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ADAPTATION, METEOROLOGY,  
GEO-HAZARDS, ENVIRONMENT  
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# **TERMS OF REFERENCE for Climate Finance Working Group**

**MINISTRY OF CLIMATE CHANGE ADAPTATION,  
METEOROLOGY & GEO-HAZARDS, ENERGY, ENVIRONMENT &  
NATIONAL DISASTER MANAGEMENT OFFICE**

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## 1. Introduction

1.1 The National Advisory Board (CC&DRR) approved at its meeting on February 02 2017 (minutes available on request) the establishment of a Climate Finance Working Group (hereafter referred to as CFWG). This group was previously referred to as the NIE Taskforce.

The CFWG will assist the NAB Secretariat to progress issues related to climate finance. The CFWG's purpose is to serve as a consultative arm of the National Advisory Board to provide strategic direction specifically on climate finance related matters for the Ministry of Climate Change and progress the NIE Accreditation agenda. The following sections detail the role and responsibilities of the CFWG, its membership, the nature of meetings and systems of reporting.

## 2. Background

Vanuatu, like most Small Island Developing States (SIDS), bears little responsibility for climate change, but its geographical, socioeconomic and climate profiles makes it particularly vulnerable to its impacts. Despite this, Vanuatu remains poorly funded, and approved finance fulfils only a small part of actual needs. With most finance focused on adaptation, the Pilot Program for Climate Resilience (PPCR) and the Least Developed Countries Fund (LDCF) are the biggest contributors. Vanuatu is gearing up to access transformational development finance from the Green Climate Fund (GCF), but substantial scaling up both climate adaptation and mitigation finance to Vanuatu is vital - both to address the vulnerability of its inhabitants by making agriculture, biodiversity and infrastructure sectors more resilient to climate impacts, and to shift the energy mix away from fossil fuels.

Vanuatu currently faces several challenges in regards to mobilizing climate finance:

1. Access to climate finance is difficult because the different requirements of different sources are complex and cause duplication efforts. Traditionally, multilateral and bilateral financing intermediaries such as World Bank, UN Agencies and multilateral development banks (MDBs), have played an important role in distributing and channeling climate finance to Vanuatu. Direct access is limited by Vanuatu's inability to currently meet the strict fiduciary standards required by international funds.
2. Coordination of climate finance is also challenging due to the proliferation of climate finance mechanisms, and Vanuatu's newly developing NAB governance structures. Ensuring country ownership has been difficult. It is difficult for Vanuatu to monitor, report, and verify (MRV) climate finance, as well as to account for its effective and equitable use. Keeping track of climate finance has been particularly difficult for Vanuatu due to unclear attributions (dedicated climate funds (i.e. those that only invest in climate activities) and climate - relevant funds (i.e. where climate - relevant activities are part of the investment, even though they are not explicitly identified or labelled as mitigation or adaptation activities as such) are labelled as climate finance). Additionally, much climate finance flows through civil society agencies without being officially reported through Government tracking processes. Use of different accounting practices also makes it difficult to adequately tracked by Government. Vanuatu's Climate Public Expenditure & Institutional Review CPEIR report<sup>1</sup> provides more in depth details about this. A background summary of NIE accreditation towards the Adaptation Fund is provided in annex 1.

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<sup>1</sup>In April 2012, the UNDP supported an initial Climate Finance awareness workshop in Vanuatu. Following this, in August 2013, the UNDP supported a Direct Access and Adaptation Fund (AF) National Implementing Entity (NIE) accreditation rapid assessment. From September 2013 – March 2014, a risk governance assessment including a Climate Public Expenditure and Institutional Review (CPEIR) was undertaken, funded by the Pacific Risk Resilience Programme. In April 2014, a CPEIR validation workshop was undertaken. Finally, in October 2014, an AF NIE accreditation roadmap workshop was undertaken. The report is available at:  
[https://www.climatefinance-developmenteffectiveness.org/sites/default/files/documents/09\\_06\\_16/Vanuatu%20CPEIR.pdf](https://www.climatefinance-developmenteffectiveness.org/sites/default/files/documents/09_06_16/Vanuatu%20CPEIR.pdf)

3. Making detailed climate finance investment plans is still challenging, as the Vanuatu, NDC and other climate policy frameworks only indicate broad finance goals, but not targets, what will be financed and how. There are gaps in national and sectoral policies and strategies that should direct the mobilization of climate resources. Vanuatu does not yet have a concrete climate investment pipeline. This is due in part to a lack of predictability of finance from various sources.

### 3. Role and Responsibilities

3.1 The CFWG to serve as a consultative arm of the National Advisory Board to provide strategic direction specifically on climate finance related matters for the Ministry of Climate Change and the Government of Vanuatu;

3.2 The CFWG shall assist the NAB Secretariat to resolve compliance issues raised in leading to National Implementation Entity status. The order of the items reflects no importance or priority: These are as follows but not limited to:

- fiduciary governance & compliance
- transparency
- policy development,
- reporting & monitoring
- legislative framework
- capacity building & training
- social safeguards

3.3 The CFWG shall work on and oversee the development of the Climate Finance Roadmap and Action Plan aligned with the National Sustainable Development Plan, [National Climate Change and Disaster Risk Reduction policy](#), [Nationally Determined Contributions Roadmap](#) and, the [National Adaptation Plan](#);

3.4. **Support NAB** as required to dialogue with partners on Vanuatu Climate finance issues;

3.5. **Support** the coordination, steering and implementation upcoming Vanuatu climate finance programs and projects;

3.4 The CFWG will chaired by the Strategic Manager, NAB Secretariat (reporting to the NAB). The Chair will secure membership of the CFWG as follows:

3.4.1 The CFWG will consist of:

1. NAB Secretariat Strategic Manager
2. Ministry of Finance and Economic Management MoCC Expenditure Analyst
3. DSPPAC Sector Analyst for CC & DRM
4. Supervisor Vanuatu Project Management Unit
5. Project Management Unit MoCC
6. Finance Manager MoCC
7. CEO Vanuatu Association of Non-Government Organization or new CSO Forum
8. Donor/Development Partner Representative

3.5 Other persons may attend meetings or become members of the CFWG, by invitation of the chair

#### **4. Climate Finance Working Group Meetings**

4.1 A quorum shall be **FOUR (4)** members of the CFWG.

4.2 The CFWG shall meet at least once (1) a month. Additional meetings of the Committee may be convened as required by workload. The NAB may request a meeting and meeting report if they consider that one is necessary and such a request is to be met.

4.3 Meeting minutes are to be kept and circulated to CFWG members within 7 working days following the meeting.

4.4 CFWG minutes signed by the Strategic Manager NAB Secretariat is to be made available to the NAB to demonstrate progress, identify bottlenecks and to seek support/advocacy for resolution of cross sectoral issues.

4.5 The NAB Secretariat within the Corporate Services Unit will provide secretariat support to the CFWG.

4.6 Wherever possible, the meetings are to be structured with the use of agendas and supporting/briefing papers. These papers should be circulated at least three days prior to a meeting date.

4.7 The Excel Tracking Map of NIE progress will form part of the annual work plan of the CFWG. Progress reports will be submitted on at least a quarterly basis (or as requested) to the NAB to monitor progress

## *Annex I – Background Summary of NIE Accreditation to Adaptation Fund*

Based on the outcomes of the workshop for the preparation of Vanuatu's Adaptation Fund (AF) National Implementing Entity (NIE) accreditation roadmap, October 29<sup>th</sup> 2014, Port Vila, Vanuatu, it was projected that all the specific capacities under each of the fiduciary standards for NIE Accreditation could be achieved by Ministry of Climate Change by the end of 2017. However, it was recognized that NIE accreditation would take a concerted effort over this time to develop these capacities.

With Cyclone Pam, the timeline was seriously compromised. However the GoV's recent 100 Day Plan has reconfirmed the priority of achieving NIE Accreditation by December 2017 – a target date that will need serious commitment and focus to drive the agenda – hence the proposal to establish a group to achieve the designated tasks.

The NIE roadmap laid out 2 parallel tracks to be undertaken to achieve NIE accreditation:

*Track 1: Institutionalization of the NIE Agenda:* Incorporate the finding of the NIE roadmap workshop and previous NIE work into the Climate Change Policy - Vanuatu's Climate Change & Disaster Risk Reduction Policy (launched 30<sup>th</sup> Nov 2015).

*Track 2: Capacity Development:* Developing the specific capacities to reach NIE fiduciary standards and submission of accreditation application (to be completed by end of 2017).

### *2.1.1 Track 1: Institutionalization of the NIE Agenda*

By incorporating the finding of the NIE roadmap workshop and previous assessments into the Vanuatu's Climate Change & Disaster Risk Reduction Policy (launched Friday 30<sup>th</sup> October 2015) by the then Prime Minister Hon Sato Kilman Litvunvan), the NIE agenda is embedded within the overarching policy frameworks of the government and drives implementation of this process and targeted capacity development for relevant fiduciary requirements.

This prioritization of NIE Accreditation process has been confirmed by the release of the 100 Day Plan, the planning tool of the Government led by Prime Minister Hon Charlot Salwai Tabimasmal, released March 2016.

### *2.1.2 Track 2: Capacity Development for NIE Accreditation*

Initially under Track 2, individuals were identified as a focal point for each of the three fiduciary standards. These focal points were envisaged as supporting the NIE focal point in identifying the most efficient and strategic means of reaching the capacities for NIE accreditation.

However, it has become obvious that the complexity of NIE status and the workload involved needed the establishment of a broader Working Group to develop a work plan to monitor progress for each of the standards and to track & provide Progress Reports to the NAB to monitor progress.

For the Financial Management Integrity fiduciary standard, it is expected that this could be achieved by end of 2016. The highest priority under this standard is Production of Financial Statements. The capability which required the most improvement is the internal control framework. This may need to be supported by specialist technical support.

For the Institutional Capacity fiduciary standard, it is expected this can be achieved by end of 2017. The highest priority under this standard is Procurement Capacity. The capacity needing greatest improvement is risk assessment for programmes and projects.

For Transparency and Self-Investigative powers it was expected that this can be achieved by end of 2016. A Social Safeguards Framework is integral to this task.

#### *Establishment of an NIE Working Group → CFWG*

On receipt of the UNDP Report on steps needed to achieve NIE status by December 2017, it was realized a broader Task Force rather than three Focal points would be needed to progress the very complex issues across several sectors – GoV, NGOs/CSOs, communities, private sector and donors.

Jotham Napat, Director General supported the establishment of an informal NIE Taskforce to track the UNDP identified shortfalls/issues needing resolution. This group commenced work in May 2015 and has been moving forward on a broad variety of associated issues in regular meetings. An Excel Spreadsheet of issues and progress has tracked the NIE Working Group's activities

The NAB meeting (Friday 4<sup>th</sup> March 2016) sought the approval of the NAB to mandate and formalize the work of this Taskforce as the CFWG to operationalize, support and monitor the implementation of the NAB's Strategy and the National Climate Change & Disaster Risk Reduction Policy for Climate Change Funding, and promote the effective implementation of new approaches, processes and instruments to deliver on the strategic objectives to achieve National Implementing Entity status by Dec 2017.

#### *Annex II – Outcomes of the 2016 Vanuatu Climate Finance Forum*

**The delegates of the 1<sup>st</sup> Vanuatu Climate Finance Forum, made up of high-level decision-makers, government technical officers, private sector representatives, regional and international development partners and civil society stakeholders, propose the following strategic way forward:**

All stakeholders, from Government, Civil Society, the Private Sector and Development Partners will work cooperatively and in a coordinated way towards greater access to climate finance for the benefit of Vanuatu's most vulnerable people.

In order to accomplish this, Vanuatu's National Advisory Board on Climate Change & Disaster Risk Reduction to take the lead to Finalize a **Climate Change Finance Roadmap & Action Plan** for Vanuatu which

- links Vanuatu Policies, Regional Frameworks and International Agreements and;
- Articulates results-oriented and time-bound targets and;
- Includes roles and responsibilities for ALL stakeholders and;
- Is linked to upcoming Climate Finance Readiness programs and;
- Addresses specific actions in the following 6 strategic priority areas:

#### **Access & Modalities**

- Multiple modalities of access to climate finance should be endorsed, including support to Government to achieve accreditation to receive direct access; as well as consideration of other accredited entities and modalities from development partners, civil society and the private sector

#### **Capacity Building**

- There is strong existing capacity within Government, Civil Society and Private Sector to expand access to climate finance. These climate finance capacities are to be mapped out, gaps identified and upskilling prioritized for all stakeholders;

#### **Prioritization**

- Finance flows must be prioritized and justified based on real vulnerabilities and transparent assessment frameworks; with a high priority placed on investments in women, youth and people with disabilities

### **Awareness**

- Knowledge and information on climate finance sources, modalities and access requirements must be summarized and communicated simply and appropriately;

### **Coordination**

- Existing Climate Finance advisory and working groups must be strengthened including additional participation from high-level Government, CSO/NGO, private sector and development partner representation.
- The roles of key Government climate finance institutions (including the NAB, the Ministry of Finance, the Prime Minister's Office and the Ministry of Foreign Affairs) should be clarified and strengthened

### **Project Management**

- Public finance management must be strengthened including adequate and effective human resourcing;
- Climate Finance M&E systems are to be improved to include robust frameworks to track climate finance access by all stakeholders, including an evaluation of the quality, impact and targeted-nature of finance flows

