



**“Accelerating actions for a resilient Blue Pacific”**

7<sup>th</sup>, 8<sup>th</sup>, 9<sup>th</sup> September 2021, Virtual Platforms  
12:00pm – 5:00pm Samoa Standard Time

**Agenda Item 7.2: Securing climate financing to build resilience to  
Climate Change in the Pacific Region**

**Purpose of paper**

1. To inform Members about the current state of the Pacific climate financing landscape.
2. To highlight the challenges and opportunities for Pacific countries in accessing financing to meet climate change priorities.
3. To describe the role of SPREP as a Regional Implementing Entity in supporting countries to access finance.
4. To inform and seek support from the SPREP Meeting of a proposed multi-country Readiness Preparatory Support proposal to support Direct Access Entities in the region through SPREP.

**Background**

**A. Securing climate financing to build resilience to climate change in the Pacific region**

5. The 2017 report, *Climate finance in the Pacific: An overview of flows to the region's Small Island Developing States*, noted in the period 2010 – 2014, a total of US\$748 million in finance principally targeting climate change was committed to Pacific island countries including contributions for regional activities. Of this, 72 percent was from bilateral channels.
6. With the establishment of the Green Climate Fund (GCF) in 2015, there has been a shift in countries' approach to accessing financing to meet their Nationally Determined Contributions (NDC) ambitions towards low-emission, climate-resilient pathways. Since the establishment of the GCF, approximately US\$603 million has been approved for grants in the Pacific from funding mechanisms: GCF US\$362 million; Global Environment facility (GEF) US\$219 million, Adaptation Fund (AF) US\$21 million.
7. Of this, multi-country or regional projects are dominating with a combined value (for projects approved from 2014-2015 onwards), of US\$154.9 million, with Samoa (US\$68 million), Fiji (US\$50 million), Kiribati (US\$47.5 million) and Marshall Islands (US\$44.6 million) leading the way as recipients of the largest funding for national projects (Figure 1.1).

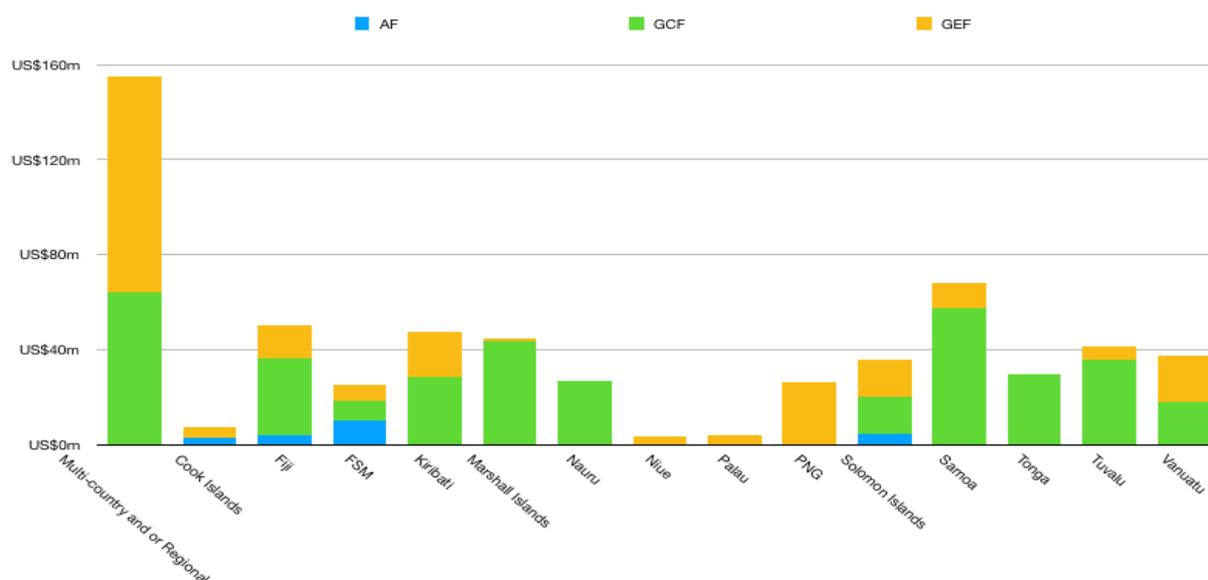


Figure 1-1. Grant funding approved by Fund since 2014-2015 by Country

8. The Global Environment Facility remains the largest funder of climate-related financing in the Pacific in terms of overall funding, however, the Green Climate Fund is emerging as a dominant funding source, and it is anticipated that with an increase in the number of projects approved over the next 1 – 3 years, the GCF will take over from the GEF in terms of the largest funding source for grants (excluding co-financing) in the region.
9. Whilst the Green Climate Fund has financed US\$362 million in grants to projects in the Pacific, access remains low with only 14 projects approved and under implementation since 2015. There is now a concerted move by the Green Climate Fund to increase the levels of financing to the Pacific SIDS.
10. To-date access to the Adaptation Fund by Pacific countries has been low with only US\$26 million accessed by the Pacific countries for projects in sectors of coastal management, urban development and multi-sector. Of this, five projects are currently under implementation as at March 2021, based in the Cook Islands, FSM, Solomon Islands and Fiji.
11. The analysis highlights a number of gaps in how countries are accessing climate financing and therefore provides for a set of opportunities for the Pacific region to increase their access to financing to meet their climate change mitigation and adaptation needs.
12. **Opportunities in accessing climate financing:** Emerging strategic opportunities for Member countries in securing climate financing to meet their climate change goals include: (a) accessing the full range of available resources, and in particular, focusing on capitalizing on the financing available to countries through the Adaptation Fund which provides each country with up to US\$20 million for single country projects. Other funding modalities are also available for national and regional projects; (b) scaling-up of projects beyond pilot or site-driven focus; (c) blending of finance across funders to achieve larger-scale, more transformational goals; and (d) utilisation of direct access entities to work with countries to access finance.

13. **Challenges in accessing finance:** Whilst a number of opportunities are emerging through interactions with the funding agencies, accessing finance also has a number of challenges for SIDS which need to be mitigated against before effective access can be achieved. These challenges can be fund specific or relate across the broader climate financing spectrum and include:
- a. Low knowledge of, or understanding of, funders' focus and investment criteria therefore leading to project concepts submitted to accredited entities which do not meet the criteria for financing.
  - b. Limited capacity to absorb increasing amounts of development assistance.
  - c. Regional and programmatic approaches are seen as unattractive as they are considered as diluting the focus away from national priorities.
  - d. Focus from funders on the engagement of the private sector and need to mobilise private finance is challenging in the Pacific region, which has a limited and small private sector base.
  - e. Lack of clear articulation and mapping of key priorities.
  - f. Capacity constraints.
  - g. High transactional and operational costs.
14. Attachment 1 provides an overview of SPREP's strategic approach to (1) identifying the opportunities and working with Member countries to capitalise on these and (2) working towards overcoming the challenges and barriers to both development and implementation of climate financing projects.

## **B. Role and Function of an Accredited Entity**

15. **Accredited Entities** are the national, regional and multilateral institutions accredited by the funding bodies to receive direct financial transfers from the Fund<sup>1</sup> in order to carry out projects and programmes. Accredited Entities partner with Funding Agencies to implement projects. Guided by Funding Agencies investment frameworks and the priorities of developing country governments, Accredited Entities convert concepts into action. They work alongside countries to come up with project ideas and submit funding proposals for the Funding Agencies' Boards to approve. SPREP is an implementing entity to the Green Climate Fund and the Adaptation Fund, and an executing entity with the GEF.

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<sup>1</sup> A 'Fund' is a donor or funding body in which SPREP is an accredited entity i.e. Green Climate Fund, Adaptation Fund.

16. **A greater understanding of the mandates** and how to embed project concepts within these mandates will enable greater efficiency and effectiveness during the project development stage. The SPREP experience across the AF, GCF and GEF is well-positioned to strategically guide countries to maximise the opportunities in climate financing to road-mapping of priorities against national climate change policies and strategies, and target and prioritise project concepts to specific funders' mandates and investment criteria.
17. **Support to Member countries:** SPREP is in a unique position to support Member countries with clearly defined roles across all three funding mechanisms (i.e. Regional Implementing Entity / Accredited Entity for the GCF and AF; and Executing Entity under the GEF). The accreditation across the core funders can be capitalized on to ensure integration and synergies across programmes / projects, develop scaled programmes / projects within and across funds, and work with countries to develop roadmaps or country programmes which can target multiple funders and is not limited to individual funds.
18. Most recently, the Green Climate Fund has been instrumental in supporting a multi-country SPREP Readiness project which is aimed at building capacity within SPREP, across the region and across Direct Access Entities to better support the development of country project pipelines and move projects towards approved financing. The proposed Readiness project will support Member countries through:
  - Support to all five Direct Access Entities in the region to strengthen their environmental and social safeguards systems through a review and upgrade of the grievance redress mechanisms under the DAE's Environmental and Social Management Systems.
  - Undertake a comprehensive private sector study at the regional and national levels to build the evidence-base to support direct access entities, countries and international accredited entities in the development of climate financing proposals, building the case for why and how the private sector may or may not be engaged in specific sectors.
  - Establish a technical assistance fund to support: (i) technical and sectoral expertise for project design and planning, and (ii) provide for pre-feasibility studies for project concepts.
  - Strengthen SPREP's internal capacity to better support countries' climate financing priorities.
19. The funding for the proposal will utilise uncommitted 2021 Readiness funding (from the \$1 million annual country allocation) and requires the support of Member countries who will have uncommitted Readiness 2021 funds post-June 2021. Member countries who support the proposal and agree to transfer the unallocated 2021 country readiness allocation to support the multi-country SPREP proposal, will be required to provide a no objection letter.
20. Member countries are requested to endorse the SPREP multi-country Readiness proposal and provide a commitment to providing the No Objection Letters to the Green Climate Fund in support of the proposal.

## Recommendations

21. The Meeting is invited to:

- 1) **note** the discussion paper on '*Securing Climate Financing to build Resilience to Climate Change in the Pacific Region* (WP 7.2/Att.2);
- 2) **note** the gaps and opportunities in accessing climate financing, in particular the opportunities available under the Adaptation Fund, and **urge** Members to work with SPREP to better articulate their climate change priorities for potential projects or programmes;
- 3) **endorse** SPREP's approach to capitalising on opportunities in the climate finance landscape in the Pacific;
- 4) **endorse** the multi-country SPREP Readiness proposal and encourage Members to support by allocating their respective unallocated 2021 country readiness funds. SPREP would like to also acknowledge those countries that have made commitments to support the SPREP Readiness and look forward to receiving the No Objection Letters; and
- 5) **encourage** Members to maximise the Readiness support programmes available for climate financing to support national and regional Direct Access Entities.

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18 June 2021