Climate Funds Update

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Climate Finance Regional Briefing: Small Island Developing States

Climate Finance Fundamentals 12

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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 40 SIDS nations have 388 projects approvals totalling USD 2.1 billion from multilateral climate funds between 2003 and 2020.[1] 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 2020, USD 239 million was approved for projects in SIDS. Some 75% of this is programmed by the GCF, which also accounts for the 11 largest projects in SIDS. Further scaling up of 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 38 United Nations (UN) member states classified as SIDS (which together constitute about 1% of the world's population) form a distinct group of developing countries. In addition, there are 20 non-UN members or associated members of regional commissions considered SIDS of which two (the Cook Islands and Niue) are members of the United Nations Framework Convention on Climate Change (UNFCCC) and thus eligible to receive climate finance in accordance with the climate convention.[2] 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; UN-OHRLLS, 2017).

Spanning three regions – the Pacific; the Caribbean; and the Atlantic, Indian Ocean and South China Sea (AIS) – 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 (GNI) 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 (USEIA, 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.

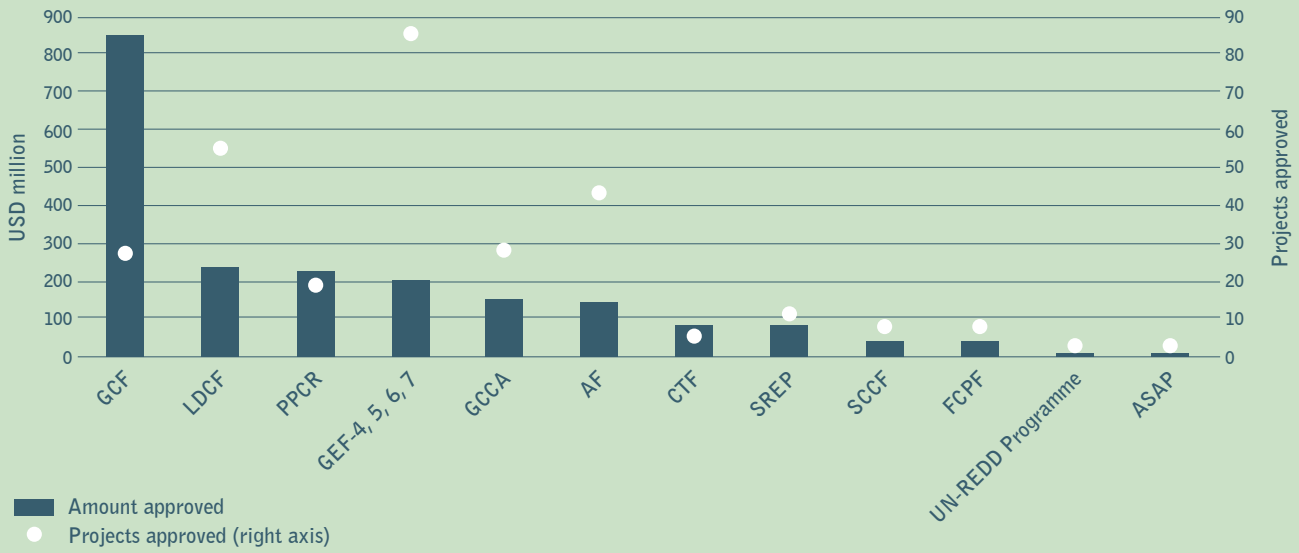
Where does climate finance come from?

Twelve multilateral climate funds are active in the SIDS (Figure 1 and Table 1). A total of USD 2.1 billion was approved for 388 projects between 2003 and 2020. In 2020, the biggest contributor of finance was the GCF, which has cumulatively approved USD 846 million for SIDS since 2015. The second largest contributor is the Least Developed Countries Fund (LDCF), which has approved USD 233 million, followed by the Pilot Program for Climate Resilience (PPCR), which has approved USD 227 million in SIDS. The GCF's 27 projects represent 40% of SIDS funding. In addition, the GCF is supporting 99 readiness programmes in SIDS

Table 1: Climate funds supporting SIDS (2003–2020, USD millions)

Funds and initiatives	Amount approved	Projects approved
Green Climate Fund (GCF-IRM, GCF-1)	846.3	27
Least Developed Countries Fund (LDCF)	232.8	55
Pilot Program for Climate Resilience (PPCR)	226.5	18
Global Environment Facility (GEF-4, 5, 6, 7)	202.0	85
Global Climate Change Alliance (GCCA)	152.0	28
Adaptation Fund (AF)	145.3	43
Clean Technology Fund (CTF)	86.0	5
Scaling Up Renewable Energy Program in Low Income Countries (SREP)	78.5	11
Special Climate Change Fund (SCCF)	41.9	7
Forest Carbon Partnership Facility (FCPF)	40.9	7
UN-REDD Programme	6.9	2
Adaptation for Smallholder Agriculture Programme (ASAP)	5.1	2

Figure 1: Climate funds supporting SIDS (2003–2020)



amounting to USD 56 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 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%).

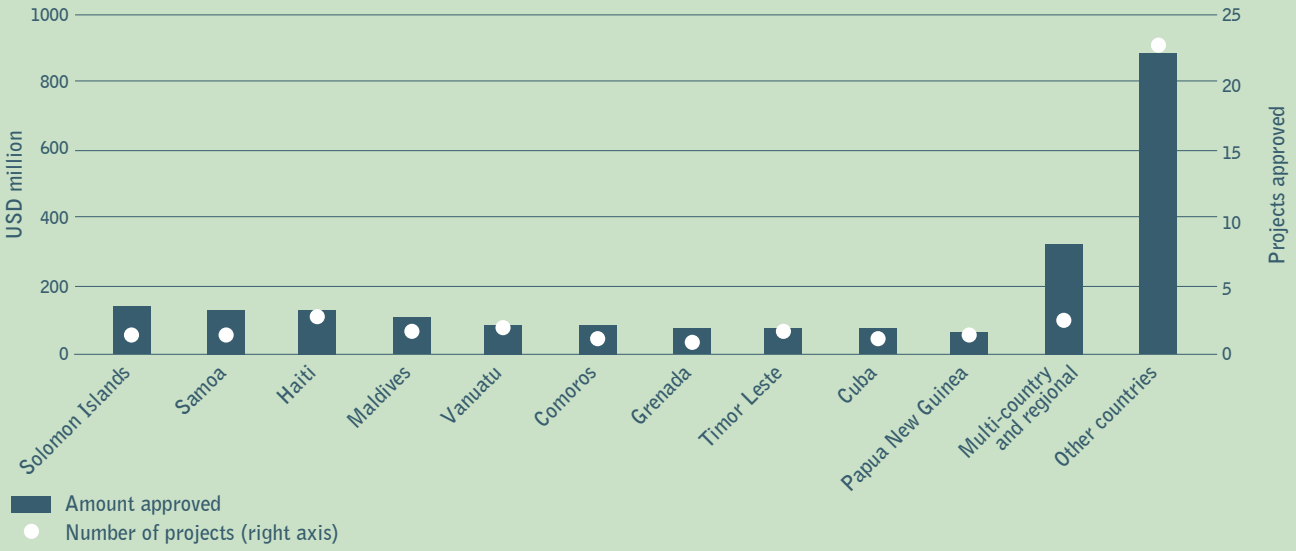
Bilateral climate finance also flows to the SIDS. Such climate finance complements the multilateral climate fund flows. This includes the bilateral climate funds of Germany, Norway and Australia, who are active in the region.[3] Bilateral funds are not tracked by Climate Funds Update (CFU), however, 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 919 million, or 43%). SIDS of the Caribbean have project approvals totalling USD 785 million (37%), while AIS SIDS have USD 414 million (20%) in project approvals. Approvals for the SIDS regions are dominated by adaptation finance. The Caribbean and Pacific SIDS also benefit from REDD+ (reducing emissions from deforestation and forest degradation plus the conservation and sustainable management of forests and enhancement of forest carbon stocks) finance (with 3% and 4% for this objective, respectively).

Solomon Islands has received the most finance of any of the SIDS, with USD 132 million approved for project activities, followed closely by Samoa with USD 129 million. Support for the Solomon Islands has come largely from GCF funding (with USD 87 million in approvals from the GCF) while Samoa's approvals are spread across the funds active in the SIDS.

Figure 2: Top ten recipient countries by amount approved (2003–2020)



What is being funded?

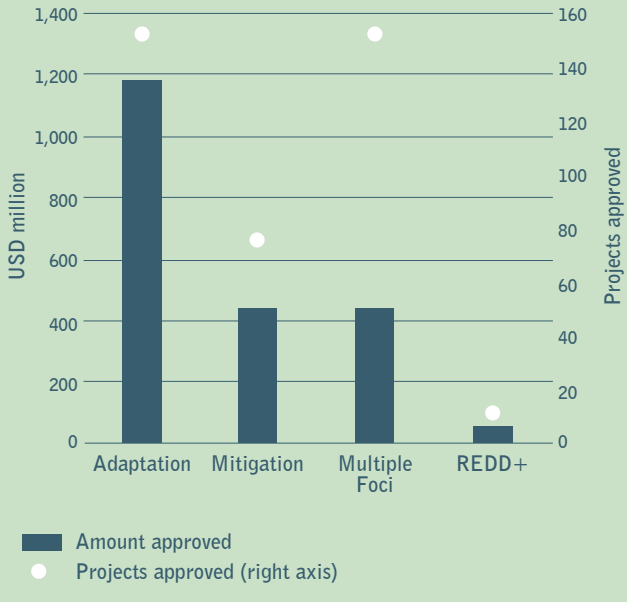
A total of USD 1,179 million or 56% of climate finance in the SIDS contributes towards adaptation efforts (Table 2 and Figure 3). Of the remaining funding, 21% contributes to projects with multiple foci, 21% to mitigation and 3 % to REDD+ projects. The focus on adaptation finance is consistent with the SIDS' high adaptation needs.

In 2020, 28 projects in SIDS were approved totalling USD 238 million. This includes projects from the Adaptation Fund (AF) (3), the Global Environment Facility (GEF-7) (6), GCF (6 projects and 9 readiness programmes), LDCF (1), SCCF (1), CTF (1) and the Scaling up Renewable Energy Program in Low Income Countries (SREP) (1). The majority of full projects were adaptation-focused and funding is predominantly grant-based. The four largest approved SIDS projects in 2020 were from the GCF: a regional project supporting five Pacific SIDS with enhanced climate information and resilience knowledge services (USD 47.4 million), rehabilitating production landscapes in Cuba (USD 38 million), promoting ecosystem-based adaptation in the Indian Ocean (USD 33 million) and increasing resilience to hurricanes in the building sector in Antigua and Barbuda (USD 38 million). Other projects in 2020 saw the Clean Technology Fund (CTF) approve a dedicated private sector programme in the Maldives to accelerate renewable energy integration (USD 30 million) and water sector climate resilience in Haiti approved by the SCCF (USD 0.3 million).

Table 2: Approved funding across themes (2003–2020)

Theme	Amount approved (USD millions)	Projects approved
Adaptation	1,179.4	151
Mitigation	443.8	75
Multiple foci	439.3	151
REDD+ (reducing emissions from deforestation and forest degradation, forest conservation, sustainable forest management and the enhancement of forest carbon stocks)	57.5	11

Figure 3: Approved funding across themes (2003–2020)



Box 1: Climate finance in the LDCs of the SIDS

Nine SIDS are LDCs: Comoros, Guinea-Bissau, Haiti, Kiribati, São Tomé and Príncipe, Solomon Islands, Timor-Leste, Tuvalu and Vanuatu. To date, USD 697 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 (38%), with 29% from the LDCF. Grant financing, totalling USD 598 million (or 86%), 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.

References and further reading

Climate Funds Update: www.climatefundsupdate.org

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Endnotes

1. 1) Antigua and Barbuda, 2) Bahamas, 3) Bahrain; 4) Barbados; 5) Belize; 6) Carbo Verde, 7) Comoros*; 8) Cook Islands, 9) Cuba, 10) Dominica; 11) Dominican Republic, 12) Fiji, 13) Grenada, 14) Guinea-Bissau* 15) Guyana; 16) Haiti* 17) Jamaica; 18) Kiribati*; 19) Maldives; 20) Marshall Islands; 21) Federated States of Micronesia, 22) Mauritius; 23) Nauru; 24) Niue; 25) Palau; 26) Papua New Guinea; 27) Samoa; 28) São Tomé and Príncipe*; 29) Singapore; 30) St. Kitts and Nevis; 31) St. Lucia; 32) St. Vincent and the Grenadines, 33) Seychelles, 34) Solomon Islands*; 35) Suriname; 36) Timor-Leste*; 37) Tonga; 38) Trinidad and Tobago; 39) Tuvalu*; 40) Vanuatu*. LDCs are denoted by *.
2. For the list of SIDS and their regional categorisation see both http://unohrlls.org/about-sids/country-profiles/ and https://sustainabledevelopment.un.org/topics/sids/list.
3. 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 Internationale Klimaschutzinitiative (IKI, international climate initiative), USD 66 million from Norway's International Climate and Forest Initiative (NICFI) and USD 3 million from Australia's International Forest Carbon Initiative (IFCI).

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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