term certainty to the office and bolster its three permanent staff. Other development partners should also consider funding long-term permanent positions in OEPPC to help provide the foundation for the RMI to achieve its climate change objectives. This will be important in a tight fiscal environment, since RMI's climate change needs, and demands on OEPPC, are only likely to increase over time.

As mentioned before, a complicating matter in the effective use of existing human capacity is the balance between internationally focused efforts, and national climate change efforts, including long-term benefits. While OEPPC has a clear external responsibility, this work should not compromise the efforts of project and policy implementation domestically. In fact, despite the good work done at the international level to try and access more funds, this good work could be compromised, even counterproductive, if domestic coordination and implementation of policies and projects is lacking. In fact this could have the effect of making it harder for RMI to access climate change finance. In that respect it would be important for the RMI Government to review the short and long term benefits of re-allocating existing human capacity from international to national activities, both permanently and temporarily, or resource additional staff to OEPPC to address this issue.

It would also make sense that OEPPC with MoFA seek external resources to design, implement and coordinate the long-term strategy to develop climate change capacity. MoFA could engage with donors and CROP agencies to look at ways to access the Regional Technical Support Mechanism to help achieve this. Meanwhile OEPPC would work closely with PSC (and NTC) to coordinate relevant training programs in the line Ministries. PSC should expand support to build capacity of government staff on climate change, and especially climate finance training.

Core climate change agencies should undergo a review of human resourcing needs, skill gaps and training needs. As such each line Ministry should be required to delegate an officer to serve as the focal point for climate change in that Ministry, to coordinate both training activities and all other climate change related activities across the portfolio.

10.2.5 Development Effectiveness

Development effectiveness is crucial and cuts across all the other dimensions of this assessment. Both donors and recipient countries want to ensure that climate change finance contributes to climate change adaptation and mitigation, and furthermore positive development outcomes and poverty reduction.

While the RMI Government has many things it needs to address to improve its access to climate change resources, and ensure that these funds are used effectively, there is an important role for development partners to build effective partnerships. It is recommended that the following conditions need to be met:

- i. The use of climate change finance needs to be led and owned by RMI. This means that the RMI Government should be able to use the finance in line with its NSP and JNAP priorities. Furthermore, climate change should not only be addressed in standalone climate change reports but also fully integrated into national and sector development plans.
- ii. Climate change finance needs to be channelled through RMI's existing systems. The systems include the PFM systems and national and sector development plans. This underscores the importance of strengthening RMI's PFM systems. Climate change finance should not create parallel processes in isolation from RMI's existing systems.
- iii. Development partners should ensure coherence in the provision of climate change finance among themselves. As more "climate funds" and bilateral and multilateral donors provide climate finance, development partners need to pursue a common approach in order to reduce transaction costs and excessive administrative burdens in a small countries like the RMI.

The starting point for this new approach will have to be increased dialogue between the Government and development partners. The lack of any formal ongoing discussion between development partners and GRMI is a major deficiency in aid coordination efforts. The planned donor roundtable meeting this year is a perfect opportunity to commence such a process as this will be at the beginning of the new NSP period. Added impetus should be provided by the priority placed on climate change since Environment, Climate Change and Resiliency is one of the five NSP Sectors identified for attention. The prominence of climate change in the RMI's development will become more apparent as the impacts increasingly manifest themselves.

To support this, the Government will need to strengthen its aid coordination systems. Central to this will be the

development and implementation of a Development Cooperation Policy as foreshadowed. This should provide details on a range of aspects of how to improve aid coordination including:

- Detailing the role and format of any ongoing development partner dialogue;
- institutional arrangements to support the implementation of the policy;
- capacity requirements and capacity development aspects of establishing and sustaining the policy;
- outlining key relationships and coordinating mechanism, as they relate to climate change, to ensure effective collaboration between OEPPC, MoF and EPPSO and the implementation of the NSP; and
- greater consultation with domestic stakeholders to continue to inform the climate change issues and the NSP.

These efforts will fail unless this is complemented by the whole-hearted support of RMI's development partners in relation to:

- Committing to ongoing dialogue with the GRMI and other development partners;
- supporting the process and the institutions with the necessary technical assistance and capacity building; and
- provision of information including processes, accessibility criteria and project information to support the Government's coordinating mechanisms, especially its ability to track implementation of the NSP and the Government climate change programs.

11 Conclusions

Ultimately, developing the capacity to access increased climate change finance is a responsibility of the Government of the RMI, although donors and development partners can also make an important contribution.

While RMI's continued advocacy for improved access to international climate change financing is important as part of this broader effort, it is also crucial that strengthened national systems and increased use of those systems by development partners and private sector will build capacity to access and use these funds effectively.

In addition despite the significant attention dedicated to multilateral sources RMI has accessed the vast majority (82%) of its climate change-related funding through bilateral sources. This is not to say that multilateral sources of climate financing will not become more important over time, but for now it appears that bilateral and regional sources of financing are more accessible and offer greater opportunities for increased flows of climate change finance. This situation may persist until mechanisms and policies at the national and international levels can be put in place to help RMI access more climate change finance from multilateral sources.

The Climate Change Finance Action Plan presented in Table 1 can guide RMI's efforts to improve access to climate change related financial support from external sources. OEPPC, through NCCC or another body (and supported by PIFS) should monitor and evaluate progress, and ensure it is integrated and aligned with the Government's overall development efforts outlined in the NSP.

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Appendix 1: Consultation List

Government

1. Mr Tony deBrum, Minister in Assistance to the President
2. Mr Jack Ading – Minister of Finance, MoF
3. Mr Mattlan Zackhras, Senator for Namdrik
4. Mr Casten Nemra, Chief Secretary
5. Ms Justina Langidrik, Deputy Chief Secretary
6. Ms Kino S. Kabua, Secretary of Foreign Affairs, MoFA
7. Ms Doreen De Brum, Acting Secretary of Foreign Affairs, MoFA
8. Ms Keyoka P. Kabua, Assistant Secretary, Bureau of United States of America Affairs
9. Mr Gee Leong Bing – Director, Office of Compact Implementation, MoFA
10. Mr Alfred Alfred Jr. – Secretary of Finance, MoF
11. Mr Clarence Samuel, - Assistant Secretary, Accounting and Administration, MoF
12. Mr Bruce Bilimon, - Assistant Secretary, Taxation and Revenue, MoF
13. Ms Kayo Yamaguchi-Kotton, Assistant Secretary, Budget, Procurement and Supply, MoF
14. Mr Jim Hicklin, Director, Grant Writing Office, MoF
15. Mr Mack Kaminaga, World Bank, ICT Telecommunications Project
16. Mr Frederick De Brum, Director Economic Policy, Planning and Statistics Office (EPPSO)
17. Ms Dahlia Kaneko, EPPSO
18. Ms Daisy Alik-Momotaro, Permanent Secretary, Ministry of Internal Affairs
19. Mr Wallace Peter, Assistant Secretary, Administration, Personnel and Finance
20. Mr Wilbur Allen, Secretary, Ministry of Public Works
21. Mr Melvin Dacillo, PMU, Ministry of Public Works (MPW)
22. Mr Gary Ueno, Secretary, Ministry of Education
23. Mr Phil Phillippo, Secretary, Ministry of Transport and Communications (MTC)
24. Mr Russell Edwards, Assistant Secretary, Policy and Planning, Ministry of Health
25. Ms Maybelline A. Bing, Assistant Secretary, Finance and Administration, Ministry of Health
26. Ms Angeline Heine, National Energy Planner, Energy Planning Division, MRD
27. Mr Walter Myazoe, Assistant Energy Planner, Energy Planning Division, MRD
28. Mr Bruce Kijiner, Director, Office of Environmental Planning and Policy Coordination (OEPPC)
29. Mr Warwick Harris, Deputy Director, Office of Environmental Planning and Policy Coordination
30. Ms Jennifer De Brum, OEPPC
31. Mr Douglas Henry, Coordinator, PACC Project, OEPPC
32. Ms Jessica Zebedee, OEPPC

Public Enterprises

33. Mr David Paul, General Manager, Marshalls Energy Company, Marshall Islands
34. Mr Thomas Maddison – Airport Manager, RMI Ports Authority
35. Mr Amon Tibon, - General Manager, Marshall Islands Development Bank (MIDB)
36. Ms Yetta Aliven, Marshall Islands Visitors Authority (MIVA)
37. Mr Jorelik Tibon, General Manager, Majuro Atoll Waste Company (MAWC)
38. Mr Joseph Batol, Manager, MWSC
39. Mr Halston DeBrum, Operations Manager, MWSC
40. Mr Alington Robert, Administration and Human Resource Manager, MWSC
41. Mr Nigel Deacon, Water and Sanitation Adviser, MWSC
42. Mr Glenn Martini, Operation and Maintenance Trainer, MWSC

Local Government and Civil Society

43. Mr James Matayoshi, President of Marshall Islands Mayors Association
44. Mr Lawrence Muller, Executive Director, Marshall Islands Mayors Association
45. Mayors of Utrik and Namdrik
46. Mr Amir Barssoum - International Federation of Red Cross and Red Crescent - Fiji
47. Mr Carl S. Hacker – President, College of the Marshall Islands
48. Dr Irene Jane Taafaki, Director, and Ms Tamara Greenstone, USP Marshall Islands Campus
49. Ms Kathryn (Katie) M. Relang, Executive Director, WUTMI
50. Ms Pam Maher, Australian Volunteer, WUTMI

Private Sector

51. Mr Robert S. Muller, Project Manager, Pacific Islands Incorporated

Development Partners

- 52. Ms Ellen Milne – ADB Local Coordinator, Marshall Islands
- 53. Mr Thomas H. Armbruster, Ambassador, US Embassy, Majuro, Republic of the Marshall Islands
- 54. Mr Norman H. Barth, Deputy Chief of Mission, US Embassy, Majuro, Republic of the Marshall Islands
- 55. Mr Allan E. Fowler, Grants Specialist, Department of Interior, US Embassy, Majuro, RMI
- 56. Mr Jeff Shelden - Political/Economic/Consular Officer, US Embassy, Majuro, RMI
- 57. Mr Ron Libby - USAID/OFDA Regional Humanitarian Advisor, US Embassy, Majuro, RMI
- 58. Mr Ross Lunetta – USEPA Science Fellow, US Embassy, Majuro, Republic of the Marshall Islands
- 59. Mr Jason A Brenden, Regional Environmental Officer, US Embassy, Suva, Fiji
- 60. Ms Sandeep Singh, Regional Environment & Climate Change Policy Specialist, US Embassy, Suva
- 61. H.E. Kazuhiko Anzai, Ambassador, Embassy of Japan, Republic of the Marshall Islands
- 62. Mr Masataka Mizutani, Economic Adviser/Researcher, Embassy of Japan, RMI
- 63. Mr Terry Keju – UN Local Coordinator, UNDP Joint Presence
- 64. Ms Yoshiko Yamaguchi-Capelle, National Coordinator GEF Small Grants Programme
- 65. H.E. Winston Wen-yi Chen, Ambassador, Embassy of Taiwan/ROC, Republic of the Marshall Islands
- 66. Ms Allison H.C. Chao, First Secretary, Embassy of Taiwan/ROC, Republic of the Marshall Islands
- 67. Mr Vincent W.S. Yang, Counsellor, Embassy of Taiwan/ROC, Republic of the Marshall Islands
- 68. Ms Moriana Phillip, SPREP

Others

- 69. Ms Dina Hestad – OEPPC
- 70. Mr Chris Yanckello – EPPSO, Consultant on the National Strategic Plan
- 71. Mr Riyad M. Mucadam – 2nd National Communications Strategy Consultant – OEPPC
- 72. Mr Alice Leney – Director, Pacific Reef Savers

Appendix 2: Preliminary Findings Workshop Participants

8 April 2014, Melele Conference Room, Marshall Islands Resort

1. Casten Nemra, Chief Secretary
2. Pam Maher, WUTMI Umbrella NGO
3. Jon Pasierb, Lyon Associates
4. Riyadh M. Mucadam, OEPPC
5. Omela Ben, RMI Ports Authority
6. Anjanette Kattil, Ministry of Foreign Affairs (MoFA)
7. Dina Hestad, OEPPC
8. Moriana Phillip, Secretariat of the Pacific Environment Programme
9. Jim Hicklin, Grant Writing Office
10. Melvin Dacillo, PMU-Ministry of Public Works
11. Gee L. Bing, Office of Compact Implementation/MoFA
12. Joseph Tibon, MoFA/PIFS Small Island States Officer
13. Jorelik Tibon, Majuro Atoll Waste Company (MAWC)
14. Terry Keju, UN Joint Presence Office
15. Russell Edwards, Ministry of Health (MoH)
16. Irene Taafaki, University of the South Pacific (USP)
17. Tamara Greenstone, USP
18. Yoshiko Yamaguchi Capelle, UNDP Small Grants Program, RMI
19. Warwick Harris, OEPPC
20. David Wei, MoFA
21. Thom Woodroffe, MoFA
22. Dean Bialek, MoFA
23. Lawrence Muller, Marshall Islands Mayors Association
24. Deborah Kramer-Shoniber, Chamber of Commerce
25. Lani Milne, RMI Environmental Protection Authority (EPA)
26. Kato Rabon, Ministry of Internal Affairs (MoIA)
27. Simpson Lalej, Ministry of Finance
28. Mack Kaminaga, MoF
29. Fred deBrum, Economic Policy, Planning and Statistics Office (EPPSO)
30. Dahlia Kaneko, EPPSO
31. Yetta Aliven, Marshall Islands Visitors Authority (MIVA)
32. Paulino Berry, MIVA
33. Albon Ishoda, CMAC
34. Damian Jetnil, Ministry of Transport and Communications (MTC)
35. Halstan deBrum, Majuro Water and Sewer Company
36. Wallace Peter, MoIA
37. Thomas Maddison, RMI Ports Authority (Airport)
38. Nigel Deacon, MWSC
39. Chris Yanckello, EPPSO/National Strategic Plan Adviser
40. Douglas Henry, OEPPC
41. Amalyia Rudolf, International Organisation for Migration (IOM)
42. Walter Myazoe, Ministry of Resources and Development
43. Yoshiharu Sato, OEPPC
44. Jessica Zebedee, OEPPC
45. David Paul, Marshalls Energy Company

Appendix 3: Methods and Assumptions

Much of the quantitative analysis in this Assessment has relied on a range of assumptions and methodologies to help quantify the amount and shape of the climate change finance that has been received by the RMI and how this has been applied to achieving the Government's climate change objectives. The quantitative analysis is confined to two sections – Section 4: Funding Source Analysis and Section 5: PFM and Expenditure Analysis.

All estimates of project finance are denominated in US dollar with appropriate exchange rates applied to non-US dollar funding. All figures are nominal prices since CPI is assumed to be low and approach the medium-long term the US rate of around 2.2 per cent (IMF 2014, p.3).

The Marshall Islands presented a dilemma in the analysis because there was very limited information in the national budget to determine what funds the government had received to address climate change. As a consequence the funding source assessment needed to supplement what limited information was available in the national budget with a range of other information drawn from a variety of sources.

Funding Source Analysis

The Funding Source Analysis used the following sources listed below to compile a list of climate change-related projects. The list of projects is attached in the Appendix 4 and the information in this table largely reflects the format adopted in the Nauru Case Study with respect to the information collected. The main sources used to compile the Table are listed below:

- RMI Budget – as mentioned the RMI Budget has limited information on External Grants. Even when the data is included in the Budget there are still significant issues with accuracy and comprehensiveness. Budget information was crosschecked with at least one other source.
- SPC Climate Change Project Analysis – SPC had undertaken an analysis of climate related activities in RMI in 2013. This analysis was used as an initial base for the development of the project list.
- Stakeholder discussions and interviews – in discussions with stakeholders a number of projects were identified that were not reflected in the RMI Budget or the SPC Project Analysis. Where projects were relevant the assessment team would seek more detailed information such as project documents.
- Development partner interviews and discussions – The assessment team met with all the major development partners for discussions on their climate related development assistance. Written documentation was sought to confirm discussions where possible.
- Development partner information – most development partners have detailed information on the projects they are supporting listed on their websites. The analysis spent considerable time collecting and confirming information on climate-related development assistance, often cross-checking information with another source.

The RMI Assessment estimated the volume of climate related spending in RMI by weighting individual projects according to the proportion of expenditure considered relevant to climate change from a scale of 0-100%. The weighting followed the PCCFAF and CPEIR guidelines with these guidelines replicated in Table 9 below. This Table provides ranges of weightings for projects and therefore gives scope to be more accurate in weighting projects than the PCCFAF methodology, but that creates an additional problem that this can involve more subjectivity. The project listing is attached in Appendix 5 with all projects identified with a national allocation weighted according to these criteria.

Table 9: Classification of Climate Change Related Activities

High Relevance	Rationale	Clear primary objective of delivering specific outcomes that improve climate resilience or contribute to mitigation
Weighting more than 75%	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/sea-level rise • Healthcare for climate sensitive diseases • Building institutional capacity to plan and manage climate change, including early warning and monitoring • Raising awareness about climate change • Anything meeting the criteria of climate change funds (e.g. GEF,PPCR)
Medium Relevance	Rationale	Either (i) secondary objectives related to building climate resilience or contributing to mitigation, or (ii) mixed programmes with a range of activities that are not easily separated but include at least some that promote climate resilience or mitigation
Weighting between 50% and 74%	Examples	<ul style="list-style-type: none"> • Forestry and agroforestry that is motivated primarily by economic or conservation objectives, because this will have some mitigation effect • Water storage, water efficiency and irrigation that is motivated primarily by improved livelihoods because this will also provide protection against drought • Bio-diversity and conservation, unless explicitly aimed at increasing resilience of ecosystems to climate change (or mitigation) • Eco-tourism, because it encourages communities to put a value on ecosystems and raises awareness of the impact of climate change • Livelihood and social protection programs, motivated by poverty reduction, but building household reserves and assets, and reducing vulnerability. This will include programs to promote economic growth, including vocational training, financial services and the maintenance and improvement of economic infrastructure, such as roads and railways
Low or Relevance	Rationale	Activities that display attributes where indirect adaptation and mitigation benefits may arise
Weighting between 25% and 49%	Examples	<ul style="list-style-type: none"> • Water quality, unless the improvements in water quality aims to reduce problems from extreme rainfall events, in which case the relevance would be high • General livelihoods, motivated by poverty reduction, but building household reserves and assets and reducing vulnerability in areas of low climate change vulnerability • General planning capacity, either at national or local level, unless it is explicitly linked to climate change, in which case it would be high • Livelihood and social protection programs, motivated by poverty reduction, but building household reserves and assets and reducing vulnerability. This will include programs to promote economic growth, including vocational training, financial services and the maintenance and improvement of economic infrastructure, such as roads and railways
Marginal Relevance		Activities that have only very indirect and theoretical links to climate resilience
Weighting less than 25%	Examples	<ul style="list-style-type: none"> • Short term programs (including humanitarian relief) • The replacement element of any reconstruction investment (splitting off the additional climate element as high relevance) • Education and health that do not have an explicit climate change element

The Ministry of Finance has limited involvement or expertise with respect to climate change and this is compounded by the fact that substantial amounts of development assistance are extra-budgetary and are not tracked by MoF. As a consequence there is no central database repository of development assistance received including that of climate change response actions. In the absence of this, the associated weightings are based on the information gathered from the sources identified above.

The timeframe used for identifying projects was 2008-2014 covering a period of seven 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 analysis focussed on current or completed projects (i.e. projects completed in the 2008-2014 timeframe and still current at the time of writing). It was not possible to estimate spending by financial year,

even when projects were reflected in the Government budget. So the total amount of project expenditure is quantified in the analysis rather than any attempt to assess annual spending.

The one exception to this is (refer to Figure 17) where the spending was averaged over the 7-year period to try and estimate the amount of money that came into RMI in “an average year”. 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 relevant to addressing the Government’s climate change objectives as there have been a wide range of climate change related assistance to RMI over the past few years and some projects may not have been documented by this analysis. 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 finance in RMI.

Expenditure (Budget) Analysis

The Expenditure Analysis takes a different approach by looking at spending in the RMI Annual Budget. The analysis seeks to quantify the priority RMI places on climate change as reflected in 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. While this data is provided in audited financial statements, the format of the audited financial statement differs markedly from the format of the Appropriation Act, which makes comparison difficult. As such the analysis focuses on the publicly available budget allocations for the six years, FY2009-FY2014.

The RMI Budget provides only limited policy detail in publicly available information. From the information provided in the public documentation it is difficult to determine what proportion of programs listed in the budget are relevant to climate change. In order to estimate the amounts of climate change relevant spending the assessment adopted a simple approach. The proportion of a program’s budget allocated to climate change would be equated to the estimated time staff of a program would dedicate to climate relevant activities. The rationale is that spending in many of the relevant programs are dominated by salaried expenditure so the time dedicated to climate change related activities could be used as a proxy for overall budget relevant to climate change activities.

Some areas of spending have an obvious relevance to meeting climate change objectives of the Government. These programs include OEPPC, EPA and the Renewable Energy Division in MRD. However, it is also clear from discussions with other Ministries and Departments that many other, less obvious, programs in Government address climate change related issues. For example, the Ministry of Education’s (MoE) curriculum includes aspects of climate change through its science curriculum and life skills activities such as home gardening. The Ministry of Health (MoH) assigns staff and resources to deal with climate related health issues arising from droughts and other climate impacts. The Ministry of Internal Affairs also has an Outer-Island Economic Development Fund that finances projects at island level that often address climate change issues at the grass roots level.

In analysing the RMI Budgets, it is assumed that Climate Change objectives are addressed in a broad range of government programs from Education and Health ministries, to Internal Affairs, Foreign Affairs and infrastructure development. Climate change-related activities is also undertaken by government agencies supporting the economic sectors such as tourism, fisheries and agriculture.

While the CPEIR and PCCFAF Methodologies inform the analysis, sometimes they do not easily translate to programs in the recurrent budget, which is why the aforementioned approach was used to determine weightings of programs within the Budget. The weightings range from 80% for agencies such as OEPPC to 20 - 25% for the UN Mission in New York to 5% for some of the programs within the Ministries of Education and Health. 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 Expenditure Analysis of the Budget.

Weightings are conservative and may understate the true climate relevance of some programs. A more accurate assessment would involve more detailed consultation with line Ministries. The full list of weighting is included as Appendix 5 .

Suggested Improvements to the PCCFAF Methodology

The RMI Assessment was an opportunity to strengthen and update the PCCFAF Methodology. Over the period of assessment and the discussions with stakeholders a number of issues arose that should inform further refinement of the PCCFAF Methodology, especially its need to be a holistic approach to development. A number of areas were identified that could be incorporated to the framework to improve future assessments and their relevance to countries.

The PCCFAF Structure has been adjusted in the Assessment by reordering the dimensions as they are presented in the report. In consultations with stakeholders it became apparent that after first considering the Funding Source Analysis it was appropriate to follow this with the PFM and Expenditure Analysis. It is believed that this provides a more logical structure to the Framework and helps to reinforce key issues and elements of the Assessment. This tends to strengthen the financial emphasis of the Assessment but does not in any way reflect a reduction in the importance of the other PCCFAF dimensions. The PFM and Expenditure Analysis section is followed by Policies and Plans, Institutions, Human Capacity and Development Effectiveness.

Negative Expenditures relate to Government expenditures that potentially increase the costs of adaptation and increase greenhouse gas emissions. The analysis of the RMI Budget assigned weighting to all program and project expenditures according to their positive climate change relevance or objectives. The analysis did not look at where there were potentially negative impacts from Government expenditure. While the Assessment did not specifically look for these expenditures in the budget, it did identify one significant expenditure within the Budget which had potentially an area where there may have been a negative impact. The RMI Budget includes an appropriation for a National Energy Support Account within the Ministry of Resources and Development. This allocation which averaged around \$800,000 per year provided a subsidy to the Marshalls Energy Company (MEC) to support the operation of its diesel generators on Jaluit and Wotje. This suggested that the electricity generation was being supplied at below cost and as such would likely lead to overconsumption and excess production of greenhouse gases compared to under a commercial arrangement. This spending was not weighted because the PCCFAF does not provide any guidance on how “negative” expenditures might be treated.

Cost Benefit Analysis is another related approach which can assist in assigning weights to program and project expenditures in future assessments. At present relevance is based on weightings assigned according to relevance of criteria. There is some thought that this approach could be complemented by costs benefit analysis where data is available. As a recommended action, it would help if the PCCFAF Methodology might provide a simple template of how this might be done.

Poverty and Gender Equity are clearly issues that relate to climate change. The PCCFAF should look at refining the Methodology to accommodate these issues. Assessments often take a multi-disciplinary approach so there may be benefit from including team members with the relevant expertise to bring this perspective to the Assessment. Refinement or additions to the guiding questions should also be considered.

Appendix 4: Climate Change related projects with clear national allocations to RMI from 2008 - current

Project	Description/Objectives	Funding Allocation	\$US	Timeline	Source	Bilateral/ Multilateral	Implementing Agency	Coordinating Agency	Sectors	Weighting	Reflected in Budget	Type	Status
The Project for Introduction of Clean Energy by Solar Electricity Generation System	Reducing the reliance on diesel, cutting emissions, and contributing to the RMI's National Energy Policy and Energy Action Plan in 2009 that aims for 20% of electrical energy through renewable resources by 2020.	National Allocation	\$6,300,000	2010-2012	Japan	Bilateral	MEC	MRD	Energy	80%	No	M	Completed
Project for Improvement of Domestic Shipping Services	Improvement of the domestic sea transportation providing additional capacity to transport water to outer-islands in case of drought and is fuelled by fuel efficient engines.	National Allocation	\$16,000,000	2012-2013	Japan	Bilateral	MISC	MTC	Transport	25%	Yes	A	Completed
Portable Water Solutions for Outer Islands by PV Reverse Osmosis System	Portable Water Solutions for Outer Islands by Photovoltaic (PV) Reverse Osmosis (RO) System Project contributes to the increase in use of renewable energy. 15 RO (Reverse Osmosis) units have been procured over the past year for distribution to outer islands especially in the northern atolls to assist their chronic drought.	National Allocation	\$3,150,105	2013	Japan - PEC Fund	Bilateral	MWSC	MRD	Water and Sanitation	80%	Yes	A	Current
European Union (EU) REP-5, Outer-Islands Solar projects	The installation of the European Union (EU) REP-5, Solar project for Ailinglaplap, Marshall Islands and Company, Six primary schools on the five atolls of Arno, Ebon, Mejit, Namdik and Namu also received stand-alone PV systems for powering lights and office equipment.	National Allocation	\$3,100,000	2008-2009	EU (EDF9)	Bilateral	MEC	MRD	Energy	80%	No	M	Completed
Realignment of Airport Road and Runway Safety Area (RSA) for Anata Kabua International Airport (AKIA)	The Airport Road will be realigned to allow for the lengthening of the AKIA Runway and creation of a Runway Safety Area (RSA) inclusive of seawall adaptation.	National Allocation	\$23,000,000	2014	US - FAA	Bilateral	RMIPA	MTC	Transport	10%	No	A	Current
ADMIRE - Action for the Development of Marshall Islands Renewable Energy (ADMIRE) to remove barriers to the widespread use of RE resources.	The goal of the project is the reduction of GHG emissions from fossil fuels in the RMI through the utilization of the country's renewable energy (RE) resources. The project aims to remove barriers to the widespread utilization of RE resources and application of RE technologies (RETs) for OI development.	National Allocation	\$2,625,000	2011- Ongoing	GEF/U NDP	Multilateral	MRD	OEPPC	Energy	80%	No	M	Current
Japan purchase of water-making and other equipment for the islands.	Among equipment to be purchased are seawater desalination units to make safe drinking water for drought-affected outer islands. The grant will also purchase equipment to improve environmental management.	National Allocation	\$1,950,000	2014-2015	Japan	Bilateral	MWSC	MPW	Water and Sanitation	80%	No	A	Current

Project	Description/Objectives	Funding Allocation	\$US	Timeline	Source	Bilateral/Multilateral	Implementing Agency	Coordinating Agency	Sectors	Weighting	Reflected in Budget	Type	Status
EDF9 B Envelope - Disaster Risk Reduction Project	Rainwater harvesting in outer islands, Majuro and Ebeye, water quality training and capacity building, Protection of Laura water lens, Septic suction and water truck procurement - 173 catchments in outer islands. 200 for Ebeye, 350 for Majuro.	National Allocation	\$1,500,000	2008-2010	EU EDF 9	Bilateral	OCS	MoF	Disaster Risk Management	80%	Yes	A	Completed
Reverse Osmosis Units and Disaster assistance for Northern Islands drought	Emergency Assistance and provision of Reverse Osmosis Units to alleviate immediate and medium-term effects of the drought in the Northern Islands.	National Allocation	\$5,500,000	2013-2014	US	Bilateral	MWSC	OCS	Water and Sanitation	25%	No	A	Completed
North Pacific ACP Renewable Energy and Energy Efficiency Project (North REP)	To improve the quality of life on the outer islands by increasing access to basic electricity and reducing dependency on fossil fuels through energy efficiency and increased penetration of mature renewable energy technologies	National Allocation	\$1,400,000	2010-2014 (Ongoing)	EU (EDF10)	Bilateral	MEC	MRD	Energy	80%	Yes	M	Current
PACC - Addressing high evaporation rates of current water storage systems and facilities	The PACC project hopes to address the issue of high evaporation rates of current water storage facilities in the Marshall Islands. Airport reservoir – technical assessment and guidelines to reduce high evaporation rate and leakages.	National Allocation	\$1,250,000	2009-2013	GEF (SPREP)/Australia/AID	Multilateral	MWSC	OEPPC	Water and Sanitation	80%	Yes	A	Completed
Sustainable Land Management - RMI	Key activities will include completion of a National Action Plan (NAP) under the UNCCD, capacity building and review of legislative and policy frameworks and the development of a Medium-Term Investment Plan and its Resource Mobilization Strategy.	National Allocation	\$1,064,000	2008-2012	GEF	Multilateral	MR&D	OEPPC	Land	80%	No	A	Completed
Ebeye Water Supply and Sanitation Project - 46346-001	A project preparatory technical assistance (PPTA) will undertake the due diligence for the project and assist KAJUR in preparing asset management plans to improve the delivery of water supply and sanitation services and build KAJUR's financial and technical sustainability.	National Allocation	\$1,000,000	2013-2014	ADB/Australia	Multilateral	KAJUR	OCS	Water and Sanitation	80%	Yes	A	Current
Solid Waste Disposal	Capital Assistance to the Majuro Atoll Waste Company (MAWC)	National Allocation	\$3,050,000	2011-2014	US (Compact)	Bilateral	MAWC	MRD	Solid and Hazardous Waste	25%	Yes	A	Current
Solar Powered LED Street Lighting Systems for Urban Centers	Using solar resource to increase use of renewable energy, around 75 solar streetlights will be procured and installed in urban areas.	National Allocation	\$850,000	2014	Japan – PEC Fund	Bilateral	MEC	MRD	Energy	80%	No	M	Current
Project on the Formulation Self-Sufficient Energy Supply System	This project provides implementation support for the construction of a self-sufficient energy supply system in the Marshall Islands and to propose methods for improving the operation of existing diesel generators.	National Allocation	\$850,000	2013-2014	Japan	Bilateral	MEC	MRD	Energy	80%	No	M	Current

Project	Description/Objectives	Funding Allocation	\$US	Timeline	Source	Bilateral/Multilateral	Implementing Agency	Coordinating Agency	Sectors	Weighting	Reflected in Budget	Type	Status
Water and Sewer Improvement	Capital Assistance to the Majuro Water and Sewer Company (MWSC)	National Allocation	\$1,350,000	2012-2014	US (Compact)	Bilateral	MWSC	MRD	Water and Sanitation	50%	Yes	A	Current
JFPR - Social Protection of the Vulnerable in the Pacific (Cook Islands, Marshall Islands, and Tonga) - 43090-012/ JFPR-9151	For RMI (i) Direct support provided to the vulnerable for coconut tree planting (ii) Government capacity to identify the vulnerable population enhanced (iii) Efficient and effective project management services provided by the PMU (iv) Policy makers and practitioners share experiences on semi-formal social protection models	National Allocation	\$1,200,000	2011-2014	ADB (Japan)	Multilateral	MR&D	MoF	Agriculture	50%	Yes	A	Current
GCCA/PSIS - Protecting atoll habitability, land and infrastructure in Ailinglaplap, Republic of the Marshall Islands	Protecting atoll habitability, infrastructure and land, National and Ailinglaplap atoll, Planning and financing strategies, Local coastal adaptation demonstrations, Public awareness, networking, capacity building and organizational development, Mainstreaming and finance, SPC co-ordinator position, Youth conference (logframe methodology for proposal development)	National Allocation	\$650,000	2013-2014	EU SPC; GCCA	Bilateral	MPW/EPA	OEPPC	Coastal Protection	80%	Yes	A	Current
Water Tank Project	Water catchments distributed to 350 households in Majuro and 250 in Ebeye - Proposal for 200 catchments for Majuro and 200 for Ebeye	National Allocation	\$539,250	2009-2010	EU (EDF), USAID,	Bilateral	OCS	OCS	Water and Sanitation	50%	No	A	Completed
Funding support to the Marshall Islands in the UNFCCC process	This project aims to ensure that the RMI are provided with legal and technical support to enable them to adequately and constructively take part in the UNFCCC process and Cartagena dialogue.	National Allocation	\$410,000	2013	DFID - CDKN	Bilateral	MoFA	MoFA	Other	100%	No	O	Current
Climate Adaptation, Disaster Risk Reduction and Education (CADRE) Program	This project aims to build the resilience of vulnerable communities in the RMI to natural hazards, particularly those that are climate induced. Utilizing IOM's existing presence in the region and expertise in climate change adaptation, and disaster preparedness.	National Allocation	\$500,000	2012	Australia-IOM	Bilateral	CSOs	OCS	Other	80%	No	O	Completed
GEF Small Grants Scheme	The GEF Small Grants Scheme (SGS) provides grants to NGOs and CSOs of up to US\$500,000 with a focus on addressing land degradation, climate change and biodiversity.	National Allocation	\$500,000	2012-2014	GEF (UNDP)	Multilateral			Other	80%	No	A	Current
Solar Street Light Project	Installed by Marshalls Energy Company (MEC)	National Allocation	\$425,000	2012	Taiwan/ROC	Bilateral	MEC	MRD	Energy	80%	Yes	M	Completed

Project	Description/Objectives	Funding Allocation	\$US	Timeline	Source	Bilateral/Multilateral	Implementing Agency	Coordinating Agency	Sectors	Weighting	Reflected in Budget	Type	Status
Senior Technical Advisor (Climate Change) - OEPPC	The Senior Technical Advisor (Climate Change) will be part of the CC Policy and Coordination Unit within the OEPPC as Secretariat to the NC3 also known as the "CC Policy Unit/Secretariat" in its capacity as the Secretariat Team to the NC3 under the Direction of the OEPPC Director/Vice Chairman NC3.	National Allocation	\$200,000	2014-2016	US (DOE)	Bilateral	OEPPC	OCS	Other	100%	No	O	Current
Energy Plan for Reduction of the Greenhouse Gas Emission	Regional project of "Regional Climate Change Ecosystems and Energy Programme for Reducing Emissions from Deforestation and Forest Degradation (RCCEP-REDD)" funded by the "Japan-UNDP Partnership Fund." UNDP was the partner agency.	National Allocation	\$350,000	2010-2012	REDD (UNDP) - Japan,	Multilateral	MEC	MRD	Energy	80%	No	M	Completed
Implementing Sustainable Water Resources and Wastewater Management in the PICS (IWRM)	Demonstration project: reducing stress and planning long term sustainable use of Laura Lens. Septic monitoring and pump-out program - 4% remediated Conversion of household pig pens from traditional wash-down to dry litter system ECOSAN pilot project. Water Safety Plan	National Allocation	\$500,000	2009-2013	GEF (SPC)	Multilateral	EPA	MRD	Water and Sanitation	50%	No	A	Completed
Coping with Climate in The Pacific Island Region (CCPIR) - National Water Sanitation Plan (TA)	Water sector TA developed National Water and Sanitation Policy (EPA) - CCPIR in RMI focuses on the water and sanitation sector. The share for the Marshall Islands amounts of \$440,000 (e.g. Development Worker in EPA to implement WATSAN (administered by US\$100,000)	National Allocation	\$440,000	2009-2015	Germany/SPC	Bilateral	EPA	OEPPC	Other	50%	No	A	Current
Sustaining Renewable Energy and Energy Efficiency Measures (SREEM) in RMI	PIGGAREP "PLUS" Project - Conduct of power plant testing and identification of energy efficiency improvements in power generation units, implementation of feasible energy efficiency improvements and load dispatch optimization in the national power utility in RMI and Design, preparation, promotion and establishment of an energy financing scheme for supporting energy efficiency projects in the residential/commercial sector in RMI.	National Allocation	\$225,000	2013-Present	UNDP PIGGA RE(SP REP)	Multilateral	MEC	MRD	Energy	80%	No	M	Current
USP-GCCA	Oil Training and Capacity Development for Climate Change	National Allocation	\$220,000	2011-2013	EU-GCCA	Bilateral	USP	USP	Other	80%	No	A	Current
CMI Solar Electricity Project	Installation of Solar Panels at CMI to reduce electricity bills	National Allocation	\$200,000	2012	Taiwan/ROC	Bilateral	CMI	CMI	Energy	80%	No	M	Completed
Water Resource Management Adviser	Establish a national water policy and taskforce to improve the quantity and quality of drinking water	National Allocation	\$300,000	2012-2014	Australia	Bilateral	MW/SC	MRD	Water and Sanitation	50%	No	A	Current

Project	Description/Objectives	Funding Allocation	\$US	Timeline	Source	Bilateral/Multilateral	Implementing Agency	Coordinating Agency	Sectors	Weighting	Reflected in Budget	Type	Status
Solar Powered Laptops for OI Schools	Provision of Solar Powered Laptops to all Outer Islands Primary Schools to allow for better communications with the Ministry of Education	National Allocation	\$500,000	2014	Taiwan/ROC	Bilateral	MoE	MRD	Energy	25%	No	M	Current
Heavy Equipment for Public Works	Heavy Equipment to assist Ministry of Public Works in maintaining Outer Island Airstrips	National Allocation	\$1,900,000	2014	Japan	Bilateral	MPW	MoFA	Transport	5%	Yes	A	Current
Implementation of the National Strategic Plan (NSP)	Employment of a consultant to assist the Government with the implementation of the NSP 2014-2016 and Donor Round Table Meeting	National Allocation	\$225,000	2014-2016	ADB	Multilateral	EPPSO	EPPSO	Other	25%	No	O	Current
Preparation of the National Strategic Plan (NSP)	Employment of a consultant to assist the Government with the formulation of the NSP 2014-2016	National Allocation	\$80,000	2013	UNDP	Multilateral	EPPSO	EPPSO	Other	25%	No	O	Completed
RMI Drought Response Project - 0344-RMI and 0351-RMI	ADB's Asia Pacific Disaster Response Fund in response to Northern Island Drought. The project consisted of activities relating to the provision of life preserving services for communities affected by the following natural disaster: RMI drought of May 2013.	National Allocation	\$300,000	2013	ADB	Multilateral	MoF?	MoF	Disaster Risk Management	5%	No	A	Current
Delap Primary School Classrooms	3 New Classrooms for Delap Elementary School funded under Grassroots Program	National Allocation	\$120,000	2014	Japan	Bilateral	MRD	MoE	Other	5%	No	A	Completed
Emergency Disaster Relief	Responding to the drought disaster, affecting RMI especially in northern atolls in early 2013, JICA extended emergency relief food worth approximately US\$ 80,000.	National Allocation	\$80,000	2013	Japan	Bilateral	Disaster Office	OCS	Disaster Risk Management	5%	No	A	Completed
Drought Relief Funds	Drought Relief Funds which included the purchase of Reverse Osmosis kits for outer islands and public reverse osmosis unit replacement parts	National Allocation	\$365,750	2013	Australia	Bilateral	MWSC	OCS	Disaster Risk Management	25%	No	A	Completed
Energy Advisor	Energy Advisor to the Energy Planning Division	National Allocation	\$285,000	2011-2013	Australia	Bilateral	MRD	MoFA	Energy	50%	No	M	Completed
International Climate Change Adaptation Initiative (ICCAI)	The ICCAI aims to: a) Establish a sound policy, scientific and analytical basis for long-term Australian action to help developing partner countries adapt to the impacts of climate change; b) Increase understanding in partner countries of the impacts of climate change on their natural and socioeconomic systems; c) Enhance partner country capacity to assess key climate vulnerabilities and risks, formulate appropriate adaptation strategies and plans, and mainstream adaptation into decision making; and d) Identify and help finance priority adaptation measures to increase the resilience of partner countries to the impacts of climate change.	Regional Allocation	\$1,000,000	2008-2013	Australia	Bilateral	Weather Station	OCS		100%	No	A	Current

Project	Description/Objectives	Funding Allocation	\$US	Timeline	Source	Bilateral/Multilateral	Implementing Agency	Coordinating Agency	Sectors	Weighting	Reflected in Budget	Type	Status
Pacific Climate Change Program	The PCPP will support i) immediate attention to fast tracking and scaling up climate change adaptation and mitigation investment - climate proofing infrastructure, promoting renewable energy and improved resource management; ii) building capacity of sectoral agencies and communities; and iii) Promoting more effective development partner responses including helping PDMCs access other global financing facilities.	Regional Allocation	\$1,000,000	2010-2012	ADB with GEF, PPCR, CEFPP	Multilateral	OEPPC	OCS		80%	N/A	A	
Pacific-Australia CC Science and Adaptation Planning Program (PCCSAP) 2011-13 (ICCAI)	PCCSAP (funded under ICCAI) builds the capacity of National Meteorological Services to i) Provide a better understanding of climate change science; ii) Communicate key climate science; and adaptation knowledge to decision makers iii) Build capacity within the region for decision makers to manage future climate change risks. Builds on from the PASAP Project (see below)	Regional Allocation	\$500,000	2011-2013	Australia	Bilateral	Weather Station	OCS, OEPPC		50%	N/A	A	
Strengthening the Capacity of Pacific Developing Member Countries to Respond to Climate Change	Conduct vulnerability assessments and design adaptation projects for high priority implementation - Currently conducting a baseline assessment in the water sector and target geographic location (likely the Majuro airport and coexistent water catchment system) RETA-7394	Regional Allocation	\$300,000	2010-2011	ADB	Multilateral	OEPPC	OEPPC		80%	N/A	O	
Pacific Adaptation Strategy Assistance Program (PASAP)	The Pacific Adaptation Strategy Assistance Program (PASAP; \$12 million, 2008-2011) assisted 15 partner countries to assess their vulnerability to climate change and incorporate adaptive measures addressing this vulnerability into planning and development and support provided towards developing a Joint National Action Plan (UNAP)	Regional Allocation	\$300,000	2008-2011	Australia	Bilateral	Weather Station	OCS		50%	N/A	A	
Renewable Energy	Renewable Energy in the North Pacific for the population in Pacific CTI countries, resulting from the increased resilience of coastal and marine ecosystems. It will support the introduction of more effective management of coastal and marine resources, especially those associated with coral ecosystems, to build their resilience.	Regional Allocation	\$5,000,000		US (DOE)	Bilateral	MEC	MRD			No	M	
Strengthening Coastal and Marine resources management in the Coral Triangle of the Pacific (Phase 2) - ADB 43427-012		Regional Allocation		2010-2013	GEF, ADB, EU, GCCA	Multilateral					N/A	A	

Project	Description/Objectives	Funding Allocation	\$US	Timeline	Source	Bilateral/Multilateral	Implementing Agency	Coordinating Agency	Sectors	Weighting	Reflected in Budget	Type	Status
Micronesia Challenge - Sustainable Finance Systems for Island Protected Area Management	Sub-regional initiative that enhances community resilience by using traditional knowledge and ecosystem strategies to conserve vulnerable coastal land resources by 2020. Goals are to effectively conserve at least 30% of near shore resources and 20% of terrestrial resources.	Regional Allocation		2006 - Ongoing	GEF, Project Governments, TNC, MCT	Multilateral	MIMRAMRD	OEPPG, MoFA			N/A	O	
Coastal Community Adaptation Program (C-CAP)	To help reduce the vulnerability of coastal communities in the Pacific Islands region to the impacts of climate change. C-CAP will strengthen community climate resilience through a range of activities, including: building local capacity for disaster risk reduction and preparedness; and integrating climate resilient policies and practices into long-term land use plans and building standards.	Regional Allocation	\$5,300,000	2012	USAID	Bilateral				80%	No	A	
Asia-Pacific Climate Change Adaptation Support Facility (ADAPT)	ADAPT will work with governments in the Asia-Pacific region to support training on the preparation of financeable adaptation projects, and provide assistance for analysis and financial review of selected project proposals. The program will link climate fund managers with representatives of government adaptation projects to identify adaptation investment opportunities and facilitate access to climate funds.	Regional Allocation	\$2,900,000	2012	USAID	Bilateral				80%	No	A	
USAID Pacific American Climate Fund (PACAM) program	PACAM will provide funds to civil society organisations including non-government and academic institutions in their bid to help Pacific island nations and help communities to adapt to climate change and save livelihoods.	Regional Allocation	\$24,000,000	2014-2018	USAID	Bilateral					No	A/M	
Coping with Climate Change in the Pacific Islands	In partnership with other development assistance partners increase resilience of the Pacific Islands to climate change impacts. Activities may include supporting a multi donor trust fund for adaptation and/or partnering with experienced development assistance partners in the region to support on-the-ground adaptation projects.	Regional Allocation	\$1,000,000	2012	USAID	Bilateral				80%	No	O	
SIDS DOCK	This initiative aims to support Small Island Developing States (SIDS) to transition to low carbon economies through development and deployment of renewable energy (RE) resources and promotion of greater energy efficiency (EE).	Regional Allocation	\$2,000,000	2013-2014	UNDP	Multilateral	MEC	MRD		80%	No	M	

Project	Description/Objectives	Funding Allocation	\$US	Timeline	Source	Bilateral/Multilateral	Implementing Agency	Coordinating Agency	Sectors	Weighting	Reflected in Budget	Type	Status
Boots on the ground	This initiative provides technical and policy support to 26 countries globally, including 23 LDCs, across three key areas: 1) assistance to the international climate negotiations; 2) capacity building to access and implement climate finance; and 3) effectively integrating climate change into a country's national plans, policies and strategies to ensure development is both low-emission and climate resilient	Regional Allocation	\$500,000	2010-2014	UNDP	Multilateral				80%	No	O	
Implementation of the Strategic Program for Climate Resilience: Pacific Region	Climate change adaptation and disaster risk reduction are integrated and mainstreamed into national and local policies and plans, resulting in climate-responsive development planning. Pacific DMOs capacity to respond to climate change risks built and supported through strengthened adaptive capacities and support facilities, such as RTSM and RRF.	Regional Allocation	\$3,600,000	2013-2016	ADB - SPCR - PPCR - CIF	Multilateral				80%	No	O	

Appendix 5: Climate Change program Weightings in RMI Budget

Programs in Budget	Weighting
President and Cabinet	
Cabinet Operations	5%
Customary Law Commission	0%
National Training Council	0%
Office of the President	5%
President and Members	5%
RMI/USP Joint Secondary Education Project	5%
Chief Secretary	
Administration	20%
Deputy Chief Secretary – Ebeye	5%
Disaster Office	80%
EPPSO	20%
KADA	0%
OEPPC	80%
Special Appropriation	
ADB Loan Repayment	0%
Airline of the Marshall Islands	0%
Alele Corporation	5%
Association Pacific Island Legislators (APIL) Meeting	0%
Cartagena Dialogue Conference Meeting	80%
College of the Marshall Islands	5%
Constitution Day	0%
Constitutional Convention (CONCON)	0%
Copra Price Stabilization Subsidy (Tobolar)	0%
Dry Dock (RMIS Lomor)	0%
Ebeye KALGOV	5%
Ebeye Public Works	5%
General Election	0%
International Subscriptions/Membership Fees	5%
Kumit Wellness Center	5%
Land Leases	0%
Lease Housing	0%
Majuro AKIA Improvement	5%
Majuro Capital Improvement Projects	0%
Majuro Electricity	0%
Majuro Environment Improvement Project	25%
MIVA	25%
MoF Accounting System Upgrade	0%
MoH JEMFAC Matching	0%
National Band	0%
National Energy Support Account	0%
Nuclear Claims Tribunal	0%
OI Projects	0%
Pacific Islands Development Bank	0%
Prior Year Liabilities	0%
Property Acquisition Project	5%
PSC Training	0%
RMI – USP Arrears Payment	0%
RMI Contingency Fund	0%
RMI National Census	5%
RMI Operating Vehicles	0%
RMI Trust Fund Contribution (Balance)	0%
V7AB Antennae Project	0%
Council of Iroij	
Council of Iroij – Administration	0%
Council of Iroij – Members	0%
Council of Iroij – Supplementary 2013	0%
Auditor General	
Administration – CB	0%
Auditor General Administration (0.6%)	0%
Auditor General Salary	0%
Single Audit	0%
Single Audit Match	0%
Public Service Commission	
PSC Administration	0%
Public Service Commission – Members	0%
Judiciary	
ACommunity Court	0%

Programs in Budget	Weighting
General Courts	0%
Judicial Fund	0%
Judicial Services Commission	0%
Traditional rights Court	0%
Attorney General	
Attorney General Office	5%
Immigration - Ebeye	0%
Immigration - Majuro	0%
Health	
Dental Lab Services	0%
Ebeye Dental Services	0%
Ebeye Health Administration	5%
Ebeye Hospital Operations	5%
Ebeye Hospital Services	5%
Ebeye Preventative Services	5%
Ebeye Public Health	5%
Ebeye Special Needs (Ebeye Hospital)	5%
Ebeye Wellness Program	5%
Energy Efficiency Project	5%
EPA Incinerator	20%
Health Care Fund	5%
Health Planning and Statistics	5%
Health Wellness Center (Kumit)	10%
Human Dental Services - OI Bureau	0%
Human Services	10%
Kwajalein Atoll Bureau	5%
Kwajalein Atoll Dispensaries	5%
Lease Housing	0%
Leprosy Program	0%
Majuro Administration	5%
Majuro Atoll Waste Company	25%
Majuro Hospital Operation	10%
MDR-TB Program	0%
MoH JEMFAC Matching	5%
MoH Supplementary FY2013	5%
MoH Utility	0%
OI Dispensaries	10%
OIHCS	5%
One Stop Shop NCD	5%
Population Activities & Family Planning	5%
Primary Health Care	10%
Youth Adolescent Health	10%
MoH Federal and Other Grants	5%
Ebeye Special Needs	
Adult Education and Literacy (CMI)	0%
Elementary and Secondary Schools - Ebeye Special Needs	0%
Kwajalein Scholarship (Ebeye Special Needs)	0%
Education	
Aid to Private School	0%
Aid to Private School (Ebeye)	0%
CMI	5%
CMI (Compact Designated)	5%
Contracted Teachers	5%
Contractual Services for Food Program	0%
Elementary Education - Ajeltake	5%
Elementary Education - Delap	5%
Elementary Education - Ebeye	5%
Elementary Education - Ejit	5%
Elementary Education - Laura	5%
Elementary Education - Outer Islands	5%
Elementary Education - Rairok	5%
Elementary Education - Rita	5%
Elementary Education - Uliga ES	5%
Elementary Education - Woja	5%
Elementary Instructional & Support Services	10%
Food program	0%
Leadership Management	0%

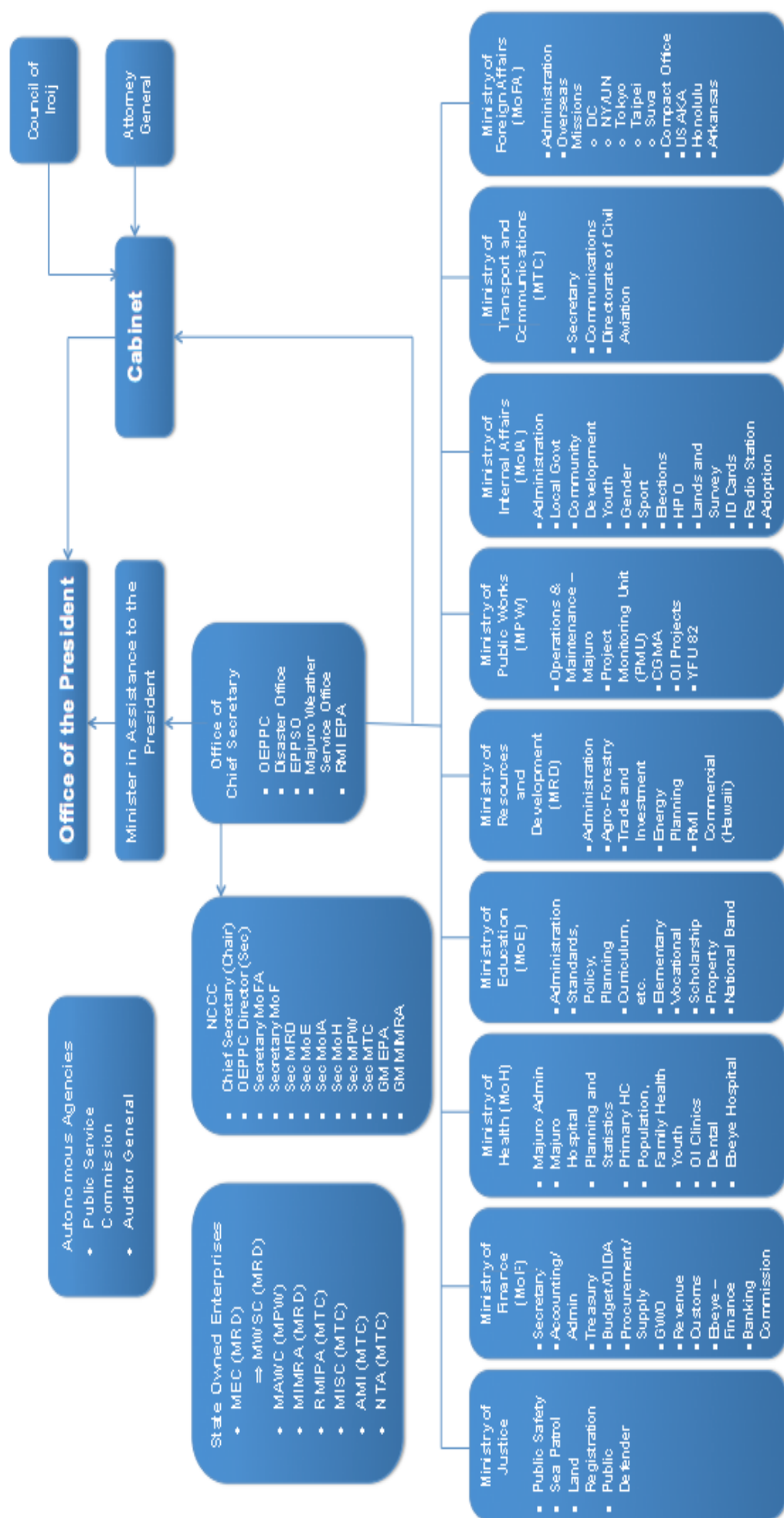
Programs in Budget	Weighting
Middle School	5%
MOE Admin	5%
MOE Curriculum, Instructions, & Assessment	10%
MOE Lease Housing	0%
MOE Property and Maintenance	10%
MoE Supplementary FY2014	5%
National Band	0%
National Standards Office/Policy & Planning	10%
National Training Council	0%
National Training Council Fund	0%
Parents as Teachers (PAT) Program	5%
Property Maintenance	10%
RMI/USP Joint Secondary Education Project	5%
Scholarship Board	10%
Secondary Education - Jaluit	5%
Secondary Education - Kwajalein	5%
Secondary Education - Laura	5%
Secondary Education - MIHS	5%
Secondary Education - Northern Island High School	5%
Secondary Education and Support Services	5%
Staff Development Elementary	5%
Vocational Education	5%
Vocational Education - Secondary	5%
Supplemental Education Grant (SEG)	
Adult Education and Literacy (CMI)	0%
Close up Program	0%
Contractual Services for Food Program	0%
Contractual Services for program development	0%
Elementary Supplies (SEG)	0%
Elementary Text Books (SEG)	0%
Food program	0%
High School Debate	5%
High School Practicum Program	0%
Industrial Arts & Life Skills Program	0%
Instructional Service Center	0%
Instructional Technology Support	0%
Kindergarten Program	0%
Majolizing the Curriculum	10%
MOE Contractual	0%
Music and Art Program	0%
National Scholarship Board	0%
National Training Council	0%
National Vocation Technical Institute	0%
Professional Development	0%
School accreditation	0%
School Enrichment Program	0%
Secondary Supplies (SEG)	0%
Secondary Textbooks (SEG)	0%
Student Exchange	0%
Substitute Teachers	0%
Transportation	0%
Tutorial Program	0%
Worldteach and Dartmouth	0%
CMI Federal Grants	5%
MoE Federal Grants	5%
Transport and Communication	
Communication	5%
Directorate of Civil Aviation	5%
MT&C Supplementary FY2013	10%
Office of the Secretary	5%
FAA Airport Projects	10%
Resources and Development	
Agro-Forestry	25%
R&D Administration	25%
Renewable Energy Office	50%
RMI Commercial Office (Hawaii)	0%
RMI Small Business Development Center	10%
Trade and Investment	5%
Internal Affairs	
Administration Office	0%
Central Adoption Administration	0%
Child Rights Office	0%
Community Development	25%
Ebeye Office	0%

Programs in Budget	Weighting
Electoral Administration	0%
Gender and Development	10%
Grant in Aid	10%
Historic Preservation Act	10%
Identification Division/ID Cards	0%
Labor Special Revenue Fund	0%
Land & Surveys	25%
Local Government Affairs	20%
Local Government Fund	20%
MIA Supplementary FY2013	0%
Ministry of Internal Affairs Fund	10%
National Elections	0%
Price Monitoring Office	0%
Print Shop	0%
Registrar's Office	0%
Sports and Recreation	0%
V7AB Radio Station	0%
Volunteer Program	0%
Youth Services Bureau	10%
4-Atoll Feeding Program	0%
MIA Federal Grants	10%
Justice	
Justice Supplementary FY2013	0%
Land registration	5%
Ministry of Justice Fund	0%
Public Defender - Majuro	0%
Public Safety - Ebeye	0%
Public Safety - Majuro	0%
Sea Patrol	5%
Sea Patrol Fund	10%
Finance	
Accounting & Administration	0%
Budget and OIDA	10%
Custom Division	0%
Ebeye - Finance	0%
Ebeye Revenue/Custom Office	0%
EDP/Information Technology	0%
Grant Writers (3 positions)	10%
Marshall Islands Postal Service Authority	0%
Procurement and Supply Division	0%
Revenue Division Majuro	0%
Secretary's Office	5%
Single State Agency	0%
Treasury Division	0%
Foreign Affairs	
Arkansas Consulate	0%
Compact Office	0%
FA - Administration	5%
Fiji Office	10%
Honolulu Office	0%
MOFA Supplementary FY2013	5%
RMI UN Mission - New York	20%
Taipei Embassy	0%
Tokyo Embassy	0%
USAKA LNO	0%
Washington DC Embassy	10%
Office of Compact Implementation	0%
MAWC	
MAWC	25%
Public Works	
CGMA	10%
MPW Supplementary FY2013	0%
OI Projects	20%
Operations and Maintenance - Majuro	10%
Public Work Fund	10%
YFU 82	0%
Nitijela	
Committee Expense	0%
General Membership	0%
Legislative Counsellors	0%
Nitijela Operation	0%
Nitijela Supplementary 2013	0%
Speaker's Contingency	0%
Compact Capital Fund	

Programs in Budget	Weighting
Capitol Complex Retrofitting Project	10%
College of the Marshall Islands	5%
Elementary and High School Projects	5%
Fibre Optic Cable Project	0%
Health Projects	5%
Infrastructure Maintenance Fund	10%
National Energy Capital Projects	50%
PMU Operation	10%
Solid Waste Disposal	25%
Water and Sewer Improvement	50%
IN KARE	0%
Other Compact Designated	
Compact Disaster Grant	10%
Compact Trust Fund	0%
Kwajalein Development Fund	10%
Kwajalein Development Fund - KAJUR	10%
Kwajalein Landowners	0%
ROC Projects	
ADB Loan Repayment (Capital projects)	0%
Air Marshall Islands Subsidy	0%
Alele Building Renovation	0%
Attorney General Storage Project	0%
Capital Complex Retrofitting Project	10%
Disaster Matching	80%
Dry Dock (RMIS Lomor)	0%
Drydock	0%
Ebeye Court House	0%
Ebeye Public Works	0%
Educational Cultural Center (ECC) Renovation	0%
Health Care Project	10%
Infrastructure Capital Maintenance Fund (Compact Matching)	0%
International Cultural Center (ICC) Maintenance	0%
International Subscriptions/Membership Fees	5%
Kwajalein Technical Mission	0%
Laura Dock	0%
Majuro Atoll Government Police Vehicles	0%
Majuro Capital Improvement Projects	0%
Majuro Courthouse Renovation Projects	0%
Majuro Main Jail	0%
Marshall Islands Shipping Corporation Ship	0%
Marshall Shipping Corporation Ship Repairs	0%
Micronesian Legal Services	0%
MIDB Housing Programs	0%
MIDB Rural Development Programs	10%
MIVA	20%
MOFA VIP Lounge Renovation	0%
National Energy Support Account	0%
Nitijela Renovation Projects	0%
OI Runway Renovation	10%
Outer Island Development Projects	20%
Outer-Island Agriculture Project	20%
Pacific Islands Forum Meeting	0%
Prior Year Liabilities	0%
Public Works Matching/Heavy Machinery	0%
Renewable Energy Projects	80%
RMI Contingency Fund	0%
RMI Operating Vehicles	0%
RMI Overseas Renovation Projects	0%
RMI Trust Fund Contribution (Balance)	0%
RMI Trust Fund Contribution (D Account)	0%
RMI-USP	5%
Small Grant Projects	10%
Tobolar	0%
Tobolar Capital Improvement Projects	0%
Traditional Rights Court Renovation	0%
V7AB Antennae Project	0%
Wotje Police Station	0%
YFU 82 Repair	0%
ADB	
Aid to Private Schools	0%
Air Marshall Prior Year Liabilities	0%
Air Marshalls	0%
Coconut Replanting Project	20%

Programs in Budget	Weighting
Debt Management Program	0%
Ebeye Wellness Program	5%
Hot Lunch Program	0%
Investment Programs (D Account and PIDP)	0%
MWSC	0%
OI Economic Development Fund	25%
Our Airline	0%
Public Financial Management Reform Program	0%
Australia/ADB	
KAJUR Water Supply & Sanitation Project	50%
DOI	
Ministry of Foreign Affairs	5%
EDF 10	
Emergency Assistance	5%
Outer Island Solar Projects	80%
Outer Islands Renewable Energy Schools Project	80%
Technical Cooperation Facility (Capacity Building)	5%
EU	
SPC GCCA - OEPPC	50%
FAO	
Food Security (MRD)	25%
Global Fund	
MoH Global Fund	5%
Japan	
MPW Heavy Equipment	10%
MR&D - PEC Reverse Osmosis	50%
MT&C - Vessels	25%
PNG	
MOE JEMFAC Matching	0%
MoH JEMFAC Matching	0%
Prior Year Liability - Forum Related	0%
Disaster Assistance (Drought) Fund	10%
UNDP	
ADMIRE (UNDP)	80%
EPPSO - NSP	10%
Office of the Chief Secretary (Water Project)	50%
WHO	
MOH WHO Fund	0%
World Bank	
Direct Budget Support	0%
ICT Sector Reform	10%
MWSC Water Reservoir	50%
Social Development and Capital Projects	20%
Environmental Sector	
Kwajalein Environmental Impact	25%
Majuro Atoll Waste Company	25%
EPA	
Environmental Protection Authority	80%
EPA Administration	80%

Appendix 6: RMI Government Organisational Chart





PACIFIC ISLANDS FORUM SECRETARIAT

Private Mail Bag, Suva Fiji. Ratu Sukuna Road, Muanikau, Suva, Fiji
Telephone (679)331 2600 Email info@forumsec.org Website www.forumsec.org