

Agenda Item 8.3: Securing climate financing to build resilience to Climate Change in the Pacific Region

Purpose of paper

1. To inform Members on progress against climate financing opportunities.
2. To highlight the ongoing challenges and gaps for Pacific Small Island Developing States (SIDS) in accessing climate financing to meet climate change priorities and noting the need for amplifying the Pacific voice to advocate for a fair access share to climate finance mechanisms.
3. To inform and seek support from the SPREP Membership on the proposed framework to bridge the gap between adaptation priorities and needs and climate financing accessed by the region.

Background

A. Progress in accessing climate financing

4. A particular focus for SPREP has been on working with Member countries to improve access to climate finance to undertake priority projects – this is underscored by Regional Goal (RO 1.4) of the SPREP Strategic Plan (2017-2026). Whilst this has been challenging, particularly with accessing Green Climate Fund (GCF) finance, there have been a number of achievements emerging. In particular, the work of SPREP has continued to strengthen the support provided to Pacific SIDS, in particular through the Readiness and Preparatory Support Programme and the full-sized projects under development.
5. As at 30 May 2022, the SPREP climate finance portfolio (Table 1) consists of:
 - a. Two full-size projects under implementation (Vanuatu and Federated States of Micronesia)
 - b. Three Readiness projects under implementation (Solomon Islands, Niue and Marshall Islands)
 - c. Two NAP projects approved and under implementation (Tuvalu and Nauru)
 - d. Five full-size projects (Regional (x2), PNG, Solomon Islands, Kiribati), two NAPs (Niue and Federated States of Micronesia) and three Readiness (Nauru, SPREP regional readiness, and PNG) projects either under development or in review
 - e. Two Readiness projects (Marshall Islands, Niue) completed

Table 1. Progress in accessing climate finance for Member countries¹

Type / Category	Number			Funding (USD m)			Projects
	2020	2021	2022	2020	2021	2022	
Under implementation	3	3	4	28.4	28.4	3.0	2020: Van KIRAP, FSM AF 2021: Van KIRAP, FSM AF, SI Readiness 2022: Van KIRAP, FSM AF, SI Readiness, Tuvalu NAP
Approved	1	3	1	0.99	1.1	1.3	2020: SI Readiness 2021: Niue and RMI Readiness II 2022: Nauru NAP
Anticipated approval		6	5		4.7	33.6	2021: SPREP / PNG / Nauru / Niue / RMI Readiness, Nauru NAP 2022: Niue NAP, FSM NAP, SPREP Readiness, PNG Readiness, Nauru Readiness Pacific I2I, Kiribati AF
Completed		2			0.97		2021: RMI and Niue Readiness I
Full size in development		2	3		214	25+	2021: CIS Flagship, PNG CSL 2022: Kiribati water security (AF and GCF); Solomon Islands Adaptation project; Pacific I2I
Readiness / NAPs in development	2	8	5	6	4.7	8.6	2020: FSM and Niue NAP 2021: SPREP / PNG / Nauru / Niue / RMI Readiness, Nauru / FSM / Niue NAPs 2022: Niue NAP, FSM NAP, SPREP Readiness, PNG Readiness, Nauru Readiness

B. Challenges and Barriers to accessing climate financing

6. In addressing the expanding gap between climate financing and the adaptation priorities of Pacific SIDS, there are a number of challenges or barriers in effectively accessing climate financing in a timely and efficient manner, including:
 - a. The donor modalities and processes are not sufficiently effective to address the specific challenges of climate change impacts including economic and social aspects in Pacific SIDS and the urgency for climate action.
 - b. Significant barriers in accessing financing in a timely and effective manner through the project development phase includes:
 - i. The lengthy timeframes for concept note development, review and approval. In particular, the GCF timeframes of 12-24 months for a Readiness or NAP proposal, and up to 5 years for a full-size project proposal to be approved – ensure the priority or need being addressed is no longer valid or has been implemented through other mechanisms, and / or the proposal itself is outdated and under-funded thus requiring substantial revisions during the inception phase or is no longer meeting the country needs /priorities.
 - ii. There is a continued limited resources across the region to develop concept notes and funding proposals to the donor standards.

¹ The information refers to as at 30 May 2022 and based on signed financing agreements with the GCF /AF /GEF

Bridging gaps between current levels of adaptation and financing

10. With approximately only ten percent of the available climate financing through the UNFCCC financing mechanisms (i.e., GCF, AF and GEF) allocated to the Pacific Island Countries since 1992, the gap between Pacific SIDS adaptation priorities and needs, and the level of financing received to implement these priorities, is continuing to grow.
11. The UNEP report “*The Gathering Storm: Adapting to climate change in a post-pandemic world*” (2021), highlights the costs of adaptation and the estimated financial needs for adaptation from developing countries. It indicates higher values than previously reported, with estimated annual adaptation costs now generally in the upper range of the 2016 estimate of the Adaptation Gap Report of US\$ 140-300 billion by 2030 and US\$ 280-500 billion by 2050.
12. The rate and scale of adaptation progress at the national level is not enough to keep up with the growing needs, as adaptation costs are rising faster than adaptation financing. The recent IPCC report notes there are feasible and effective adaptation options which can reduce risks to people and nature, with integrated, multi-sectoral solutions that address social inequities, differentiate responses based on climate risk and cut across systems, increasing the feasibility and effectiveness of adaptation in multiple sectors.
13. However, this can only be effective through scaling up and further increasing public adaptation finance both for direct investment and for overcoming barriers to private-sector adaptation. In meeting the region’s adaptation priorities and needs, there is an urgent need, therefore, to scale up and further increase public adaptation finance both for direct investment and for overcoming barriers to private-sector adaptation. Pacific SIDS will not be able to rely on official development assistance nor domestic taxes and fees to meet their adaptation needs. New instruments, actors, and approaches to scale up adaptation finance are emerging, including private-sector adaptation financing. These offer opportunities to raise adaptation finance and to use public adaptation finance to leverage private investment.
14. The proposed SPREP approach “*Bridging the gap between adaptation priorities and climate financing in the Pacific Region*” (WP.8.3/Att.1) provides an overview of the recent evidence highlighting the widening gap between financing and the adaptation needs of Pacific SIDS, and provides a draft for SPREP’s direction in working with Member countries to increase the level of financing beyond traditional funding sources, and exploring catalytic programmatic partnerships, new instruments, actors, and approaches to scale up adaptation finance.

Recommendation

15. The Executive Board Meeting is invited to:
 - 1) **Note** the update on progress in accessing climate financing through the UNFCCC funding mechanisms.
 - 2) **Note** the ongoing and emerging challenges and gaps for SPREP Member countries in accessing climate financing through the UNFCCC funding mechanisms.
 - 3) **Endorse** the approach to highlight the challenges and barriers to accessing funding with the GCF and AF Boards.
 - 4) **Approve** the proposed SPREP approach “*Bridging the gap between adaptation priorities and climate financing in the Pacific Region, (WP.8.3/Att.1)*” exploring options to bridge the gap between adaptation needs and adaptation financing.

05 July 2022