

Climate Finance Briefing: Small Island Developing States

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Climate Finance **12** Fundamentals

NOVEMBER 2016

The Small Island Developing States (SIDS) together bear little responsibility for climate change, but their geographical, socioeconomic and climate profiles make them particularly vulnerable to its impacts. Spread across three regions, the 39 SIDS nations have received USD 1085 million from the dedicated climate funds between 2003 and 2016. Financing 187 projects in 38 SIDS (all SIDS received finance except for Singapore), this sum represents less than 7% of global climate finance for all regions across these funds. SIDS remain poorly funded, and approved finance fulfils only a small part of actual needs. With the majority of finance focused on adaptation, the Pilot Program for Climate Resilience (PPCR) and the Least Developed Countries Fund (LDCF) are the biggest contributors. In 2016, USD 146 million was approved for projects in SIDS. A full 80% of this is programmed by the Green Climate Fund (GCF) and over half of this figure (USD 80 million) is directed to a Sustainable Energy Facility regional project in the Eastern Caribbean. Scaling up both climate adaptation and mitigation finance to the SIDS is vital - both to address the vulnerability of SIDS inhabitants by making agriculture, biodiversity and infrastructure sectors more resilient to climate impacts, and to shift the energy mixes of SIDS away from fossil fuels.

Introduction

The 39 nations classified as SIDS by the UN (which together constitute about 1% of the world's population) form a distinct group of developing countries. SIDS tend to share a number of challenges, including limited capacity to raise domestic resources, high energy and transportation costs and high vulnerability to climate variability, storm events, and sea level rise. Adaptation measures are critical in most of the SIDS in agriculture and fisheries, coastal environments, biodiversity, water resources, human settlements and infrastructure and health sectors (UNFCCC, 2005).

Spanning three regions - the Pacific, the Caribbean, and Africa, the Indian Ocean, and the South China Sea (AIMS) – the SIDS present a wide variety of contexts. Geographical differences and varying socioeconomic contexts influence the climate change vulnerability profiles of the SIDS. For example, only 1.8 % of Papua New Guinea's terrestrial land is below five metres above sea level, while 100% of the Maldives and Tuvalu lies below five metres, rendering these nations critically vulnerable to flooding and sea level rise (UN-OHRLS, 2013).

Most SIDS are middle-income countries, but their economies are often small and gross national income varies widely. Nine

of the SIDS are categorised as Least Developed Countries (LDCs). The emissions profiles also vary between the SIDS, although most produce relatively low emissions. In 2012, the SIDS combined accounted for just 1% of global carbon dioxide emissions (U.S. Energy Information Administration, 2012). However, many SIDS rely heavily on fossil fuel imports for energy, and a transition to sustainable energy sources must continue to be a priority.

Where does climate finance come from?

Eighteen dedicated climate funds are active in the SIDS (Figure 1; Table 1). A total of USD 1084.6 million has been approved for 187 projects between 2003 and 2016. The biggest contributor of finance is the Pilot Program for Climate Resilience (PPCR), which has approved USD 217 million for SIDS. The second largest contributor is the Least Developed Countries Fund (LDCF), which has approved USD 187 million. The Green Climate Fund (GCF) is rapidly approaching the approval amounts of these funds with USD 171 million approved in SIDS in 2015 and 2016 and one more Board Meeting before the end of 2016. The four projects of the GCF already represent 16% of SIDS funding. The GCF has the potential to become an even larger source of

Figure 1: Funds supporting SIDS (2003-16)

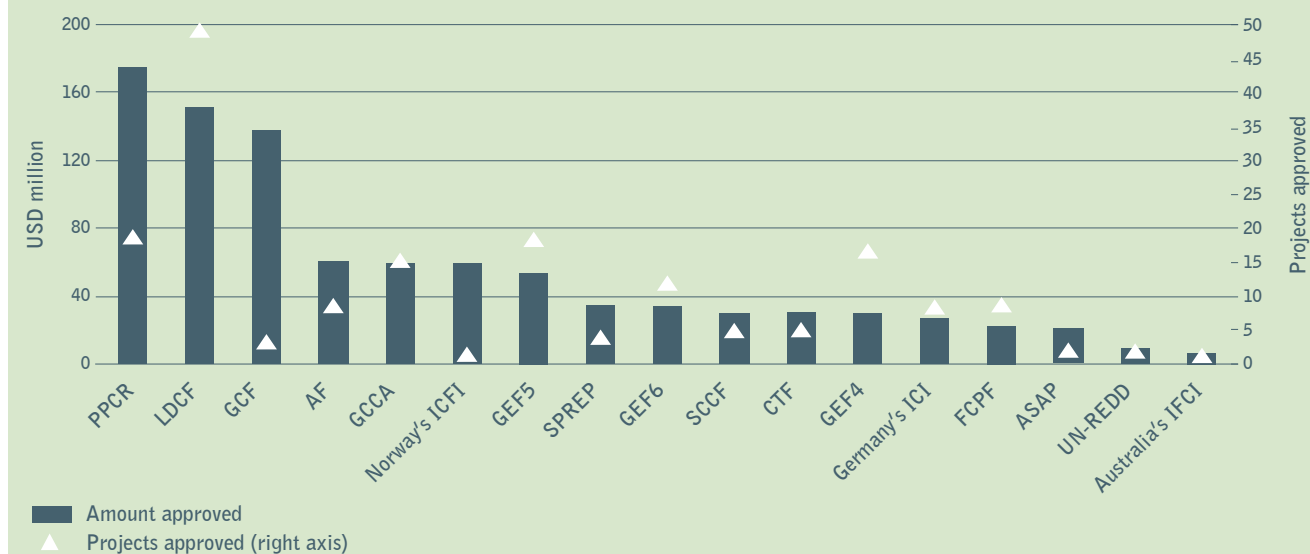
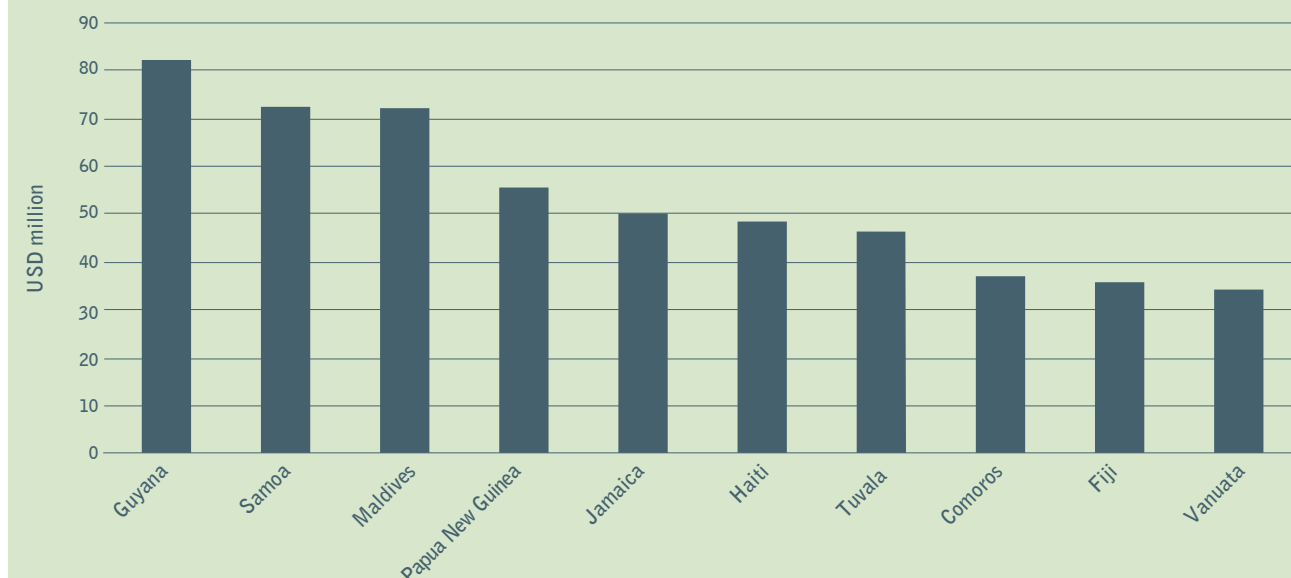


Table 1: Funds supporting SIDS (2003-16)¹

Funds and Initiatives	Amount Approved (Current USD millions)	Projects approved
Pilot Programme for Climate Resilience (PPCR)	217.18	17
Least Developed Countries Fund (LDCF)	187.22	49
Green Climate Fund (GCF)	170.68	4
Adaptation Fund (AF)	72.78	10
Global Climate Change Alliance (GCCA)	71.59	16
Norway's International Climate Forest Initiative (ICFI)	65.95	1
Global Environment Facility (GEF 5)	41.1	19
Scaling up Renewable Energy Programme (SREP)	39.4	5
Global Environment Facility (GEF 6)	36.97	13
Special Climate Change Fund (SCCF)	36.1	6
Clean Technology Fund (CTF)	36	6
Global Environment Facility (GEF 4)	32.21	17
Germany's International Climate Initiative (ICI)	27.73	9
Forest Carbon Partnership Facility (FCPF)	27.7	9
Adaptation for Smallholder Agriculture Programme (ASAP)	11.5	3
United Nations REDD+ Programme (UNREDD)	6.93	2
Australia's International Forest Carbon Initiative (IFCI)	3.04	1

Figure 2: Top ten recipient countries by amount approved (2003-16)



finance for the SIDS in the future, with 50% of its USD 10.3 billion pledge to go to adaptation and half of this to support Least Developed Countries (LDCs), SIDS and African States. Multilateral sources provide the most funding for SIDS (USD 990 million or 91%). Bilateral funds are also active across the SIDS, contributing 9% of finance; a large portion of this is from Norway's International Climate and Forest Initiative for REDD+ in Guyana.

Grants make up the majority of climate finance in the SIDS and will remain important, particularly for adaptation actions. To date, over three-quarters of SIDS climate finance is grant based, with concessional loans financing a much smaller proportion of the total.

Who receives the money?

The Caribbean region comprises about 65% of the population of the SIDS and contains the highest number of countries in the three SIDS regions. Consistent with its size, the Caribbean SIDS have the largest amount of approved climate finance from dedicated climate funds (USD 469 million, or 43%).

Box 1: Climate Finance in the Least Developed Countries (LDCs) of the SIDS

Nine of the 39 SIDS are LDCs: Comoros, Guinea-Bissau, Haiti, Kiribati, São Tomé and Príncipe, Solomon Islands, Timor-Leste, Tuvalu, and Vanuatu. Together USD 283 million in climate finance from multilateral climate funds has been approved for project activities within these nations, representing 26% of total SIDS funding. Half of this finance comes from the LDCF, with another 15% coming from the GCCA and PPCR. Grant financing, totalling over USD 260 million, is particularly important for LDCs as increasing debt can leave countries more exposed to macroeconomic shocks. Over three-quarters of climate finance in the LDC SIDS is dedicated to adaptation projects. Seven of the LDC SIDS also qualify as fragile or conflict-affected states, thereby aggravating their vulnerability to the social, economic, and environmental effects of climate change.

Some 43% of Caribbean funding goes towards adaptation projects, with disaster prevention and preparedness as the biggest focus area within this category. The PPCR is the biggest funder in Caribbean SIDS (funding 12 projects that total USD 136 million), and approved PPCR-funded projects in St Lucia, Dominica, Jamaica and Grenada each exceed USD 21 million. SIDS of the Pacific have project approvals totalling USD 415 million, while AIMS SIDS have USD 201 million in project approvals. AIMS and Pacific SIDS receive more finance for adaptation than for mitigation or REDD+ (adaptation finance accounts for 63% and 76% in AIMS and Pacific nations, respectively). AIMS countries have not received any REDD+ funding at all since 2003. The LDCF is the biggest funder in AIMS and Pacific SIDS, as the majority of LDCs in the SIDS lie within these two regions.

Guyana has received the most finance of any of the SIDS, with USD 82 million approved for project activities. Much of this funding (USD 66 million) is a contribution for the Guyana REDD+ Investment Fund by Norway's International Climate and Forest Initiative. In fact, this single contribution accounts for almost 14% of the total funding for Caribbean SIDS.

What is being funded?

Sixty percent of climate finance in the SIDS contributes towards adaptation efforts, a total of USD 646 million (Table 2; Figure 3). 24.5% of funding contributes to mitigation, 11% to REDD projects and 5% to projects with multiple foci. The focus on adaptation finance is consistent with the SIDS' high adaptation needs.

In 2016, just 9 projects were approved in the SIDS as compared to 29 in 2015. Of these, 4 are adaptation focused (with a total of USD 48 million), and 5 are mitigation projects

Table 2: Approved funding across themes (2003-16)

Theme	Approved Amount (USD millions)	Number of projects approved
Adaptation	645.56	95
Mitigation	265.8	56
REDD	117.83	14
Multiple foci	55.45	22

Figure 3: Approved funding across themes (2003-16)



(with a total of USD 96 million). The 2016 approvals, however, include two large projects approved by the GCF. A project for a Sustainable Energy Facility for the Eastern Caribbean (USD 80 million) spans 5 countries in the Eastern Caribbean. Its objective is to address the financial, technical and institutional barriers to the development of geothermal energy. A Coastal Adaptation Project in Tuvalu (USD 36 million) aims to reduce the impact of increased wave activity resulting from sea-level rise and intensifying storm events.

In addition to the series of 12 Climate Finance Fundamentals, these recent ODI and HBS publications may be of interest:

- **Adaptation finance and the infrastructure agenda.** Smita Nakhooda and Charlene Watson review international efforts to support adaptation and their linkages with efforts to mobilise new finance for infrastructure. Available at: <http://bit.ly/2dMu8P3>
- **The AIIB and investment in action on climate change.** Darius Nassiry and Smita Nakhooda explore how the AIIB can expand markets for solar, wind and grid technologies, and extend China's leadership in the region in a manner consistent with the commitments to take ambitious action on climate change made by its member countries and prospective member countries as signatories to the Paris Agreement. Available at: <http://bit.ly/2fk5Exe>
- **Financing sustainable development: The critical role of risk and resilience.** Charlene Watson and Jan Kellett make the case that better risk management and the building of resilience are imperative for sustainable development. Available at: <http://bit.ly/2eflUtX>
- **Mutually Reinforcing: Climate Justice, Equitable Climate Finance and the Right to Development.** Liane Schalatek explores the ramifications of the right to development as an inalienable human right for the global challenge of climate change more broadly and more specifically for the concept of climate justice and its application to climate finance provision. Available at: <http://bit.ly/2eWfuRw>
- **In Search of Policy Coherence: Aligning OECD Infrastructure Advice with Sustainable Development.** Motoko Aizawa and Waleria Schuele discuss the privileged relationship of the OECD with the G20 in acting as a powerful voice on policy related to infrastructure investment and development globally and call for the OECD to use its political clout to demonstrate full policy coherence for investment in sustainable development. Available at: <http://bit.ly/1YeHkeE>

Contact us for more information at info@climatefundsupdate.org

References and useful links

Climate Funds Update Website: www.climatefundsupdate.org (data accessed in October 2016)

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End Notes

1. Bilateral fund data correct as of 2014

The Climate Finance Fundamentals are based on Climate Funds Update data and available in English, French and Spanish at www.climatefundsupdate.org

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