Workshop on Innovative Climate Financing Instruments:
Supporting Post COVID-19 Pandemic Recovery in Asia-Pacific Small Island Developing States

Wednesday, 23 June 2021; 14:00 – 17:00 (Fiji Time: UTC + 12)
Virtual meeting
Concept Note

Overview

The cost of achieving sustainable development is substantial for small island developing States (SIDS) and is likely to increase over time with climate change and the effects of the COVID-19 pandemic. The pandemic will increase poverty, cut Government tax revenues, and divert Government funds to address the impacts of COVID-19 at least in the short term. Thus, the ability of SIDS to mobilize and effectively utilize various sources of finance will be critical to meeting their sustainable development and climate action goals. Under the reform of the UN Development System, the Multi-Country Office Review commits the UN to strengthening policy support for financing for development and provide instruments and tools addressing the specific financing needs of countries and territories, particularly SIDS, including country case studies and subregional SDG financing conferences.

Since 2017, the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) has launched an initiative in Supporting the countries with special needs in Asia-Pacific in meeting the challenge of resource mobilization for achieving the 2030 Agenda for Sustainable Development. The initiative aims to address and overcome the issues and the challenges by enabling selected member States to identify how to effectively mobilize and use financial resources for sustainable development. As a follow up, in November 2018, ESCAP organized a SIDS workshop in Port Vila, Vanuatu, to review the current resource mobilization situation of SIDS and identified priority areas where SIDS could encounter challenges in its efforts to raise additional resource. Climate finance was indeed identified by the workshop participants as one of the key priority areas.

Climate finance can be an important catalyst for providing and leveraging sources of finance for climate change mitigation and adaption in such a challenging situation. SIDS in the Pacific have access only about 4.6% of all the climate funds mobilized in the Asia-Pacific region. Among other reasons it has been estimated that only 5% of all climate finance initiatives are dedicated to adaptation (which is most relevant for SIDS), with 95% going to mitigation. Besides accessing climate funds, sustainability bonds could be a feasible method for raising finance to cushion the immediate effects of COVID-19 in SIDS and support sustainable development in the long-term. The recent Fiji Green Bond issue demonstrates

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4 Climate Policy Initiative, as referenced in Samuwai (forthcoming).
that, if structured and managed well, it is possible for SIDS to raise significant amounts of funding through the issue of sustainability bonds.

SIDS are also among the most indebted developing countries in the world. While in the Asia-Pacific SIDS, overall debt ratios are lower than SIDS in the Caribbean and in Africa\(^5\), these ratios have been on the rise over the last decade, partly reflecting growing external financial flows for infrastructure development and responding to constant state of recovery from climate-induced disasters, with an increasingly high risk of external debt distress. Debt-for-climate swaps may in this context be beneficial to SIDS that are facing rising risks of external debt distress and widening financing gaps due to the ongoing COVID-19 pandemic and the more frequent and severe climate-induced disasters, as highlighted at the 2020 Pacific Islands Forum Economic Ministers Meeting.

Under this background, ESCAP in collaboration with the Pacific Islands Forum Secretariat (PIFS) will jointly organize a virtual workshop on resource mobilization in Asia-Pacific SIDS, with a focus on how SIDS can mobilize more climate finance, either via ‘traditional’ channels or via innovative instruments such as sustainability/green/blue bonds.

**Objectives and expected outcomes**

The overall goal of the workshop is to enhance the capacity of key stakeholders and to help policymakers understand the different types of innovative instruments of climate finance and how to mobilize such resources for sustainable development. The workshop will also serve as an opportunity to exchange information, experiences and challenges on climate financing flows and needs at the regional and international level, to identify opportunities in assessing and addressing the needs of the Pacific Islands.

Issues to be discussed will include but not limited to:

- Contribution of climate finance to the achievement of the Sustainable Development Goals (SDGs);
- Feasibility of sustainability bond issuance and debt for climate swaps in Asia-Pacific SIDS; Types, and evolution, of climate finance in the Asia-Pacific SIDS;
- Barriers to mobilize more climate finance; and
- Role of private sector.

This workshop’s outcomes are expected to contribute towards further exploring and filling the knowledge gap at the subregional, regional and global levels. For example, the workshop outcomes will inform the discussions and deliberations at the forthcoming Pacific Islands Forum Economic Ministers Meeting in July, the Pacific Forum on Sustainable Development in October, and at the ESCAP regional workshop on resource mobilization in Asia-Pacific countries in special situations in December. Furthermore, outcomes will inform global processes such as the Financing for Development in the Era of COVID-19 and Beyond Initiative (FfDI), particularly in its Cluster I on Climate and Sustainability; Cluster IV on Liquidity and Debt Vulnerabilities; and Cluster VI on addressing countries in special situations. The results of this workshop will also help ESCAP and PIFS to produce any relevant knowledge resources and products, and to establish the network of experts for follow-up purpose.

\(^5\) Outstanding public external debts stood on average at about 40%, 59% and 52% of GNI, respectively, for the Asia-Pacific SIDS, the Caribbean SIDS and the African SIDS.
Target Audience

Targeted audience will comprise officials from relevant ministries, particularly the ministries of finance, planning and climate change, and other public institutions that oversee national planning, finance, aid coordination, and implementation and coordination of SDGs from the following Asia-Pacific SIDS: Cook Islands, Fiji, Kiribati, Marshall Islands, Maldives, Federated States of Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu and Vanuatu. The workshop will include presentations given by experts, researchers and practitioners, along with participants from academia, civil society and private sector entities relevant international and/or regional organizations.