Financing climate change priorities, sustainable development and resilient prosperity in Pacific SIDS

Background

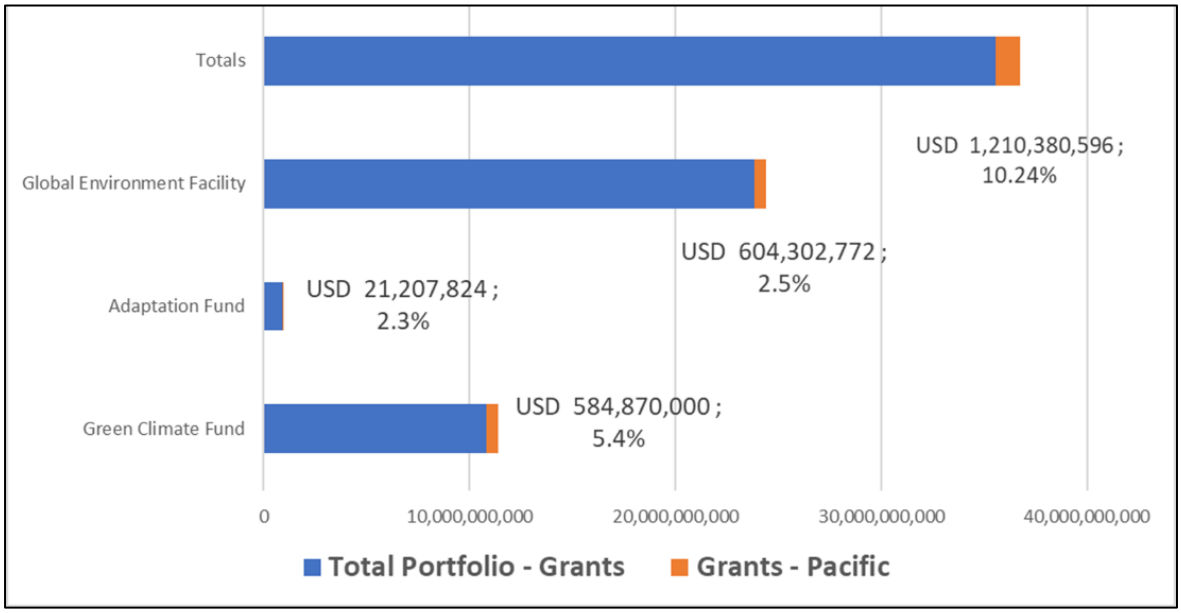
The SPREP Strategic Plan 2017-2026 Organisational Goal 2 Outcomes 2.1 and 2.2 reaffirms the role of a Regional Implementing Entity (RIE) for climate change funding mechanisms and conduit for other environmental funding mechanisms. This guides SPREP's work on Partnerships, Donor Relations and Resource Mobilisation. This focus of SPREP is further reinforced by the Fourth International Conference on Small Island Developing States (SIDS) which highlighted the key areas of access to finance, scaling up climate finance, strengthening data collection, science-technology-innovation and digitalisation, productive populations, and partnerships in realizing and helping SIDS on their path toward sustainable development and resilient prosperity.

This paper presents a strategic focus on a one-SPREP approach to assisting Members realise and assist in their climate change priorities, sustainable development and resilience prosperity that includes:

- Enhanced engagement, coordination and integration
- Maintaining accreditation with the AF and the GCF
- Improving capacity building, policy advice and technical assistance activities
- Improved approaches to the climate finance portfolio through institutional strengthening activities and shifting to programmatic approaches from individual projects, etc.
- Embark on opportunities to sustain SPREP services to Members

The Pacific context with the Adaptation Fund (AF), Green Climate Fund (GCF) and the Global Environment Facility (GEF) on grants only reveals that the Pacific access is 10.24% of the total grants portfolio, Figure 1.

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Current results-oriented scenarios

Figure 1: An overview of climate finance, grants only, in the Pacific (USD)

Source: SPREP calculations December 2023. Data sources from the AF, GCF and GEF databases.

The current MFAT New Zealand funding to improve Members access and management of climate finance impacts are also tracked and measured by the amount of climate funding secured for the Pacific region as presented below – the investment to finance-mobilised ratio as of May 2024 is 1:11.

Status	Adaptation Fund		Green Climate Fund		Global Environment Facility		World Bank
	Dec 2022	May 2024	Dec 2022	May 2024	Dec 2022	May 2024	May 2024
Implementation	8.3	8.3	26.4	29.4	-	15.0	-
Development	20.0	38.0	41.2	270.0	15.0	4.0	3.0
Totals (USD)	*28.3*	*46.3*	*67.6*	*299.4*	*15.0*	*19.0*	*3.0*

The above figures are exclusive to the SPREP-MFAT NZ Grant Funding Agreement reference WPG-0102545-DOC-4122683 Activity Code: ACT-0101634 with a one-SPREP projects portfolio estimated at a total USD 520m – reference illustration in Figure 2 & 3, below.

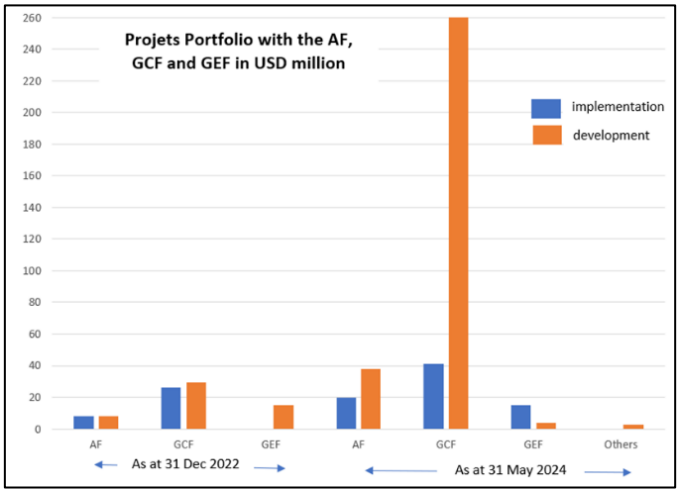


Figure 2: AF, GCF & GEF projects portfolio at SPREP: comparison of December 2022 & May 2024

Source: SPREP May 2024. Data sources from the current Partnerships, Donor relations and Resource Mobilisation team.

The whole-of-SPREP projects portfolio of USD 520m, illustrated in Figure 4 includes:

- NAPs (national adaptation plans)
- Readiness (country and DAE readiness)
- CSL (climate smart landscapes)
- Innovation accelerator (small grants)
- CIEWS (climate information & early warning systems)
- Adaptation (locally led adaptation)
- Climate resilient water security
- Hydrology
- Coastal protection
- Ocean Health
- Loss & Damage

These are at various stages in the project cycle and includes national, subregional and regional initiatives.

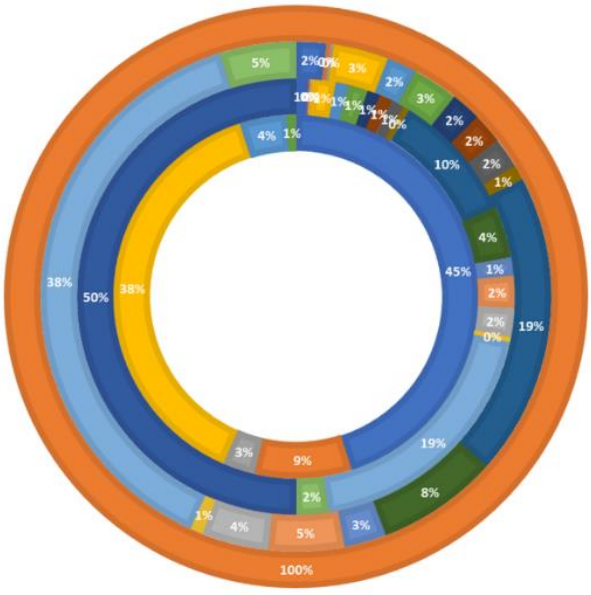


Figure 3: Estimated whole-of-SPREP projects

With reference to the SPREP Strategic Plan 2017-2026 Organisational Outcomes (OO) 2.1 and 2.2, these results are reported through the Performance Implementation Plan (PIP) as follows.

2026 Organisational Objectives	PIP3 2022-2023 Outcomes	Indicators 2022-2023	Progress towards achieving Outcomes
Promote integrated programme approaches to address environmental management challenges	OO 2.1. Promoted the integration of programming approaches in collaboration with partners in addressing environmental management challenges	OO2.1.2: At least 95% of the projects endorsed by SLT for donor funding compliant with appropriate safeguard mechanisms adopted by PRMG annually.	All projects (100%) in implementation as of 31 May 2024 worth USD 52,684,930 have ESS management plans in place. Those in development will undergo ESS screening and have ESS management plans with lead from EMG programme.
		OO2.1.4: At least 85% of PMIS-recorded projects from "concept design to implementation phases" reported annually with feedback to PRMG.	There is work in train to have PMIS (now PIMS) to be upgraded and populated to be consistent to other records such as from Department of Finance & Administration. The reporting to PRMG continues to be presented when notable progress is made through the process.
	OO2.2 SPREP capacity enhanced as a Regional Implementing Entity (RIE) for climate change funding mechanisms as conduit for other environmental funding mechanisms	OO 2.2.1 Increased access in climate financing by PICs through SPREP as an RIE/Delivery Partner and or EA (GEF) as measured based on March 2021 baseline	2021 baseline, as per PIP Full size = USD 26.4m; Readiness & NAPs = USD 6.567m December 2023: Full size = USD 41.4m; Readiness & NAPs = USD 12.406 Increased by: As an AE: Full size projects = USD 15m = 57% increase As a DP: Readiness & NAPs = USD 5.839 = 89% increase Therefore, increased access in climate financing by PICs through SPREP as an RIE/Delivery Partner and or EA (GEF) as measured based on March 2021 baseline = USD 20.839m = 63% increase
		OO 2.2.2 SPREP remained accredited to the GCF and AF as per status.	SPREP has been reaccredited to the GCF in 2023 for five years and will be reaccredited to the AF in 2024.
		OO2.2.3 At least 50% of PICs which SPREP worked with its RIE roles are satisfied on the services received	The satisfaction is evident through: • the current work with the AF, GCF & GEF are primarily with 9 Members (Fiji, FSM, Kiribati, Nauru, Niue, PNG, RMI, Tuvalu & Vanuatu). These Members have continued to stay engaged with SPREP as an AE & DP over the past 6 years. • GCF-SPREP Side Letter 3 as continued engagement with a member country and the GCF.
		OO 2.2.4 SPREP's project management policies-procedures-systems enhanced	Institutional strengthening activities with SPREP Readiness are ongoing and satisfactorily progressing. This will be concluded in Q1 2026.

Risks, barriers, and challenges

a. *Sustaining the current operations for resource mobilisation:* There are still funding gaps to sustain the capacity and services of SPREP aligned to the pace of Members' needs to address climate change priorities, for sustainable development and resilient prosperity. The annual cost to sustain a team dedicated to the RIE roles is estimated at USD 1.5m – status of current funding is secured up to December 2024.

b. *Limited funding available to develop feasible project ideas:* There is lack of project preparation funds particularly at the early stages of developing a project idea into concept notes that meet the investment criteria of multi-lateral entities such as the AF and the GCF. The required funds are specifically to conduct pre-feasibility studies and consultations to better inform the development of the proposed project interventions.

c. *Effective and efficient project execution:* capacity constraints coupled with the limited available experts /specialists will continue to be challenging elements at the regional and national levels as more funded projects are progressed into implementation.

d. *Institutional strengthening of regional direct access entities (DAEs) such as SPREP:* The need for funds to keep up with the pace of evolving multi-lateral entity policies, systems and processes. There is also the need for improved DAE approaches as allowed by their available capacities to enhance efficiency and effective engagement with partners including Members.

Strategic direction for accessing and scaling up financing

The strategic focus is to cushion the risks, barriers and challenges mentioned with specific reference to the project portfolio, re-accreditation, RIE core functions, and institutional strengthening.

SPREP projects portfolio

a. *growing pipeline of projects* – continued strengthening of partnerships with Members to upscale the relations with SPREP to be the preferred implementing entity. SPREP has eight national projects with eight member countries[1] as a direct access entity, executing entity and delivery partner.

b. *general shift in the portfolio of individual projects to a programmatic approach*: this is evident with the current development of the One Pacific Programme on climate information services and early warning systems for GCF2, the consolidation of climate resilient water security and hydrology projects into a multi-donor programme as a one-SPREP response to the Regional Programmatic Approach for Climate Action (RPACA), and the country-Readiness and National Adaptation Planning (NAP) 4-year programme with the GCF. These shifts will consolidate overhead costs and maximise the limited inhouse capacity to address the demand from Members and partners.

c. *pooled resources to strengthen project ideas* – there is ongoing exploration to secure funding and technical assistance internally at SPREP and externally with partners to strengthen country proposed project ideas. Progress made includes technical assistance from the Pacific Resilient Infrastructure Facility (PRIF) to assist project ideas through pre-feasibility study, and engineering & surveys to move to concept notes and subsequently to approved proposals for funding.

[1] The eight Members are FSM, Nauru, Niue, PNG, RMI, SI, Tuvalu & Vanuatu – does not include regional and sub-regional projects/programmes.

Accreditation

a. *re-accreditation to the AF and GCF*: following the re-accreditation to the GCF in 2023, SPREP continued to strengthen its internal systems and procedures /policies to address the re-accredited GCF conditions. One of the two conditions have been satisfactorily addressed with the second condition to be addressed in 2024 with lead from the SPREP Audit Committee. The re-accreditation to AF has been submitted in December 2023 and is under review with anticipation of AF Board approval in 2024.

Engagement

a. *engagement, coordination and integration* – the strive towards a strategic approach, internally and externally, to maximise impacts and address Members' climate change priorities through accessing and managing finance. These have been evident with joint country missions, an integrated team effort to address on-ground challenges with implementation of projects (e.g., for the VanKIRAP project in Vanuatu), the readying of a pool of experts /specialists through the Tomai Pacifique to address the limited human resources and enhance technical capacity at the regional and national levels, and the coordinated engagement with partners and new funding opportunities ensuring that risks on SPREP are at minimum to none (e.g., the discussions and to be signed-off technical assistance understanding with the Pacific Resilient Infrastructure Facility (PRIF)), amongst others.

Capacity building, policy advise and capacity supplementation

a. SPREP continues to enhance and engage with Members in activities such as on international negotiations, capacity building and development and having a register of expects /specialists to address the limited human resources capacity at the regional and national levels.

Institutional strengthening

a. *strengthening of on-grants instruments* with a streamlined and complete packaged mechanism and a grants policy. The review exercise has developed a comprehensive on-granting approach that will form the framework for SPREP to enhance access to finance from the GCF enhanced direct access (EDA) modality and the AF innovation accelerator small grants facility including a well-defined structure to assist local communities such as the activities with the PNG climate smart landscapes project that is under development with support of the GCF project preparation facility.

b. *increased capacity* of the Partnerships, Donor Relations and Resource Mobilisation Team which includes the Project Coordination Unit with the recruitment of a Strategic Project Planning Officer in 2023 to contribute to the delivery of SPREP's role as a Regional Implementing Entity (RIE) for climate change funding mechanisms and conduit for other environmental funding mechanisms. A multi-donor /partnership is proposed to sustain these services with an annual cost estimate of USD 1.5m. Sustaining these services is anticipated to result into an investment to resources mobilised ratio of 1:45 over the period 2025-2027.

c. There *exist other opportunities* to enhance data collection, science-technology-innovation and partnerships in realising and helping Members. These include discussions on the Pacific Environment Data (PED) hub through GEF8, environment and social safeguards capacity development with the World Bank, developing a project monitoring dashboard, finalising the design of the innovation accelerator small grants facility with the Adaptation Fund and securing resources and partnerships to assist Members with their climate change priorities, sustainable development and resilient prosperity, to name a few.

These transitions are illustrated as follows.

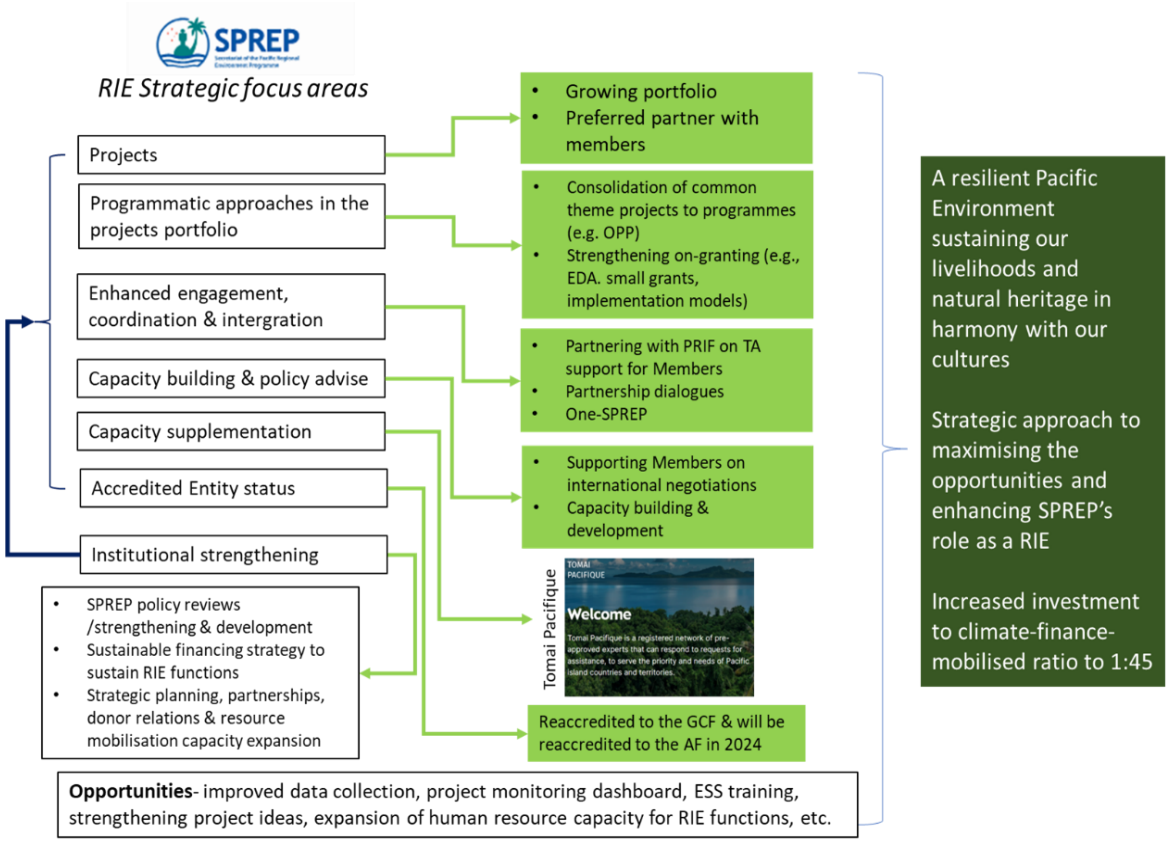


Figure 4: Strategic transitions to sustain SPREP role as a Regional Implementing Entity