

## 31<sup>st</sup> SPREP MEETING OF OFFICIALS

5, 6, and 7 September 2023, Apia, Samoa

### Agenda item 7.3: Mobilising Climate Finance amidst a changing landscape

#### Purpose of paper:

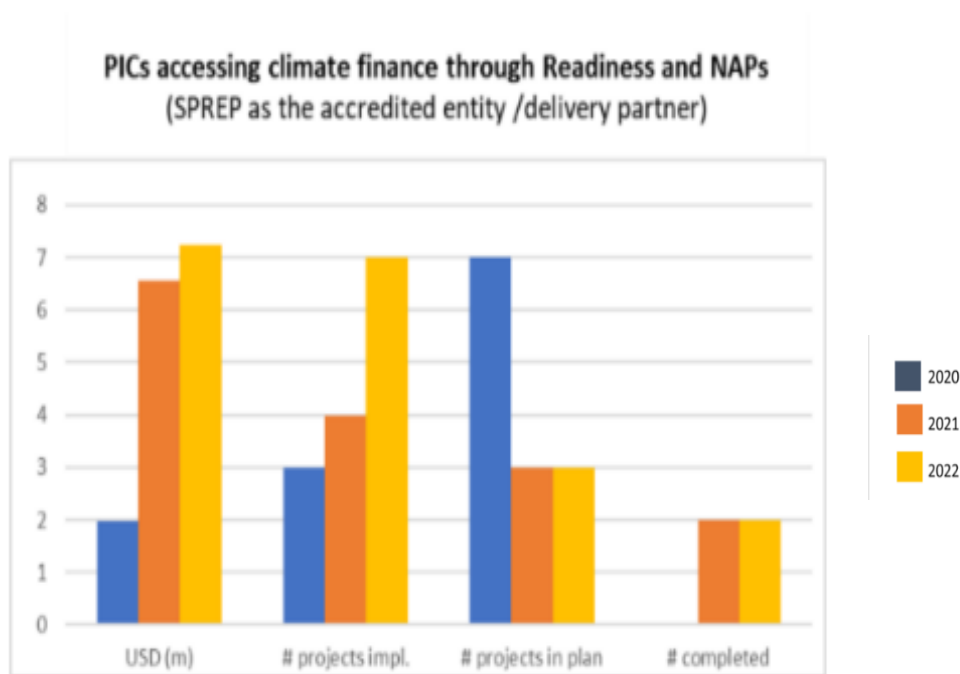
1. To update Members on progress with bridging the gap between adaptation priorities and climate financing including new and emerging opportunities for climate financing; and
2. Seek support of Members and Partners in implementing identified actions to bridge the gap in accessing climate finance.

#### **A. Progress with bridging the gap between adaptation priorities and available climate financing**

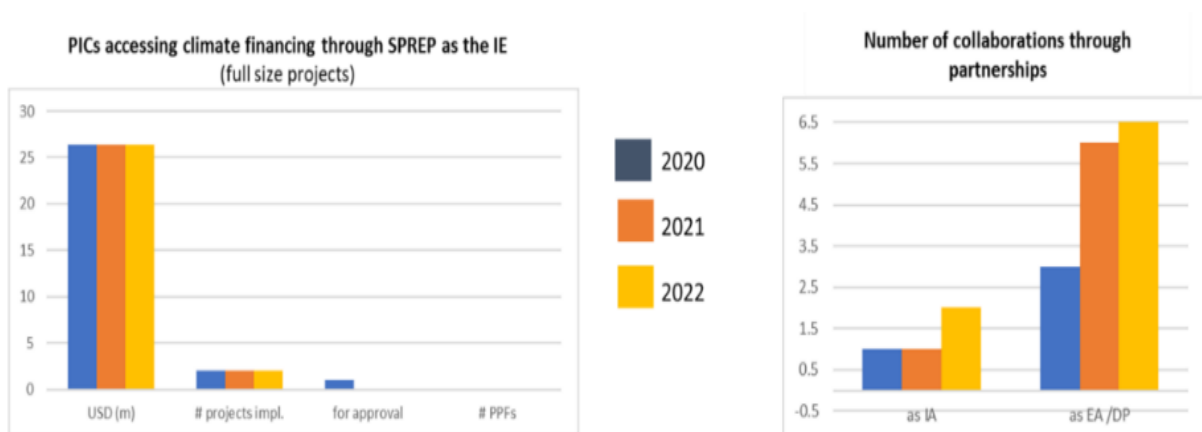
3. Amidst a changing landscape and increasing demand for climate finance, SPREP has responded within its limited resources to assist Member countries' needs in accessing financing for their respective climate ambitions.
4. Since the Project Coordination Unit (PCU)'s establishment in 2018, the Secretariat has prioritised resources to support its capacity to progress Pacific Island Countries' (PICs) access to climate finance in line with the PCU's work programme (currently, this is for the period 2022-2024). Funding of the PCU's operations, as well as implementing its function as both an Accredited Entity to the Green Climate Fund (GCF) and Adaptation Fund, and as a Regional Implementing Entity has been supported through grant assistance from New Zealand's Ministry of Foreign Affairs and Trade (MFAT). The current programme of support for *Improving Pacific Access to Climate Financing* is available up until June 2024, with an anticipated extension of programme support to December 2024.
5. Since its establishment in 2018, the PCU has mobilised the following additional funds towards SPREP's Climate Finance portfolio:
  - a. A total of US\$11.08m under the Green Climate Fund (GCF) Readiness and Preparatory Support Programme for Readiness and National Adaptation Planning (NAP), consistent with five approved Readiness grants (US\$3.78m), and three Readiness grants for NAPs (totalling US\$7.3m) with a fourth NAP proposal recently submitted to the GCF, anticipating a further USD\$3m to be mobilised by the end of the year.
  - b. Progress of the development pipeline with two additional concept notes approved to progress to full proposal since January 2023. Three further project ideas are in draft concept note form, as well as one draft project proposal; intended for submission to the GCF and Adaptation Fund respectively by the end of 2023.

Figure 1 and 2 below, provide a snapshot of:

- *Figure 1* – Pacific Island Countries (PICs) accessing climate finance through SPREP as an Accredited Entity to the GCF through its Readiness and NAPs portfolio
- *Figure 2* - PICs accessing climate finance either through SPREP as an Implementing Entity or through partnerships with other development partners as Implementing Entities.



**Figure 1:** Progress with Readiness including NAPs



**Figure 2:** Access to Finance through SPREP as IE/SPREP partnerships with other IEs

Source: PCU New Zealand MFAT Annual Report 2022

## **B. Ongoing barriers to accessing climate finance:**

### *Complex requirements for accessing vertical climate funds*

6. Despite responsiveness by the GCF to challenges raised by Pacific Direct Access Entities (DAEs) in relation to complex requirements for accreditation as well as access to finance through bankable project proposals, barriers remain in relation to the alignment of GCF requirements with national financial systems and limited capacities within the public sector to absorb climate financing as well as to deliver on stringent reporting requirements and conditions set out by GCF and other sources of climate finance. GCF responsiveness to these challenges includes an update to its reporting modalities for its Readiness and Preparatory Support Programme (RPSP), to replace interim/six-monthly reporting requirements with just annual reporting.
7. Compared to other multilateral funds accessed by PICs, the GCF requirements for detailed feasibility at the early stages of the project cycle (during concept note development), is an exacerbating factor in extended timelines for progressing projects through the early stages of the project cycle, up to and including project approval.
8. GCF's review process to consider project proposals or requested changes to approved projects (both pre- and post-effectiveness); is limited in its recognition of the unique contexts of PICs in terms of their geographical spread, systems of governance and traditional contexts which have implications on project implementation. A notable reliance on technical experts with limited prior experience in the Pacific region, is evident in clarifications requested on details in proposal documents.

### *Addressing capacity constraints for pipeline development, and implementation of approved climate finance*

9. To facilitate its role as only one of two Regional Accredited Entities to the GCF, as well as to the Adaptation Fund; SPREP through the PCU with funding support from the Government of New Zealand Ministry of Foreign Affairs and Trade continues to undertake an important role in brokering knowledge on access to climate finance, and actively incorporates this into project development and providing oversight for project implementation. This includes sharing of lessons learned from both its initial accreditation and reaccreditation to both the GCF (2021) and the Adaptation Fund (2019), as well as providing capacity building of national project personnel to ensure effective implementation of mobilised climate financing.
10. To address the burden of complex requirements for project development and implementation from key sources of funding such as the GCF, SPREP proactively leverages Technical Assistance through available financing modalities (such as GCF's Project Preparation Facility) or through other development partners (such as the USAID Climate Ready Project); to support technical, financial, and economic feasibility, as well as development of project proposals.

### **Opportunities for PICs to access Climate Finance:**

#### *Alignment with the 2050 Strategy for a Blue Pacific continent*

11. The 2050 Strategy for the Blue Pacific reinforces the commitment of its leaders at the regional level to advance several key issues including access to Climate Finance. The Strategy builds from existing national and regional policy frameworks, declarations, and decisions. It reiterates that collective actions under the 2050 Strategy should be responsive, aligned, and complementary to national actions and policy positions. In line with its strategic pathways to address climate change and disaster, the 2050 Strategy calls for strengthened investment in Pacific relevant and participatory science, and acknowledges key issues related to accessing international funding for Climate Change.

#### *Alignment with national plans/strategies*

12. Through the implementation of SPREP's Readiness grants specifically for the development of NAPs, there is potential to leverage significant climate financing through consultatively appraised options for adaptation financing, which are costed and based on updated vulnerability and risk assessments to strengthen the scientific evidence base across relevant sectors in each country. The resulting pipeline of bankable project ideas which will be finalised as concept notes/full proposals under the implementation of each NAP project, seeks to mobilise significant finance to address adaptation priorities. From SPREP's existing portfolio of NAP projects, with an additional project anticipated for approval by the end of 2023; there is an anticipation of at least six to eight concept notes being submitted to various climate funds, which will leverage at least US\$80-100million over the next three-five years.

### **D. Emerging opportunities for climate finance**

13. SPREP continues to assess the viability of other opportunities beyond the UNFCCC financial mechanism, to bridge the gap between adaptation priorities and climate financing. SPREP is actively engaged in discussions through regional fora and directly with different development partners, to explore alternative sources of financing from the following non-exhaustive list:

- a. Multilateral sources of financing for Climate Finance (from other partners besides the GCF, such as the European Union and multilateral development banks)
- b. Private Sector Investment
- c. Foundations and other sources of philanthropic financing.

14. In addition to the available sources of funding for adaptation, COP27<sup>1</sup> agreed to establish funding arrangements including a dedicated fund for addressing loss and damage. While the GCF has been mandated to provide loss and damage support within its investment and results framework, the new fund will complement the GCF under the UNFCCC. Its scope and operationalisation have yet to be determined, and ongoing discussions to be held at COP28 and beyond will include the scale and source of investments into the new fund.

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<sup>1</sup> 27<sup>th</sup> Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC)

15. An additional emerging opportunity out of COP27 has been the inclusion of Nature-based Solutions (NbS) within the COP decision text. The formal recognition of interlinkages between climate change and biodiversity loss, broadens the opportunity for climate finance to include funding mechanisms outside of the UNFCCC sources. This includes additional funding from the Global Environment Facility (GEF) as well as under the landmark Kunming-Montreal Global Biodiversity Framework (GBF) which aims to mobilise at least US\$200 billion per year from its parties.
16. In considering emerging opportunities for climate finance and new instruments that will be available to member countries, SPREP recognises the ongoing impact of climate change on already volatile economies across PICs especially on public debt levels. With the ongoing risk of debt distress, access to concessional finance to address climate change will continue to be a priority.

#### **The way forward:**

17. To ensure SPREP continues its support to member countries to access Climate Finance, it requires predictable long-term investment in the PCU function to facilitate SPREP's role as a regional accredited entity to both the GCF and Adaptation Fund; to ensure continuity in building the capacity of countries to access finance; as well as to position itself effectively to respond to new and emerging opportunities.
18. SPREP will continue to align its pipeline for project development, with country priorities; through its country programming approach; national adaptation plans; as well as through strategic partnerships with relevant development partners and sources of funding.
19. SPREP continues to foster opportunities for regional knowledge sharing across its projects and based on its experience in mobilising climate finance to date. SPREP through the PCU is actively working to establish a community of practice across Pacific DAEs, to enhance access to finance. This will be informed by key lessons across its climate finance portfolio; and promote south-south learning on sub-thematic areas of climate finance such as readiness/national adaptation planning.

#### **Recommendations:**

20. The Meeting is invited to:
  - 1) **Note** the progress with bridging the gap between adaptation priorities and climate financing;
  - 2) **Note** new and emerging opportunities for climate financing; and
  - 3) **Support** SPREP on the way forward, towards implementing identified actions to bridge the gap between financing priorities and available/emerging climate financing.