Pacific regional perspectives on Climate Finance

ESCAP-PIFS Workshop on Innovative Climate Financing Instruments
Session 1: Introduction to Climate Finance in SIDS
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By Exsley Taloiburi
Programme Adviser – Climate Finance & Resilience
exsleyt@forumsec.org
What is the scale required by Pacific SIDS?

Global scale for adaptation

- Average annual adaptation costs in developing countries are currently in the range of US$70 billion with the expectation of reaching US$140-300 billion in 2030 (UNEP 2020).

Pacific regional scale


US$2.97bn up to 2030  US$276m up to 2030  US$430m  US$200m
What is the state of access for Pacific SIDS?

Past 10 years:

- **US$2.2 billion** approved for Pacific SIDS (excludes regional or global projects with no clear national allocations and those with vague climate objectives).
- Equates to an annual average of **US$220 million** – FINANCING GAP in Pacific SIDS.
- 98% projectised; 2% in general/sector budget support & technical assistance.
What is the state of access for Pacific SIDS?

Key multilateral global climate funding sources:
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![Climate Investment Funds projects in Pacific SIDS (US$119.63m)]
What is the state of access for Pacific SIDS?

Other key climate finance sources:

• **Multilateral**: World Bank, ADB, UN agencies

• **Bilateral**: Australia, New Zealand, EU, USA, Japan, China, Germany/GIZ, ROC/Taiwan, Republic of Korea, UAE, India etc.
What is the state of **Climate Finance Effectiveness** in the Pacific?

- Lack of climate budget tagging/tracking tools and national M&E constraints – difficult to accurately track the effectiveness of climate finance in the Pacific.

- Disbursement of approved climate funding slow – stringent funding templates or limited absorptive capacity at recipient end.

- Too much focus on short-term projects from vertical climate funds – distract countries from achieving quality results due to capacity constraints.

- Preoccupation with accessibility – need to balance with effectiveness (impact).
Key messages

• All Pacific SIDS have accessed international climate finance, but there is a funding gap.

• Majority of funds accessed were through third-party conduits - attributed to under-developed national public financial management systems to quickly secure direct access.

• Most projects approved not targeted to the private sector to leverage private investments.

• Significant focus on few vertical climate funds – Pacific SIDS should pursue other innovative approaches or initiatives to access new sources of financing.