Climate finance to the Small Islands of the Eastern Caribbean: An overview of financial support provided from 2010 to 2015

Key insights

- Total climate finance commitments to members of the Organisation of Eastern Caribbean States (OECS) in 2010–2015 amounted to US$ 101 million, representing 9% of total official development aid to these countries. Most have been made since 2013, flowing mainly to Dominica, Saint Lucia, Saint Vincent and the Grenadines, Grenada, Antigua and Barbuda, with a minor amount going to Saint Kitts and Nevis.

- Around 73% of climate finance has been for adaptation, though the balance between adaptation and mitigation varies by country. Disaster risk reduction and disaster response are the most funded sectors, followed by renewable energy and energy policy.

- Multilateral climate funds have provided roughly 70% of the total climate finance. This is notably different from the wider Caribbean SIDS region and also from the Pacific SIDS, both of which have received climate finance mainly from bilateral sources.

- About two thirds of the funds are grants; the rest are concessional loans from the World Bank Climate Investment Funds (CIFs) and from France. Virtually all climate finance has been delivered via short-term projects.

- Actual disbursement of climate finance to OECS Member States in 2010–2015 is less than 10% of commitments, a far lower ratio than for non-climate aid flows to the same countries. This suggests some major challenges in programming and executing climate projects, even where funding is approved.

Climate change poses many threats to Small Island Developing States (SIDS), from sea-level rise and inundation of settlements or coastal aquifers, to more intense storms and changing rainfall patterns. All these impacts could greatly affect livelihoods, including coastal fisheries, agriculture and tourism. Many SIDS also have weak or volatile fiscal situations that exacerbate vulnerability to climate change and extreme weather events.

Extreme storms have caused massive damage and economic losses in some Caribbean islands in recent years – most recently, the devastating Hurricane Irma. Looking ahead, the cost of coping with climate change impacts has been estimated at upwards of 5% of GDP annually. For most SIDS, external financial support is thus crucial to supplement national and local budgets in building resilience and shifting to low-carbon development pathways.

The Parties to the United Nations Framework Convention on Climate Change (UNFCCC), countries have agreed to mobilize US$ 100 billion per year to help developing countries tackle climate change, and to scale this up over time. Yet there is competition to access and use the available finance, both among and within countries. In this context, it is important to ensure that resources are used effectively to achieve tangible, long-term benefits.

For Caribbean governments, a key first step in making the most of climate finance is to get an overview of existing financial flows. This facilitates strategic decision-making and can inform discussions with bilateral development partners and multilateral climate funds.

This brief examines climate finance flows from 2010 to 2015, inclusive, to the 10 Member States of the Organisation of Eastern Caribbean States (OECS): Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, the British Virgin Islands, Anguilla and Martinique. These are all small island states or overseas territories in the eastern Caribbean (see Figure 2).¹

We present country-by-country data for climate finance allocations to these islands, showing where finance is coming from, which organizations are involved as intermediaries in managing and programming the funding, what is it being used for, and in what form climate finance is being delivered.

Counting ‘climate finance’

Our analysis is based on data reported annually to the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee’s Creditor Reporting System (CRS). Data is provided by all OECD countries,

some non-OECD countries, and some multilateral development banks and climate funds. The CRS includes official development assistance (ODA), which consists of grants and concessional loans with a grant element of more than 25%, as well as other official flows and some private grants.

When reporting, donors can tag individual financial contributions as either (i) primarily targeting climate change objectives, (ii) significantly benefiting climate objectives even though the finance mainly targets another objective, or (iii) not relevant for climate change. In this brief, we refer to flows primarily targeting climate change as “climate finance”.

There is no assessment – either in the CRS or in this brief – of the accuracy or quality of the actual contribution towards climate change objectives. The data reflects “top-down” reporting by donors and funds, not how recipient countries might categorize the support.

How much climate finance, and from where?
Six of the 10 OECS Member States were allocated climate finance in 2010–2015: Dominica, Saint Lucia, Saint Vincent and the Grenadines, Grenada, Antigua and Barbuda, and Saint Kitts and Nevis (the amount for the latter is very small, US$ 0.1 million). Anguilla and Montserrat received ODA, but no climate finance. No ODA commitments were registered after 2013 for Anguilla and Saint Kitts and Nevis; and no ODA was allocated to the British Virgin Islands or Martinique.

In addition to specific country allocations, some funds were allocated to the wider Caribbean region. According to OECS officials, some regional funding has been used to support activities in all OECS Member States, including Anguilla and Montserrat. However, it is not possible using CRS data to separate the regional amounts that relate only to the OECS Member States.

Total climate finance
In 2010–15, a total of US$ 101 million in financial commitments to OECS Member States was reported as principally targeting climate change, equivalent to just over 9% of total aid flows to those countries (see Figure 1). This compares with a figure of 5–6% of total aid flows in the wider Caribbean region and among Pacific Ocean SIDS. A further US$ 94 million is reported as having climate change adaptation or mitigation as a “significant” but not main objective.

For the wider Caribbean SIDS region, annual climate finance has not increased beyond its 2010 levels, and only in 2014 were commitments higher than in 2010. For OECS Member States specifically, however, climate finance only really began flowing in 2013.

Recipient countries
Figure 2 shows the total commitments of climate finance to OECS Member States, as well as the balance of these between adaptation and mitigation objectives. Dominica and Saint Lucia have received the highest amounts, followed by Antigua and Barbuda. Additional contributions to countries

![Figure 1: Aid flows and commitments of climate-related finance to OECS Member States, 2010–2015](image)

*Note. These amounts do not include components of any “regional” commitments that might be allocations for individual OECS countries.*
On a per capita basis, four OECS members have received considerably more than the other SIDS in the Caribbean: Dominica, Saint Lucia, Antigua and Barbuda, and Saint Vincent and the Grenadines. At the lower end of the spectrum in both total and per capita climate finance are Grenada, and Saint Kitts and Nevis, along with Montserrat and Anguilla.

**Sources of climate finance**

The World Bank’s Climate Investment Funds provided just over half of the total climate finance to OECS countries in 2010–2015. The commitments were made primarily through the Pilot Program for Climate Resilience. The Global Environment Facility is the second largest source, followed by the European Union. France and Italy make up most of the remainder. Figure 3 shows the finance provided by all sources.

**Grants and loans**

For OECS countries, 68% of the US$ 101 million has been committed as grants. The remaining 32% was allocated via concessional loans. Saint Lucia (US$ 15 million) and Dominica (US$ 9 million) both received loans from the Climate Investment Funds for disaster prevention and preparedness activities, and Dominica was also loaned US$ 8.63 million by France for renewable energy.

**Figure 2: Climate finance commitments to OECS member countries, 2010–15 (US$ million) and balance between adaptation and mitigation**

Note. Neither British Virgin Islands nor Martinique received any ODA in the 2010–15 period, so they are not shown in the figure.

**Figure 3: Sources and recipients of climate finance, 2010–15 (US$ millions)**
This ratio between grants and loans is similar to the pattern in the wider Caribbean SIDS region, where 38% has been delivered as loans. However, it contrasts with the Pacific, where all climate finance (until end of 2014) was grant-based.

What is climate finance being used for?
About 73% of the US$ 101 million was programmed for adaptation to the impacts of climate change, while 20% targeted mitigation, and 7% addressed both objectives simultaneously. The ratios differ for each country (as seen in Figure 2), and only in Grenada did a majority of the commitments target mitigation.

The sectoral distribution of climate finance has a different pattern among OECS countries than in the wider Caribbean SIDS region. In the latter, most finance has gone to the category “general environment protection”, which is dominated by a large forest-related contribution from Norway to Guyana.

For OECS countries, the lion’s share has been related to either disaster prevention and preparedness or reconstruction, relief and rehabilitation. This is not surprising given that the region is prone to strong hurricanes, which have devastated some of the Caribbean islands over the past decade.

It should be noted that the amounts shown in Figure 4 only include finance that has been coded as principally targeting climate change. It turns out that only a small portion (around 4%) of the total commitments for disaster-related investments are tagged as principally targeting climate change. This means that to get a clear picture of how much disaster finance has been provided to the region, it is necessary to look across the CRS data more broadly.

Renewable energy makes up the second-largest share, consisting mainly of funding to Dominica and Antigua and Barbuda, along with a small commitment to Saint Lucia.

Roadside fruit vendors and a bait and tackle shop in St. George, Grenada.
Other energy-related commitments have been made to Saint Vincent and the Grenadines.

The data suggests very little finance has so far gone to supporting long-term adaptation among this group of SIDS. Adaptation finance has been mainly conceived of as disaster response, with very little focus on other impacts and risks – or on the social, economic and environmental change that may be needed to build resilience to both climate change and disaster risks.

Types of support
Almost all the climate finance allocated to OECS Member States is project-based support, with a tiny fraction (US$ 0.5 million, or less than 1%) for core support and other technical assistance. Many of the project budgets are very small: 17 of the 34 allocations recorded in the CRS database are less than US$ 1 million each, and around 45% are less than US$ 0.1 million.

Roughly 19% of the activities are larger than US$ 5 million, though collectively, they account for the overwhelming majority of the finance. It is important to note that where funding is dominated by small commitments, countries are likely to find it difficult to use finance towards strategic long-term goals.

Looking at the “first recipient” of the climate finance, we found multilateral development banks prevail in the OECS Member States, as shown in Figure 5. UN agencies have also been involved in programming the use of funds. The first recipient denotes where the funds were first transferred by the donor or fund, typically an organization that works to design and implement activities and which can have a significant influence over how funds are used. In the CRS data, it is not possible to identify the final recipient of funding.

Disbursements relative to committed amounts
As Figure 6 shows, most OECS countries have very low climate finance disbursement rates, also compared with other Caribbean SIDS. Disbursement ratios for Dominica, Saint Lucia, Antigua and Barbuda, and Saint Vincent and the Grenadines are all less than 10%. This means that although OECS Member States have had climate finance committed, they have received very little money to date.

Disbursement figures across the Caribbean SIDS region show that disbursements of climate finance are considerably lower than for all non-climate aid flows. This suggests there are major challenges in implementing climate projects in the region. The reasons for this are unclear from the data itself, but need to be better understood.

More recent climate finance allocations
The figures presented above do not include more recent allocations made in 2016 and 2017. For instance, in late 2016, the Green Climate Fund (GCF) approved US$ 80 million for a Sustainable Energy Facility for the Eastern Caribbean, to be used by Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines. This commitment consists of a US$ 60 million loan and a US$ 20 million grant. The project is co-financed by other sources, being implemented through the Inter-American Development Bank and executed by the Caribbean Development Bank (CDB).

Also in 2016, the Pilot Program for Climate Resilience (PPCR) approved US$ 25 million for Grenada, and the Adaptation Fund approved a US$ 10 million grant to Antigua and Barbuda for a water and sanitation project.

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2 Here we exclude allocations that are additions to previously approved projects (of which there are many), so as not to distort the picture towards small sized commitments.
Many developing countries find the climate funds cumbersome and, in the case of the GCF, expensive to access. The fact that OECS countries already have very low disbursement rates indicate these challenges might be exacerbated, rather than relieved, by accessing funding via the GCF and other funds. The procedures and requirements of the climate funds need tailoring to the special needs and capacity limitations of SIDS.

Policy recommendations

• OECD Member States appear to be under-utilizing bilateral channels as potential sources of climate finance. These have played a more significant role as climate finance providers in other regions, and typically involve lower transaction costs than multilateral funds.

• It is important to explore why disbursement rates are so low. This might relate to different kinds of capacity constraints within recipient countries, or to slow gestation periods for project-based initiatives. Given that non-climate aid flows are not similarly delayed, the problems may relate to the climate finance architecture itself.

• Climate finance to date has focused on a few sectors, mainly disaster-related activities. Recipient country governments and donors (the climate funds in particular) should think more holistically about connecting climate finance with a wider variety of sectors that will play a critical role in building resilience and adaptive capacity. This may include prioritizing investments in development activities that strengthen communities’ ability to respond to climate change.

• Heavy reliance on project-based funding might limit countries’ ability to align climate finance with their national priorities (e.g. those embedded in national development plans), and can increase transaction costs. Donors and climate funds should consider other ways besides project-based funding to deliver climate finance, to make it easier for SIDS to access and to align with other sustainable development priorities and domestic resources.

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2017
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