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PROBLEM SPACE

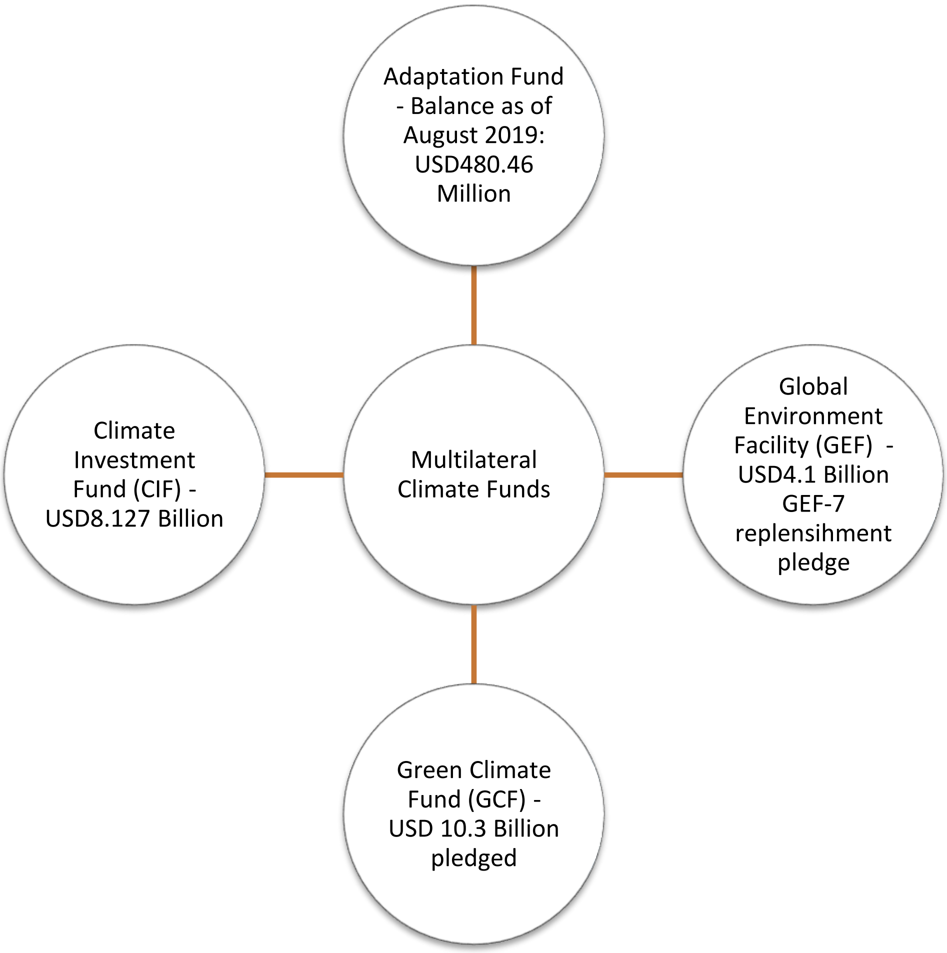
Climate Finance Architecture

For Small Island States climate change is likely to impact all sectors. Slow onset and extreme events are already causing profound impacts, threatening development gains and increasing vulnerability. For SIDS to be able to cope with the rapid changes that are now being felt, it is necessary for the promised climate finance to be urgently mobilised and translated into well-conceived, relevant, scalable and sustainable projects. With an estimated 50 international public funds, 60 carbon markets, and 6000 private equity funds, and 99 multilateral and bilateral climate funds[1], the climate finance landscape is complicated at the best of times. A significant share of public climate finance is spent bilaterally, administered largely through existing development agencies or special bilateral climate funds. However, there is an issue with transparency and consistency in reporting of some bilateral finance for climate change with countries self-classifying and self-reporting climate-relevant financial flows without a common reporting format or independent verification[2].

The multilateral funds are major sources of finance for developing countries and allow for a break from contributor country-dominated governance structures however they place their own barriers to access with stringent criteria that is often skewed towards mitigation, climate finance readiness requirements and a bureaucracy heavy process. As such disbursement is slow and cumbersome. **For Pacific SIDS (PSIDS), there is clearly an urgent need for flexibility and direct access to these funds especially in relation to adaptation. However, realising that it is a slow process to enact change in access, PSIDS can look beyond these funds and begin to develop their own demand-driven instruments to funnel investments into sustainable development and adaptation.**

[1] Samuwai, J., & Hills, J. (2018). Assessing Climate Finance Readiness in the Asia-Pacific Region. *Sustainability*, *10*(4), 1192.
[2] Nakhooda, S., Watson, C., & Schalatek, L. (2013). The global climate finance architecture. *Overseas Development Institute, London*.

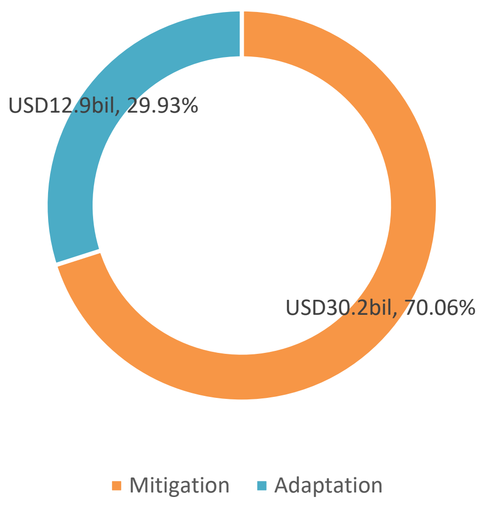
Major Multilateral Funding Instruments



Multilateral Climate Banks provide a significant amount of support with the [2018 Joint Report on Multilateral Development Banks' Climate Finance] showing MDBs committed US$ 43.1 billion in climate finance in developing and emerging economies. The majority of this support has been for mitigation.

The major banks are: the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank Group (IDBG) and the World Bank Group (WBG).

Mitigation and Adaptation Finance by Multilateral Development Banks



APPROACHES TO UNLOCK FINANCE

We propose the following approaches through which SIDS can unlock finance for their sustainable development ambitions and climate change resilient futures

- 1) Novel finance instruments
    - Mobilising Bond market
    - Pooled finance mechanism for the Pacific region managed by the United Nations Multi Partner Trust Fund
    - Devising a decentralised, remittance-based climate finance architecture to allow local government level control of climate change adaptation funds
- 2) Project development
    - Robust, innovative project concepts
        - Creating a project development framework based on demand-driven, bottom up approach, with robust exit strategies and mitigation/adaptation co-benefits. The framework would allow for the risk assessment and ensuing demonstration of nature-based workable solutions. Working alongside the main stakeholders to develop and test concepts, tools, applications and instruments (business models) necessary for the integration of solutions.

- Certification, labelling, and standards schemes for: Environment, Society, and Governance based investing (ESG), with the potential to develop a novel crowdfunding platform for ESG in small island states.
- Removing barriers for youth and women in agriculture and fisheries through assessing climate change risk vulnerability and formulating relevant pathways and policy instruments.
- Capturing, preserving and disseminating oral traditions to ensure that cultural practices and vital indigenous knowledge is formalised.