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CASE STUDY

PROJECT NAME

Strengthening Public Finance Management (PFM) and Governance in the Pacific

PERIOD

November 2016 – April 2022

TOTAL COST

EUR 34 million

BENEFITING ZONE

Pacific (ACP States)

COUNTRIES

Cook Islands, Federal States of Micronesia, Fiji, Kiribati, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Republic of Marshall Islands, Timor Leste, Tonga, Tuvalu and Vanuatu.

BENEFICIARIES

7.7 million people

MAINSTREAMING ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE MANAGEMENT INTO THE PUBLIC FINANCES OF THE PACIFIC STATES

This project aims to improve the economic, governance and environmental performance of Pacific ACP States by strengthening the Public Finance Management systems and governance of key institutions.

CONTEXT

The Pacific is the region most affected by climate change worldwide. Many low-lying islands and atolls, such as Tuvalu and Kiribati, are being threatened by sea-level rise. Natural disasters, particularly cyclones and typhoons, are increasing in intensity and frequency. Rain patterns are changing and droughts are exacerbated by the 'El Niño' effect. All this causes coastal flooding and erosion, loss of coral reefs and mangroves, losses to coastal infrastructure and land and failure of subsistence crops and coastal fisheries. This all has significant impacts on food and water security, as well as on health due to the spread of infectious and non-communicable diseases.

2020 was a particularly difficult year. The Ministries of Economy/Finance of the Pacific States have been fighting on at least two fronts: on top of the enormous pressure to manage the socio-economic impacts of the COVID-19 pandemic, they were also trying to respond to climate-related catastrophes such as Tropical Cyclone Harold which wreaked havoc in Fiji, Solomon Islands, Vanuatu and Tonga. Building resilience against both natural hazards and a health pandemic requires urgent responses that transcend borders and national politics. With both challenges in the mix, there is currently an extra severe strain on the ability of economies to recover. Efforts are being made to ensure that investments in responses to both COVID-19 and to climate change and disaster resilience are aligned and reinforce each other rather than compete for resources. As economies recover over the months and years to come, the Pacific Ministries of Finance/Economy are presented with an opportunity to catalyse transformative action at the national level and build their economies and societies back better, in ways that are climate and disaster risk informed, healthy, clean, safe and thus more resilient.

“The European Union supports Pacific Islands on climate change issues, including climate finance, strengthening the capacity of national auditing institutions, and the oversight role of Parliaments. The EU also supports civil society organisations, including the media, to raise awareness about climate change and climate finance in order to strengthen accountability of governments.”

Micha Ramakers

European Commission, Directorate-General
for International Partnerships

THE PROJECT OBJECTIVES

As part of efforts to build resilience and sustainability, international finance is increasingly available for climate change adaptation and mitigation, and access to such finance and sound management requires a comprehensive Public Finance Management (PFM) system and robust oversight mechanisms.

For this reason, the European Union is supporting the project **‘Strengthening Public Finance Management and Governance in the Pacific’**, to improve the economic, governance and environmental performance of the following 15 states: Cook Islands, Federal States of Micronesia, Fiji, Kiribati, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Republic of Marshall Islands, Timor Leste, Tonga, Tuvalu and Vanuatu.

In improving their environmental performance, in particular, this project is promoting policy dialogue and capacity building of PFM stakeholders in the Pacific states, by targeting Ministries of Finance/Economy (or equivalent), and by focusing on mechanisms for the effective integration of environment and climate change in budgeting systems, including monitoring and auditing procedures.

In addition to support for parliaments, civil society and audit institutions, the project is helping strengthen PFM systems through specialised technical assistance on the effective use and implementation of laws and regulations, PFM Roadmaps, and national budgets, with a focus on climate change finance. Training and capacity building is being provided for government accountants, budget analysts and auditors, in areas such as treasury management, accounting, financial reporting and climate change finance, budget preparation, monitoring and reporting on fiscal outcomes and fiscal risks.

PARTNERS

[European Union](#)

[IMF/Pacific Financial Technical Assistance Centre \(PFTAC\)](#)

[United Nations Development Programme \(UNDP\)](#) in coordination with the [Pacific Associated for Supreme Audit Institutions \(PASAI\)](#)

[Pacific Islands Forum Secretariat](#)

[University of the South Pacific](#)

RESULTS

- ▶ Strengthened national PFM systems in the countries in the Pacific region
- ▶ Achievement of greater public finance oversight and accountability roles of parliaments, including civil society organisations
- ▶ Enhanced audit processes which ensure greater accountability of government finances

IMPACT

Recently, the regional platform of the Ministers of Finance in the Pacific, the [Forum Economic Ministers Meeting \(FEMM\)](#), initiated a Technical Working Group on PFM focusing on Climate Change Finance (TWG CCF). The TWG CCF is coordinated by the [Pacific Islands Forum Secretariat \(PIFS\)](#) and the International Monetary Fund’s Pacific Financial Technical Assistance Centre (PFTAC). In collaboration with the Pacific Islands Private Sector Organisation, it works with Members, donors, national private sector organisations and other stakeholders on appropriate options to facilitate structured engagement in climate change and disaster risk financing.

The TWG CCF works on three work streams: (i) exploring the [Public Expenditure Financial Accountability \(PEFA\)](#) diagnostic outputs to include indicators that assess climate responsiveness; (ii) regional guidelines or a Pacific guideline/toolkit for National Implementing Entities (NIE) to obtain accreditation to the Green Climate Fund and Adaptation Fund; and (iii) expenditure effectiveness for climate change finance and development finance more broadly.

This TWG CCF reinforces the concept of the ‘triple dividend of resilience’ for climate change and disaster risk introduced in 2019 which is appropriate considering the overarching challenges faced by Ministries of Finance due to the COVID-19 and climate change and disaster crises. The first dividend relates to avoiding losses e.g. climate-proofed hospitals endure less infrastructure damage and less economic loss. The second dividend relates to unlocking economic potential; healthy people increase productivity and reduce the number of lost work days. The third dividend relates to generating development co-benefits; more sustainably-built hospitals last longer before needing repairs.

Apart from the TWG CCF, the EU is also supporting work on the core functions of Public Finance Management, with four implementing partners and the regional organisation and PIFS as coordinator. Fifteen Small Island Developing States (SIDS) in the Pacific benefit from this in the form of specialised Technical Assistance for the Ministries of Finance/Economy, workshops and seminars with Parliamentarians and Supreme Auditors on Budgetary Oversight. Online courses and meetings are currently taking place, due to COVID-19 and the absence of inter-SIDS flights. In each of these gatherings, climate change is a cross-cutting topic.

“To be effective, climate funding sources need to be more responsive and ensure support is provided to countries to build robust PFM systems and institutional absorptive capacities”

Dame Meg Taylor
PIF Secretary General

This project is expected to benefit 7.7 million people and should result – by 2022 – in stronger laws and effective PFM institutions; improved coverage and quality of fiscal reporting; better climate change readiness; enhanced audit processes to ensure greater accountability of government finances; greater public confidence in PFM with increased participation from civil society organisations in PFM scrutiny; improved oversight of public spending; and increased effectiveness and transparency of the budget process in parliaments.

Significant progress has already taken place in terms of improvements in budget documentation, budget planning and accountability of public expenditures. The scores of recent PEFA (in Fiji, PNG, Samoa, Tonga and Timor-Leste) provide good examples highlighting these improvements. Moreover, the new PEFA climate change module was tested in Samoa in 2020.

Along with complementary programmes, this project will support Pacific countries to qualify for climate funds from the Green Climate Fund (GCF) or the Adaptation Fund (AF) in order to implement their Nationally Determined Contributions as committed under the Paris Agreement with their own resources accompanied by climate finance.

Greening EU COOPERATION

Integrating environment & climate change

Environment and climate change mainstreaming is a legal EU requirement, essential to meeting international and internal commitments, and to supporting sustainable development worldwide. The EU is actively doing its part through the European Green Deal and will support partners to do the same.

For advice and training on environment and climate change mainstreaming, contact:

INTPA and NEAR

Environment & Climate Change
Mainstreaming Facility

T: +32 229 622 83

E: INTPA-GREENING-FACILITY@ec.europa.eu

E: NEAR-GREENING-FACILITY@ec.europa.eu



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