

Third SPREP Executive Board Meeting 8 - 9 September 2022

Virtual Platforms

12:00pm - 5:00pm Samoa Standard Time

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.
- 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.
- 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:
 - 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

- iii. There is a lack of financing to bring in the external expertise required to work with countries and accredited entities to develop concept notes and funding proposals. In particular, to move a project proposal through the Adaptation Fund pipeline requires approximately US\$80,000 US\$120,000. As the AF does not provide planning funding, this financial requirement falls upon accredited entities and/or the country.
- c. Pacific SIDS are under utilising the accredited entities (e.g., Accredited Entity familiarity with the mandate of the funders/donors), thus leading to further delays in project development when an accredited entity is approached to take on the project idea or concept note. Accredited Entities must be engaged very early in the process to assist in reducing the timeframes, ensuring early interest from the funders/donors and in ensuring resources are effectively expended on the development of the project idea.
- d. The funders'/donors' approaches to the private sector in Pacific SIDS is not sufficiently articulated or coordinated, despite the call for inclusion of the private sector in climate financing projects.
- e. The policy landscape has flexibility to accommodate the circumstances of SIDS, but certain policy and governance issues that are important to SIDS require further Board discussion and decisions. This is particularly the case of the GCF, however, many of the policy and governance issues which require Board consideration remain and there is a lack of engagement on the issues by the Board(s).
- 7. These barriers will remain unless they are effectively addressed by the Donors/Funders. Despite continued feedback and inputs into the various reviews (particularly undertaken by the Green Climate Fund), there remains little /slow action being undertaken to improve the processes to ensure SIDS are able to access the available financing in a timely and effective manner.
- 8. As Board representation from SIDS, and in particular, from the Pacific region, remains low or non-existent across the three funds, the Pacific accredited entities and countries will need to provide a concerted and coordinated voice back to the UNFCCC and funding mechanisms, to achieve any change in either the funding modalities, policies or operational processes which are impacting on the Pacific Island countries' ability to meet their climate change needs through such sources.
- 9. It is proposed the Pacific SIDS and the Accredited Entities in the region, provide a united voice on the challenges with climate finance access and:
 - a. Prepare a joint statement for tabling with the Green Climate Fund and Adaptation Fund Boards.
 - b. Prepare briefs for the Pacific and SIDS Board representatives (i.e., Fiji, Kiribati and New Zealand), and for the developing country representatives from the region to ensure the issues are raised through various channels and from collective voices.
 - c. Undertake a Pacific dialogue led by the Pacific with the Green Climate Fund and Adaptation Fund to highlight the concerns, challenges, and potential solutions to be able to improve access to financing and increase the level of financing in the region.

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 adaption 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.