



Climate Finance Regional Briefing: Small Island Developing States

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Fundamentals

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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 1,772 million from multilateral climate funds between 2003 and 2019. This amount finances 334 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. Since 2015, the Green Climate Fund (GCF) has been the largest contributor to SIDS. In 2019, USD 110 million was approved for projects in SIDS. Some 60% of this is programmed by the GCF, which also accounts for the eleven largest projects in SIDS. 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 profiles of emissions 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 1,772 million has been approved for 334 projects between 2003 and 2019. This year, the biggest contributor of finance is the Green Climate Fund (GCF), which has cumulatively approved USD 646 million for SIDS since 2015. The second largest contributor is the Pilot Program for Climate Resilience (PPCR), which has approved USD 226 million, followed by the Least Developed Countries Fund (LDCF), which has approved USD 194 million, for SIDS. The GCF's 19 projects represent 36% of SIDS funding. In addition, the GCF is supporting 79 readiness programmes in SIDS

Figure 1: Funds supporting SIDS (2003-19)

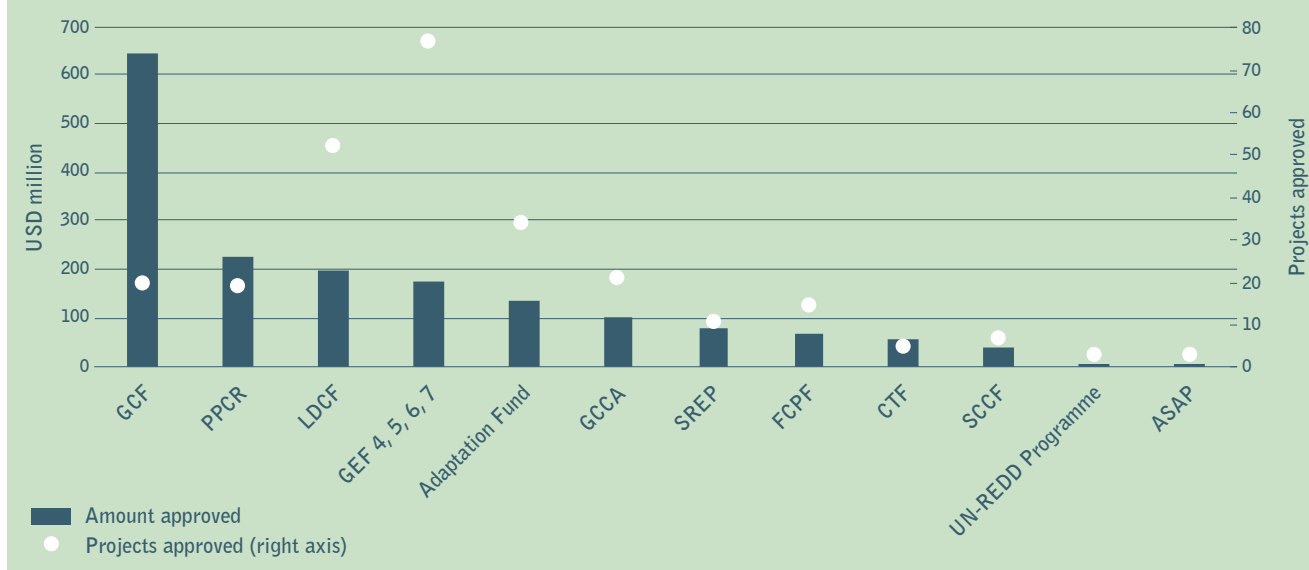
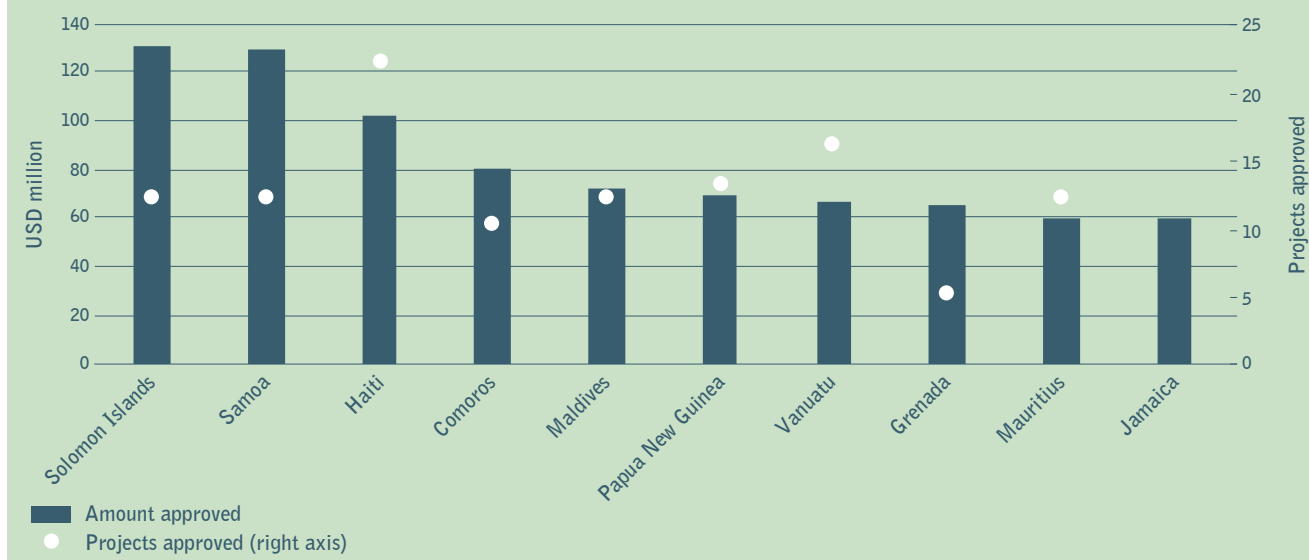


Table 1: Funds supporting SIDS (2003-19, USD millions)

Funds and Initiatives	Amount approved	Projects approved
Green Climate Fund (GCF)	645.7	19
Pilot Program for Climate Resilience (PPCR)	226.5	18
Least Developed Countries Fund (LDCF)	194.2	51
Global Environment Facility (4, 5, 6, 7)	172.1	76
Adaptation Fund (AF)	134.6	33
Global Climate Change Alliance (GCCA)	99.5	20
Scaling-Up Renewable Energy Program for Low Income Countries (SREP)	78.2	10
Forest Carbon Partnership Facility (FCPF)	67.4	14
Clean Technology Fund (CTF)	56.0	4
Special Climate Change Fund (SCCF)	40.9	6
UN-REDD Programme	6.9	2
Adaptation for Smallholder Agriculture Programme (ASAP)	5.1	2

Figure 2: Top ten recipient countries by amount approved (2003-19)



amounting to USD 45 million. The GCF has the potential to become an even larger source of finance for the SIDS in the future, with an allocation framework that commits 50% of its resources to go to adaptation and at least 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 (87%), with concessional loans and guarantees a much smaller proportion of the total (13%).

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 region¹. Bilateral funds, however, are not tracked by Climate Funds Update given their relative lack of transparently available detailed information of current activities and spending.

Who receives the money?

The Pacific region has the largest amount of approved climate finance from multilateral climate funds (USD 807 million, or 46%). SIDS of the Caribbean have project approvals totalling USD 643 million (36%), while AIMS SIDS have USD 321 million (18%) in project approvals. Most SIDS regions' approvals are dominated by adaptation finance, though in the Caribbean approved mitigation finance is approaching similar totals for approved adaptation finance. The Caribbean and Pacific SIDS also benefit from REDD+ finance (both with 6%).

The Solomon Islands has received the most finance of any of the SIDS, with USD 131 million approved for project activities, followed closely by Samoa with USD 129 million. Both countries have received significant amounts of GCF funding (with USD 86 million for the Solomon Islands and USD 58 million for Samoa).

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 608 million in climate finance from multilateral climate funds has been approved for project activities within these nations, representing 34% of total SIDS funding. Over a third of finance for LDC SIDS comes from the GCF (40%), with 27% from the LDCF. Grant financing, totalling USD 517 million (or 85%), 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. Six 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.

What is being funded?

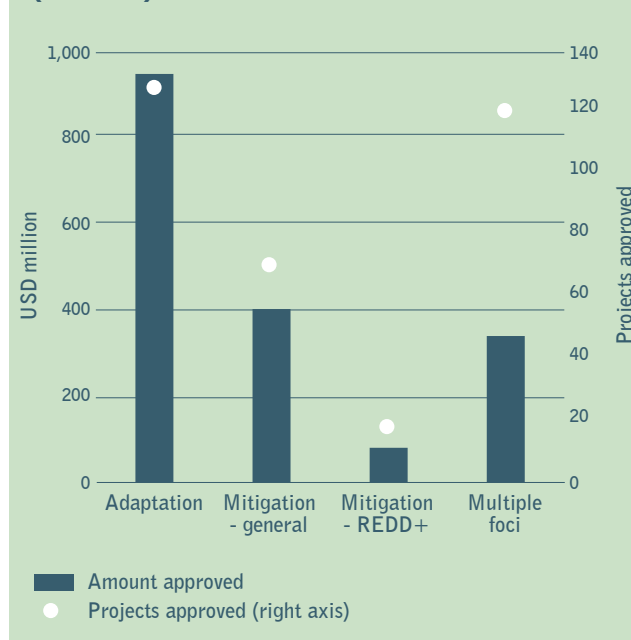
Fifty-three percent of climate finance in the SIDS contributes towards adaptation efforts, a total of USD 947 million (Table 2; Figure 3). 23% of funding contributes to mitigation, 5% to REDD+ projects and 19% to projects with multiple foci. The focus on adaptation finance is consistent with the SIDS' high adaptation needs.

In 2019, 15 projects in SIDS were approved including from the AF (4), GEF 7 (5), GCF (3), LDCF (2) and SREP (1). The majority were adaptation focussed and funding is predominantly grant based. The two largest approved SIDS projects in 2019 were from the GCF, safeguarding rural communities from climate induced disasters in Timor-Leste (USD 22.4 million) and addressing water sector climate vulnerability in the Marshall Islands (USD 18.6 million). 2019 also saw projects with concessional loans for off-grid electricity in Haiti (USD 7.5 million, including a 6.8 million concessional loan) from SREP and to build agricultural resilience in Belize (USD 8 million, including a USD 1.9 million concessional loan) by the GCF.

Table 2: Approved funding across themes (2003-19)

Theme	Approved amount (USD millions)	Number of projects approved
Adaptation	946.9	127
Mitigation	401.7	70
REDD+	84.0	18
Multiple foci	339.0	119

Figure 3: Approved funding across themes (2003-19)



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Endnotes

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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