Climate Funds Update

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The Small Island Developing States (SIDS) together bear next to no 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 1,380 million from multilateral climate funds between 2003 and 2017. This amount finances 210 projects in 38 SIDS (all SIDS have received finance except for Singapore). While approved funding for the SIDS has increased markedly in the past few years, it 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) were the biggest contributors until this year when the Green Climate Fund (GCF) took over. In 2017, USD 228 million was approved for projects in SIDS. A full 50% of this is programmed by the Green Climate Fund (GCF), including the largest single project, which directs USD 86 million to the construction of a hydropower facility in the Solomon Islands. Further 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-OHRLLS, 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 should continue to be a priority.

Where does climate finance come from?

Twelve multilateral climate funds are active in the SIDS (Figure 1; Table 1). A total of USD 1,380 million has been approved for 210 projects between 2003 and 2017. This year the biggest contributor of finance is the Green Climate Fund (GCF) which has cumulatively approved USD 409 million for SIDS since 2015. It overtakes the second largest contributor, the Pilot Program for Climate Resilience (PPCR), which has approved USD 234 million for SIDS, and the Least Developed Countries Fund (LDCF), which has approved USD 196 million. The GCF's ten

Figure 1: Funds supporting SIDS (2003-17)

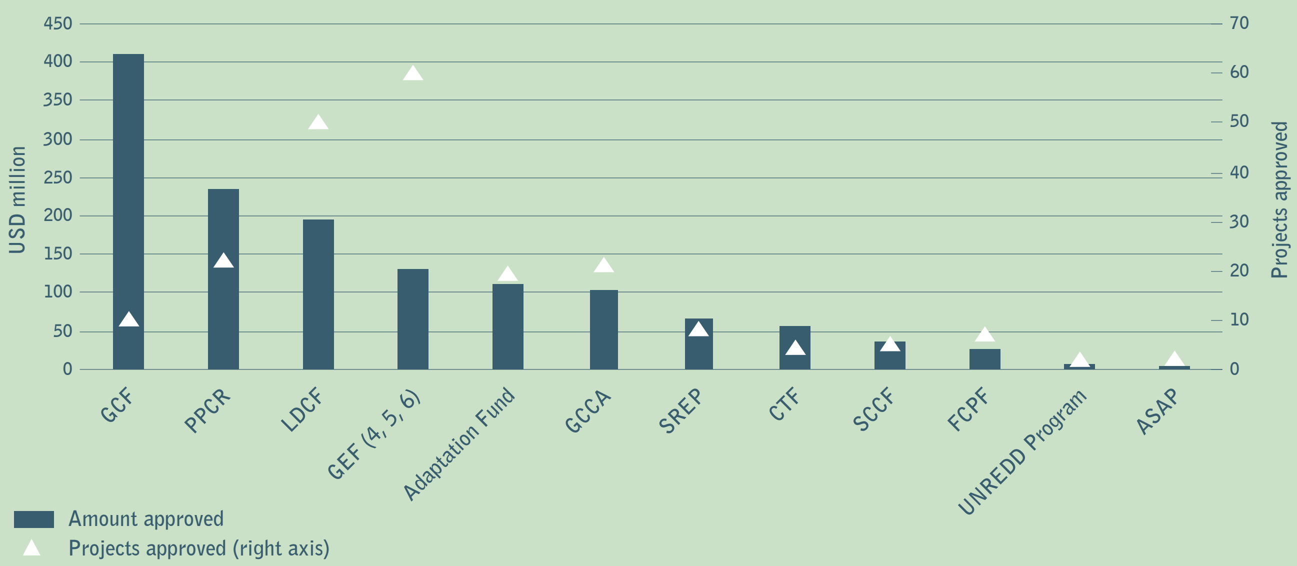
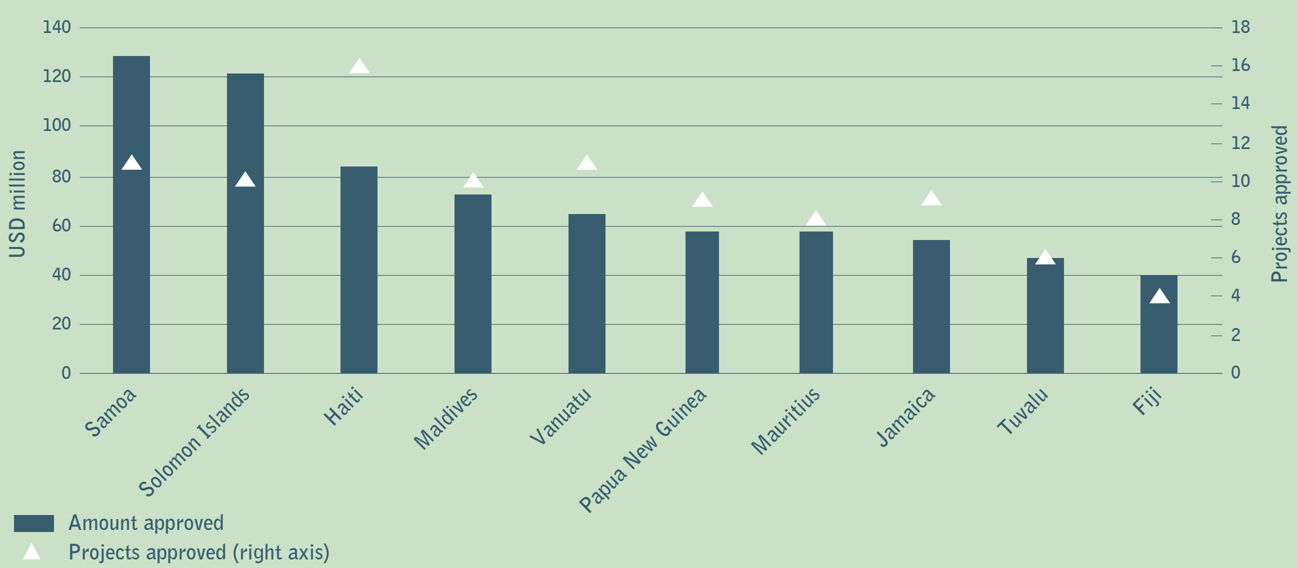


Table 1: Funds supporting SIDS (2003-17)

Funds and Initiatives	Amount Approved (Current USD millions)	Projects approved
Green Climate Fund (GCF)	409.48	10
Pilot Programme for Climate and Resilience (PPCR)	233.98	22
Least Developed Countries Fund (LDCF)	196.14	50
Global Environment Facility (4, 5, 6)	130.07	60
Adaptation Fund (AF)	110.45	19
Global Climate Change Alliance (GCCA)	104.01	21
Scaling-Up Renewable Energy Program for Low Income Countries (SREP)	66.04	8
Clean Technology Fund (CTF)	56.00	4
Special Climate Change Fund (SCCF)	35.39	5
Forest Carbon Partnership Facility (FCPF)	26.50	7
UN REDD Programme	6.89	2
Adaptation for Smallholder Agriculture Programme (ASAP)	5.00	2

Figure 2: Top ten recipient countries by amount approved (2003-17)



projects already represent 28% of SIDS funding. The GCF has the potential to become an even larger source of 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.

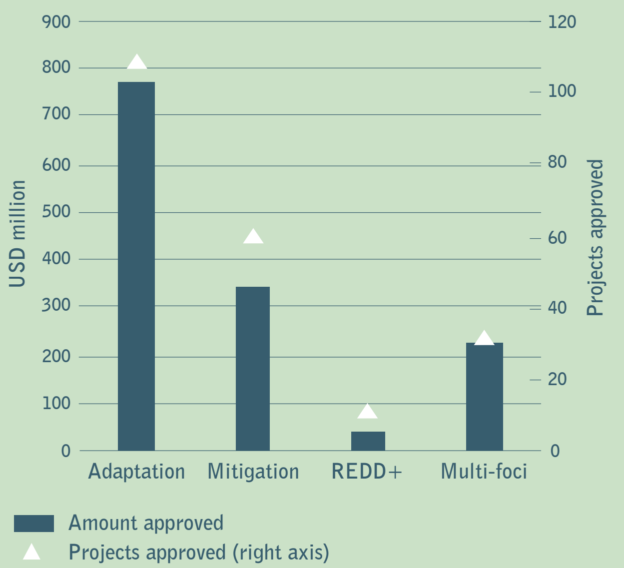
Grants make up the majority of climate finance in the SIDS and will remain important, particularly for adaptation actions. To date, over three-quarters of SIDS climate finance from the multilateral climate funds is grant based (83%), with concessional loans a much smaller proportion of the total (16%).

Bilateral climate finance also flows to the SIDS. Such climate finance complements the multilateral climate fund flows. This includes the bilateral climate funds of Germany, Norway and Australia, who are active in the region[1]. Bilateral funds, however, are not tracked by Climate Funds Update given their relative lack of transparently available detailed information of current activities and spending.

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 458 million in climate finance from multilateral climate funds has been approved for project activities within these nations, representing 33% of total SIDS funding. A third of this finance comes from the LDCF (33%) and a third from the GCF (32%). Grant financing, totalling over USD 374 million, is particularly important for LDCs as increasing debt can leave countries more exposed to macroeconomic shocks. Over half 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.

Figure 3: Approved funding across themes (2003-17)



Who receives the money?

This year, the Pacific region overtook the Caribbean region with the largest amount of approved climate finance from multilateral climate funds (USD 653 million, or 47%). SIDS of the Caribbean have project approvals totalling USD 470 million (34%), while AIMS SIDS have USD 257 million in project approvals. All regions' approvals are dominated by adaptation finance; the Caribbean and Pacific SIDS also benefit from REDD+ finance (16% and 4% respectively).

Samoa has received the most finance of any of the SIDS, with USD 129 million approved for project activities, followed closely by the Solomon Islands with USD 122 million (Figure 2). Both countries have received significant amounts of GCF funding (with USD 86 million for the Solomon Islands and USD 58 million for Samoa).

What is being funded?

Fifty-six percent of climate finance in the SIDS contributes towards adaptation efforts, a total of USD 775 million (Table 2; Figure 3). 25% of funding contributes to mitigation, 3% to REDD projects and 16% to projects with multiple foci. The focus on adaptation finance is consistent with the SIDS' high adaptation needs.

In 2017, 20 projects were approved in the SIDS as compared to nine in 2016. Of these, ten are adaptation focused (with a total of USD 64 million), and seven are mitigation projects (with a total of USD 50 million) with the remainder cross-cutting. While eight funds approved projects in SIDS in 2017, the largest approvals came from two multi-foci GCF projects. In Nauru, USD 26.9 million was approved for constructing a climate-resilient port for Nauru, preserving the sea-link year-round, while in the Solomon Islands, USD 86 million was approved for a hydropower facility to transition from diesel to clean and renewable energy in light of challenges in grid-connectivity across the 90 Solomon Island's inhabited islands. Together, these two projects make up for more than half of the funding for multi-foci support for SIDS so far, showing not only an interest by the GCF to support cross-cutting approaches for the SIDS but also responding to their needs for scaled-up financing for both mitigation and adaptation interventions.

Table 2: Approved funding across themes (2003-17)

Theme	Approved Amount (USD millions)	Number of projects approved
Adaptation	775.28	108
Mitigation	339.81	60
REDD	40.12	10
Multiple foci	224.74	32

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

- **Six development finance proposals to expand climate investment**. Ilmi Granoff, Darius Nassiry, Neil Bird, Chris Humphrey, Paddy Carter, Alberto Lemma and Annalisa Prizzon describe six promising finance proposals to support greater ambition for low-carbon development. Available at: **http://bit.ly/2n4VLm8**
- **Budgeting for NDC action: initial lessons from four climate-vulnerable countries**. Neil Bird examines the evidence of resourcing NDC policies and actions in four sub-Saharan African countries; Ethiopia, Ghana, Kenya and Uganda. Available at: **http://bit.ly/2EtPkWC**
- **Resource Guide for NDC Finance**. James Rawlins with Matthew Halstead and Charlene Watson present a selection of resources on financing nationally determined contributions (NDCs). Available at: **http://bit.ly/2EbuPKU**
- **Financing our shared future: navigating the humanitarian, development and climate finance agendas**. Charlene Watson outlines what we know about the financing targets and needs, where there is agreement between the agendas on financing issues and where tensions may emerge. Available at: **http://bit.ly/2FTADcD**
- **Promoting Rights-Based Climate Finance for People and the Planet.** A joint discussion paper by hbs and the OHCHR's Right to Development Division outline how existing climate financing mechanisms, including the GCF as a case study, can strengthen their integration of human rights considerations. Available at: **http://bit.ly/2nQPsFq**
- **Financing Loss and Damage: A Look at Governance and Implementation Options.** Julie-Anne Richards and Liane Schalatek discuss categorizations of loss and damage approaches, financing options and whether existing climate funds could channel loss and damage financing. Available at: **http://bit.ly/2nT55wa**
- **Contracts for Sustainable Infrastructure.** In this joint publication by hbs and IISD, Martin Dietrich Brauch outlines how public private partnership (PPP) contracts need to be constructed to ensure the economic, social and environmental and climate co-benefits of infrastructure investments. Available at: **http://bit.ly/2nQNBjQ**

Contact us for more information at **info@climatefundsupdate.org**

References and useful links

Climate Funds Update Website: www.climatefundsupdate.org (data accessed in December 2017)

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End Notes

1. In 2014, the last year when CFU was able to track bilateral climate funds, cumulative bilateral flows to the SIDS since 2008 included USD 28 million from Germany's International Climate Initiative, USD 66 million from Norway's International Climate and Forest Initiative and USD 3 million from Australia's International Forest Carbon Initiative.

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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