



**Climate finance in the Pacific: An overview of flows
to the region's Small Island Developing States**

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ABSTRACT

The Small Island Developing States (SIDS) of the Pacific face serious threats from climate change and will need significant international climate finance if they are to be able to respond. However, there is very little synthesized data on climate finance in the Pacific region. This paper aims to fill that gap by analysing published data reported by donor countries and multilateral climate funds to the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee. The analysis covers 15 countries, collectively and individually: the Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, Niue, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Timor Leste, Tonga, Tuvalu and Vanuatu. It finds that in 2010–2014, a total of US\$748 million in finance principally targeting climate change was committed to those countries, almost all as grants. Around 59% was for adaptation, 36% for mitigation, and 5% for both together. About 72% was sourced through bilateral channels. Among the multilateral funds, the Global Environment Facility, combining the GEF Trust Fund and the Least Developed Countries Fund, was by far the largest source through 2014, though since 2015, there have been several large allocations to some Pacific countries, particularly from the Pilot Program for Climate Resilience and the Green Climate Fund. The vast majority of the funding (86%) is being delivered as project-based support, while direct budget support is rare. In terms of sectoral distribution, the largest share of funding has supported work to create an “enabling environment”. Along with quantifying the data, the paper identifies patterns that warrant further exploration, such as differences between bilateral and multilateral flows and between countries. It also highlights the importance of making available more transparent, comprehensive climate finance data.

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EXECUTIVE SUMMARY

The Small Island Developing States (SIDS) of the Pacific face serious threats from climate change, particularly due to sea-level rise. Addressing these threats will require a wide array of adaptation measures, at a cost that far exceeds many countries' financial capacities. At the same time, governments need to continue to make crucial investments in development, which also helps build resilience to climate change, and in disaster risk reduction.

External finance is thus critical to the Pacific Islands as a way to supplement governments' own expenditures through the national budget process, and it is expected to remain so. However, there is very little synthesized data on climate finance in the Pacific region, which makes it difficult to know how much is being delivered or how it is used. Several studies and reports have provided some information, but it varies in depth, coverage and quality, making it difficult to identify patterns in the mobilization or use of funding. This information gap makes it difficult for governments and regional organizations to know how climate finance is flowing, and what kinds of outcomes it is delivering for Pacific peoples and ecosystems.

This paper aims to fill that gap by compiling and interpreting the available quantitative data on climate finance flows to the Pacific. It does this by synthesizing published data reported by donor countries and multilateral climate funds to the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee's Creditor Reporting System (CRS). Data on international public financial support to developing countries is reported to the CRS by all OECD countries, some non-OECD countries on a voluntary basis, and some multilateral institutions and climate funds.

When donors report financial support to the CRS, they can tag individual components against specific international policy objectives, including climate change. Each component can be reported as either (i) primarily targeting climate change objectives, (ii) significantly benefiting climate change objectives (as a co-benefit), although the finance mainly supports another goal, or (iii) not relevant for climate change. The tagging process is done differently by each of the reporting entities, and there is no assessment of the accuracy or quality of the actual contribution to climate change action.

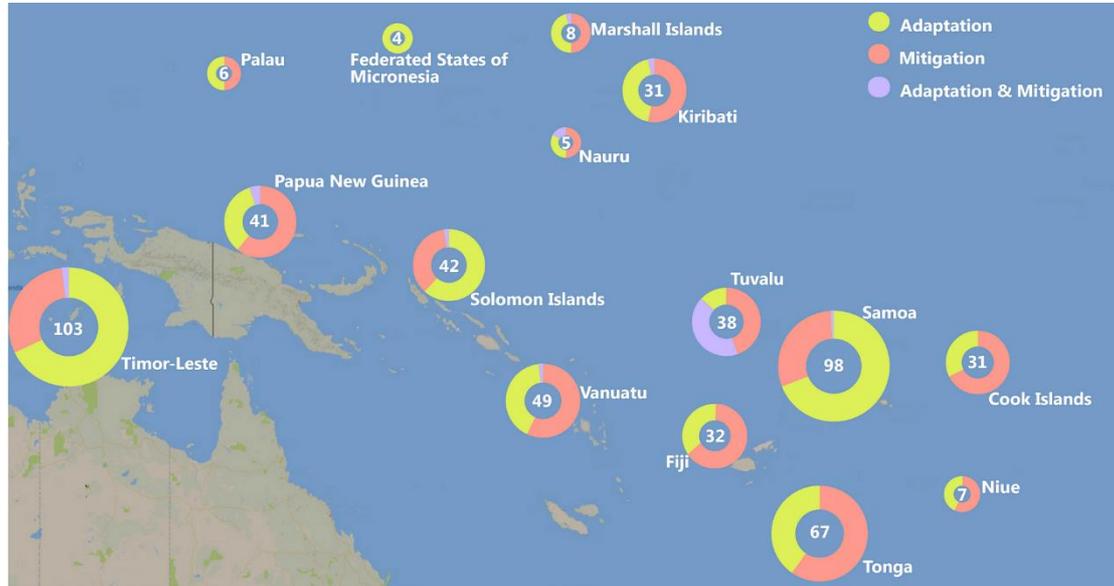
In this paper, the term "climate finance" is used to refer to the flows primarily targeting climate change. Overall figures for climate-related finance (including those significantly benefiting climate change objectives) are also provided, but the analysis concentrates on those flows which have objectives more explicitly related to addressing climate change.

We cover all the sovereign states of the Pacific: the Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, Niue, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Timor Leste, Tonga, Tuvalu and Vanuatu. The main analysis covers the five-year period from 2010 (when the Rio Markers for both adaptation and mitigation objectives were used) to 2014, inclusive, although for the multilateral climate funds, the paper separately also describes financial approvals up to November 2016 (this data is available elsewhere and is worthwhile to cover, since there have been several large allocations to the Pacific in the last two years). A significant portion of this finance is delivered to the Pacific region as allocations for individual countries, but the data also includes components that specifically support activities at the regional level.

We examine the distribution of finance among recipient countries, the sources of finance, the share targeting adaptation vs. mitigation objectives, the spread across different sectors, the mode of delivery (e.g. project-based vs. direct budget support), and the types of intermediaries involved in programming the funds. It also compares committed funds with the

amounts that have been disbursed so far, although as explained in the paper, interpreting any differences between the two can be difficult, for various reasons. Throughout, we also highlight observable differences in how finance is delivered by bilateral and multilateral channels. The Annex provides snapshots of climate finance for each of the 15 Pacific Island countries included in our analysis.

Figure ES-1: Summary of climate finance in the Pacific, 2010–2014 (committed amounts, in million US\$)



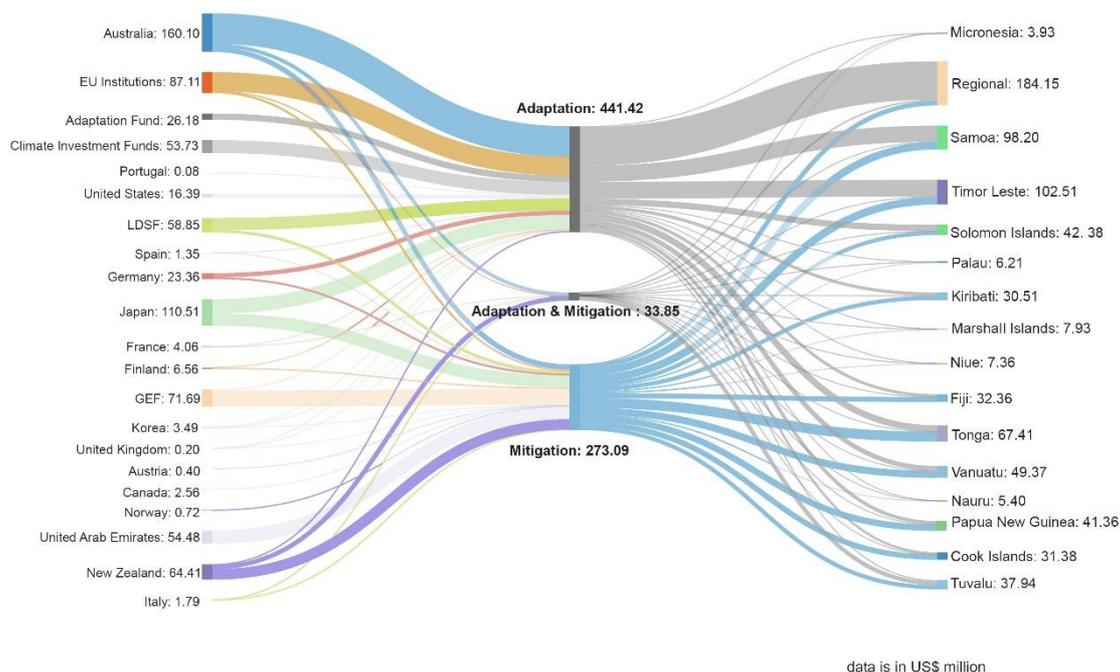
In 2010–2014, a total of **US\$748 million** in finance principally targeting climate change was committed to the Pacific Island countries included in this analysis, including contributions for regional activities. This makes up about 6% of total flows for the Pacific reported in the CRS. The recipients of the largest amounts have been Timor Leste, Samoa, Tonga, Vanuatu, Papua New Guinea and Fiji. By comparison, the largest recipients on a per capita basis have been Tuvalu, Niue, Cook Islands and Tonga.

Almost all these financial flows are grants. While there is external lending activity across the region, from donors and development banks, it appears this is for activities targeting other objectives than climate change.

Across the region as a whole, around 59% of the climate finance is for adaptation activities. Most of the remainder (36%) is for mitigation, although 5% targets both simultaneously. As to be expected, this proportion varies between countries.

Of the US\$748 million, 72% was sourced through bilateral channels. Australia has been the largest bilateral donor, followed by Japan, the European Union and New Zealand. Among the multilateral funds, the Global Environment Facility, combining the GEF Trust Fund and the Least Developed Countries Fund, was by far the largest source up to end of 2014. Since the beginning of 2015 there have been a number of large multilateral allocations to some Pacific countries, notably from the Pilot Programme for Climate Resilience (US\$31.1 million combined to Papua New Guinea and Samoa), and the Green Climate Fund (US\$68 million combined to Fiji and Tuvalu, and also including readiness support to Cook Islands, Federated States of Micronesia and Vanuatu). These are not included in the US\$748 million for 2010–14, and are likely to have changed the overall balance between bilateral and multilateral sources, although data on the bilateral sources was not available for comparison.

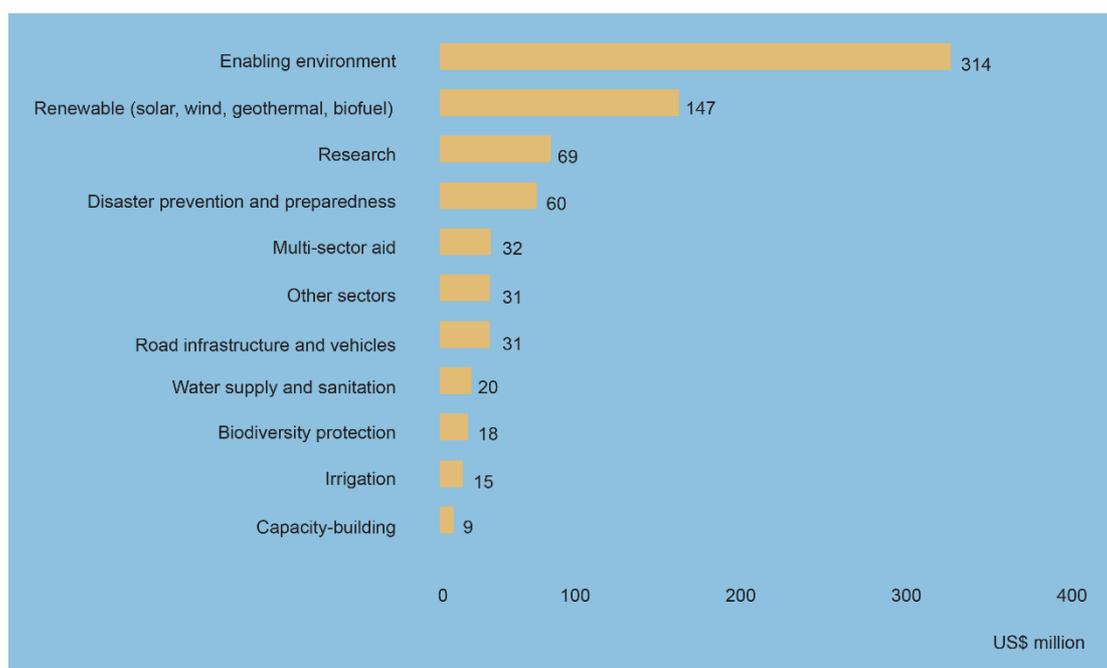
Figure ES-2: Sources, objectives and recipients of Pacific climate finance, 2010–2014



The vast majority of the funding (86%) is being delivered as project-based support. Another 11% has come as technical assistance outside projects, and only 1% as general budget support and 1% as sector budget support. Most countries do not receive any direct budget support; it has been provided only to Samoa, Vanuatu and Solomon Islands.

In terms of sectoral distribution, the largest share of funding has supported work to create an “enabling environment”. Included under this label are activities supporting the development of climate policies, but also to mainstream climate change into national planning. For adaptation, the next-largest category of support is for research. For mitigation, the largest portion has gone to renewable energy, followed by enabling-environment efforts.

Figure ES-3: Sectoral distribution of climate finance in the Pacific, 2010–2014



Looking across the data, a number of interesting patterns emerge. Melanesian countries (Papua New Guinea, Fiji, Solomon Islands and Vanuatu) tend to have received the largest amounts overall, but this is not surprising, given that they are larger and more populous. Notably, however, Polynesian countries (Samoa, Tonga, Cook Islands, Niue and Tuvalu) have been more successful at attracting climate finance than similarly populated Micronesian countries (Federated States of Micronesia, Marshall Islands, Kiribati, Palau and Nauru). This is evident when both the total and per capita funds are considered together. In general, the Polynesian countries have attracted a greater diversity of funding sources, and have connected funding with a wider range of sectors, than Micronesian countries. It is beyond the scope of this paper to explore the reasons for this pattern, but it is a question worth considering, as it might offer useful lessons that could help all Pacific Island countries in future efforts to access climate finance.

The analysis also shows differences in the character of bilateral and multilateral funding. Bilateral channels work with a greater variety of “first recipients” (i.e. the intermediary organizations who help to programme and manage the funds), support work in a wider range of sectors, and have used delivery mechanisms other than project-based finance, such as budget support, even though project-based delivery is still their main mode of operation. Although not obvious from the data presented here, bilateral sources also have significantly lower transaction costs involved in accessing funding. Such differences are relevant to how well finance can be connected with countries’ overall development priorities. Bilateral sources appear to provide considerably more flexibility in scope, meaning perhaps greater opportunity to find synergies between climate and development outcomes. In the long term, flexibility is likely to be an important characteristic for countries trying to build resilience to a range of future uncertainties and challenges (including climate change).

Future decision-making by Pacific Island countries and regional support organizations could be greatly improved making available transparent, comprehensive data on how much climate finance is being mobilized for the region, and how it is being delivered and used. The CRS provides a comprehensive data set on public, international development aid, and on the portion of that support which specifically targets climate objectives. Although it has limitations, discussed in the paper, it is a useful start. However, there are considerable delays in data reporting, so speeding up the process of donor reporting would make this an even more useful resource for countries with questions about the provision of climate finance. It would also be helpful if international organizations and funders separated the Pacific region from Asia in global reviews of climate finance, so that what is happening across the Pacific’s small islands is clearly visible, instead of being merged with the much larger flows of finance going to Asia.

Finally, mapping financial flows is only one step in the process of trying to understand the quality of spending. Complementary analysis is needed on the quality and longevity of the outcomes being produced. This includes “bottom-up” perspectives based on the experiences of communities and countries where activities have been supported.