



CLIMATE FINANCE REGIONAL BRIEFING: SMALL ISLAND DEVELOPING STATES

CLIMATE FINANCE **12**
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 with many already suffering from devastating losses and damages due to extreme climate events. Spread across three regions, the 39 SIDS nations have 577 projects approvals totalling USD 3 billion from multilateral climate funds between 2003 and 2024.¹ 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 2024, USD 350 million was approved for projects in SIDS. Some 77% of this is programmed by the GCF, which also accounts for the 15 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. At the same time, SIDS are considered among the primary recipients of new funding efforts for addressing loss and damage, including through a dedicated new Fund for responding to Loss and Damage (FRLD) under the UNFCCC operationalised at COP28, and in evolving broader funding arrangements.

Introduction

The 37 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.² 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.³ SIDS tend to share a number of challenges, including limited capacity to raise domestic resources, high energy and transportation costs and increasingly high risk premiums for access to capital due to climate change. While there is spatial and seasonal diversity of climate change impacts, high vulnerability to climate variability, extreme climate events, ocean acidification and sea-level rise is common among all SIDS (IPCC, 2021), which collectively have contributed only 0.5% of historic global carbon dioxide emissions (IPCC, 2022). 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; Thomas et al., 2020), which is reflected in the ambition

of their Nationally Determined Contributions (NDCs) with a majority focus on adaptation actions (UNDP, 2022). However, barriers and limits to adaptation also contribute to additional tens of billions in finance needed to address the greater levels of both economic and non-economic loss and damage already occurring in SIDS (Mycoo et al., 2022). 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 2% 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, 2020).

Most SIDS are middle-income countries, but their economies are often small and gross national income (GNI) varies widely. Many are also highly indebted, with adaptation and recovery costs for climate impacts demanding a much higher share of national income and production than for most other country groups (Canagarajah, 2024). Eight of the SIDS are categorised as Least Developed Countries (LDCs).⁴ The profiles of

Table 1: Climate funds supporting SIDS (2003–2024, USD millions)

Fund	Amount approved	Projects approved
Green Climate Fund (GCF-IRM, GCF-1, GCF-2)	1,398.4	46
Least Developed Countries Fund (LDCF)	300.0	67
Global Environment Facility (GEF-4, 5, 6, 7, 8)	241.8	110
Pilot Program for Climate Resilience (PPCR)	218.6	22
Adaptation Fund (AF)	207.2	53
Global Climate Change Alliance (GCCA)	144.4	27
Clean Technology Fund (CTF)	142.7	9
Scaling Up Renewable Energy Program in Low Income Countries (SREP)	80.8	14
Forest Carbon Partnership Facility (FCPF)	78.4	9
Special Climate Change Fund (SCCF)	44.5	8
Adaptation for Smallholder Agriculture Programme (ASAP)	9.0	3
UN-REDD Programme	6.9	2

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 (UN-OHRLLS, 2015). 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 3 billion was approved for 570 projects between 2003 and 2024. In 2024, the biggest contributor of finance was the GCF, which has cumulatively approved USD 1,398 million for SIDS since 2015. At quite a distance, as the second largest contributor, is the Least Developed Countries Fund (LDCF), which has approved USD 300 million, followed by the Global Environment Facility (GEF), which has approved USD 242 million in SIDS. The GCF's 46 projects represent 46% of SIDS funding. In addition, the GCF is supporting 207 readiness programmes in SIDS amounting to USD 159 million. The GCF's importance as

the largest multilateral source of finance for the SIDS is thanks to an allocation framework that commits 50% of its resources in grant equivalent terms to go to adaptation and at least half of this to support LDCs, SIDS and African states. This allocation floor, which is routinely surpassed, should secure disproportionate GCF funding support for SIDS for the foreseeable future.

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 (84%), with concessional loans and guarantees a much smaller proportion of the total (14%).

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.⁵ 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.

Figure 1: Climate funds supporting SIDS (2003–2024)

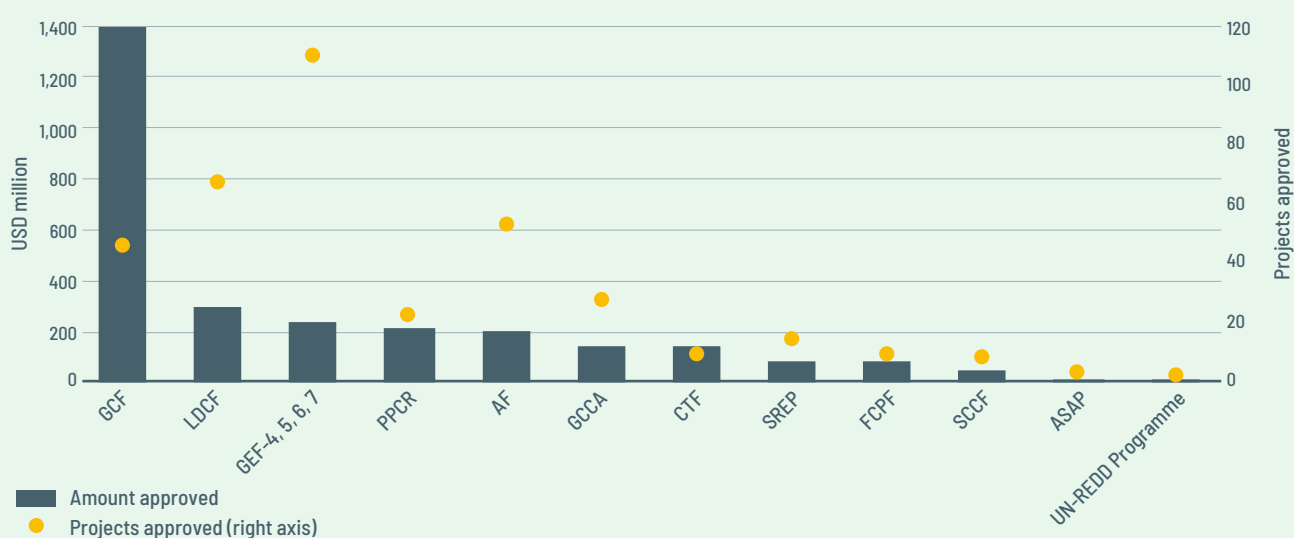
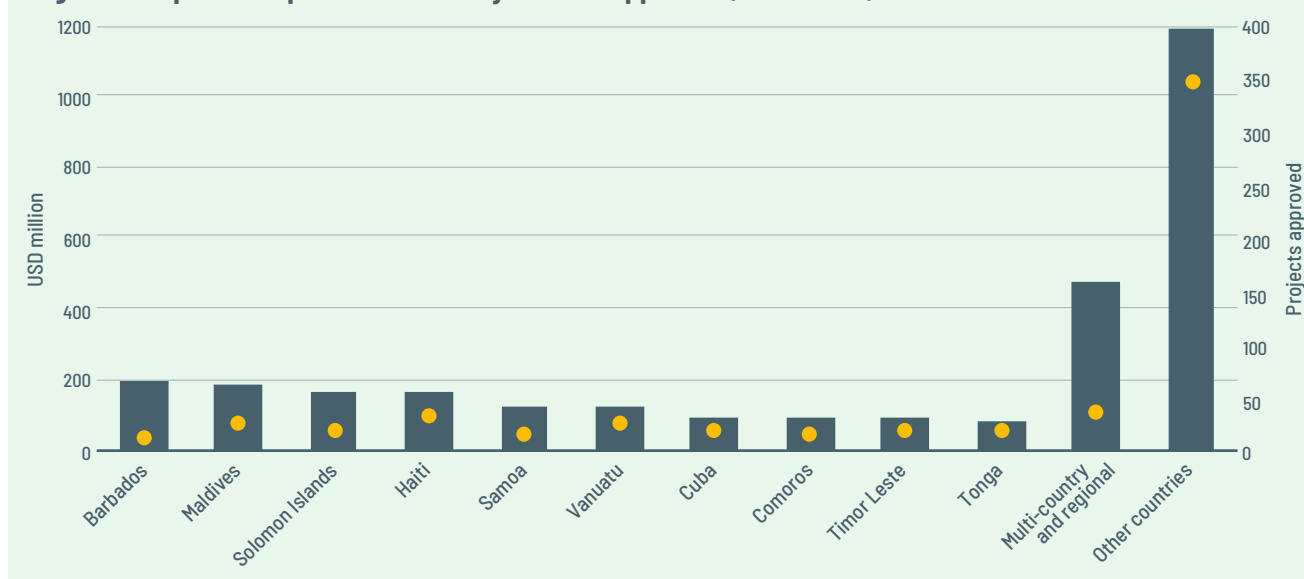


Figure 2: Top ten recipient countries by amount approved (2003-2024)



Who receives the money?

The Caribbean region has the largest amount of approved climate finance from multilateral climate funds (USD 1.3 billion, or 42%). SIDS of the Pacific have project approvals totaling USD 1.2 billion (40%), while AIS SIDS have USD 558 million (18%) 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 3.8% and 3.9% for this objective, respectively).

Barbados has received the most finance of any of the SIDS, with USD 202 million approved for project activities, followed by the Maldives with USD 188 million. Almost all (more than 96%) of the contributions to Barbados are from the GCF with USD 195 million. Support for the Maldives is more evenly distributed across funds, with the CTF and GCF having the highest approval levels at USD 75 million and USD 55 million, respectively.

What is being funded?

A total of USD 1,637 million or 54% of climate finance in the SIDS contributes towards adaptation efforts (Table 2 and Figure 3). Of the remaining funding, 24% contributes to projects with multiple foci, 19% to mitigation and 3% to REDD+ projects. The focus on adaptation finance is consistent with the SIDS' high adaptation needs.

In 2024, 34 projects in SIDS were approved totalling USD 350 million. This includes projects from the Adaptation Fund (AF) (2), GCF (23), the Global Environment Facility (GEF-8) (2), LDCF (3), CTF (2), SREP (2) and LDCF (3). The majority of full projects were cross-cutting-focused and funding is 52% grant-based. The two largest SIDS projects in 2024 were approved by the GCF, including a regional programme supporting the Caribbean private sector in transitioning to net-zero emissions (USD 119 million) and one programme focussed on improving water reclamation and management

Figure 3: Approved funding across themes (2003-2024)

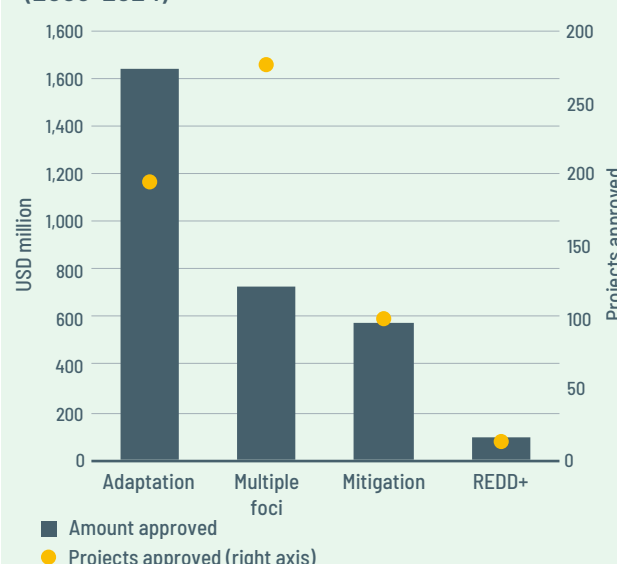


Table 2: Approved funding across themes (2003-2024)

Theme	Amount approved (USD millions)	Projects approved
Adaptation	1,636.7	193
Multiple foci	726.6	274
Mitigation	573.6	97
REDD+ (reducing emissions from deforestation and forest degradation, forest conservation, sustainable forest management and the enhancement of forest carbon stocks)	95.0	13

on the south coast of Barbados (USD 70 million). Other projects in 2024 saw the CTF approve two programmes for accelerating investments in sustainable clean energy in the Maldives (USD 30 million) and promoting the use of renewable energy in public buildings in Grenada (USD 8.5 million). With the third highest level of funding approved for SIDS in 2024, the LDCF launched three national programmes focused on promoting innovative technologies to enhance the resilience of agricultural systems in Comoros and São Tomé and Príncipe (totalling USD 18 million), as well as one project aimed at strengthening climate information and early warning systems to support Guinea-Bissau's adaptation efforts (USD 6 million).

Box 1: Climate finance in the LDCs of the SIDS

As of December 2024, eight SIDS are LDCs: Comoros, Guinea-Bissau, Haiti, Kiribati, São Tomé and Príncipe, Solomon Islands, Timor-Leste, and Tuvalu.⁶ To date, USD 886 million in climate finance from multilateral climate funds has been approved for project activities within LDC SIDS, representing 29% of total SIDS funding. Over a third of finance for LDC SIDS comes from the GCF (41%), with 30% from the LDCF. Grant financing, totalling USD 790 million (or 89%), is particularly important for LDCs as increasing debt can leave countries more exposed to macroeconomic shocks. Over 60% 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

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Endnotes

- 1) Antigua and Barbuda, 2) Bahamas, 3) Barbados; 4) Belize; 5) Cabo Verde, 6) Comoros*; 7) Cook Islands, 8) Cuba, 9) Dominica; 10) Dominican Republic, 11) Fiji, 12) Grenada, 13) Guinea-Bissau* 14) Guyana; 15) Haiti* 16) Jamaica; 17) Kiribati*; 18) Maldives; 19) Marshall Islands; 20) Federated States of Micronesia, 21) Mauritius; 22) Nauru; 23) Niue; 24) Palau; 25) Papua New Guinea; 26) Samoa; 27) São Tomé and Príncipe*; 28) Singapore; 29) St. Kitts and Nevis; 30) St. Lucia; 31) St. Vincent and the Grenadines, 32) Seychelles, 34) Solomon Islands*; 34) Suriname; 35) Timor-Leste*; 36) Tonga; 37) Trinidad and Tobago; 38) Tuvalu*; 39) Vanuatu. LDCs are denoted by *.
2. Where countries are no longer considered SIDS, the approved amounts of funds tracked by CFU are recorded in their entirety in the regional briefings. For example, Bahrain's approvals moved from the SIDS to the MENA brief in 2023.
3. For the list of SIDS and their regional categorisation see both <https://www.un.org/ohrls/content/list-sids> and https://sdgs.un.org/topics/small-island-developing-states#list_of_sids
4. As of February 2025, only seven SIDS are classified as LDCs. However, since São Tomé and Príncipe only graduated from LDC status in December 2024, the projects recorded by CFU for this year still categorize the country as an LDC.
5. 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).
6. Vanuatu and São Tomé and Príncipe graduated from the LDC category at the end of 2020 and 2024, respectively. Funding approved for Vanuatu under the climate funds tracked by CFU is included from 2003 to 2020 as LDC SIDS financing, with financing approved from 2021 onward excluded. Starting in 2025, projects recorded for São Tomé and Príncipe will no longer be categorized as LDC.

The Climate Finance Fundamentals are based on Climate Funds Update data and up to 2021 also available in French and Spanish at www.climatefundsupdate.org

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