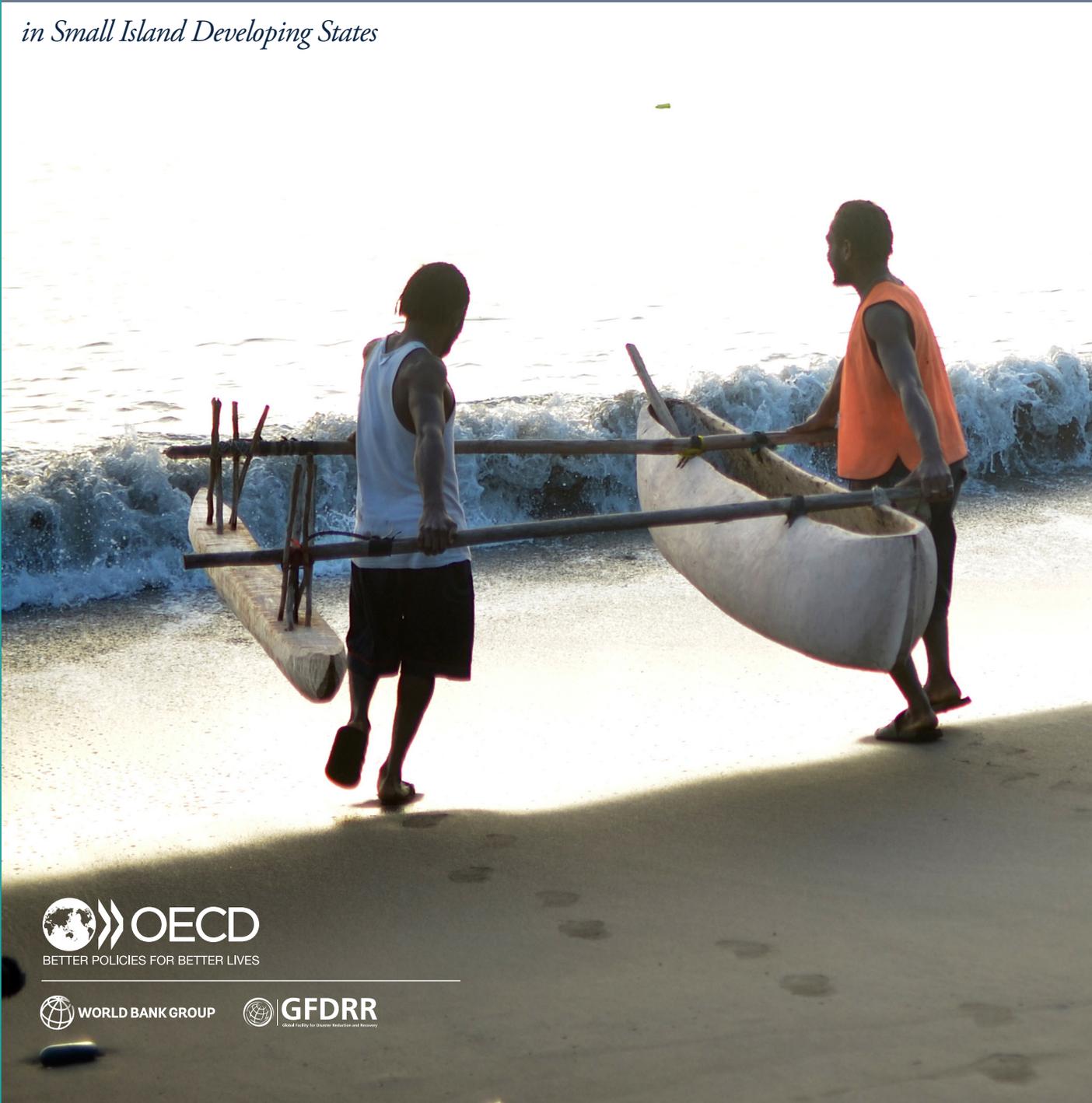
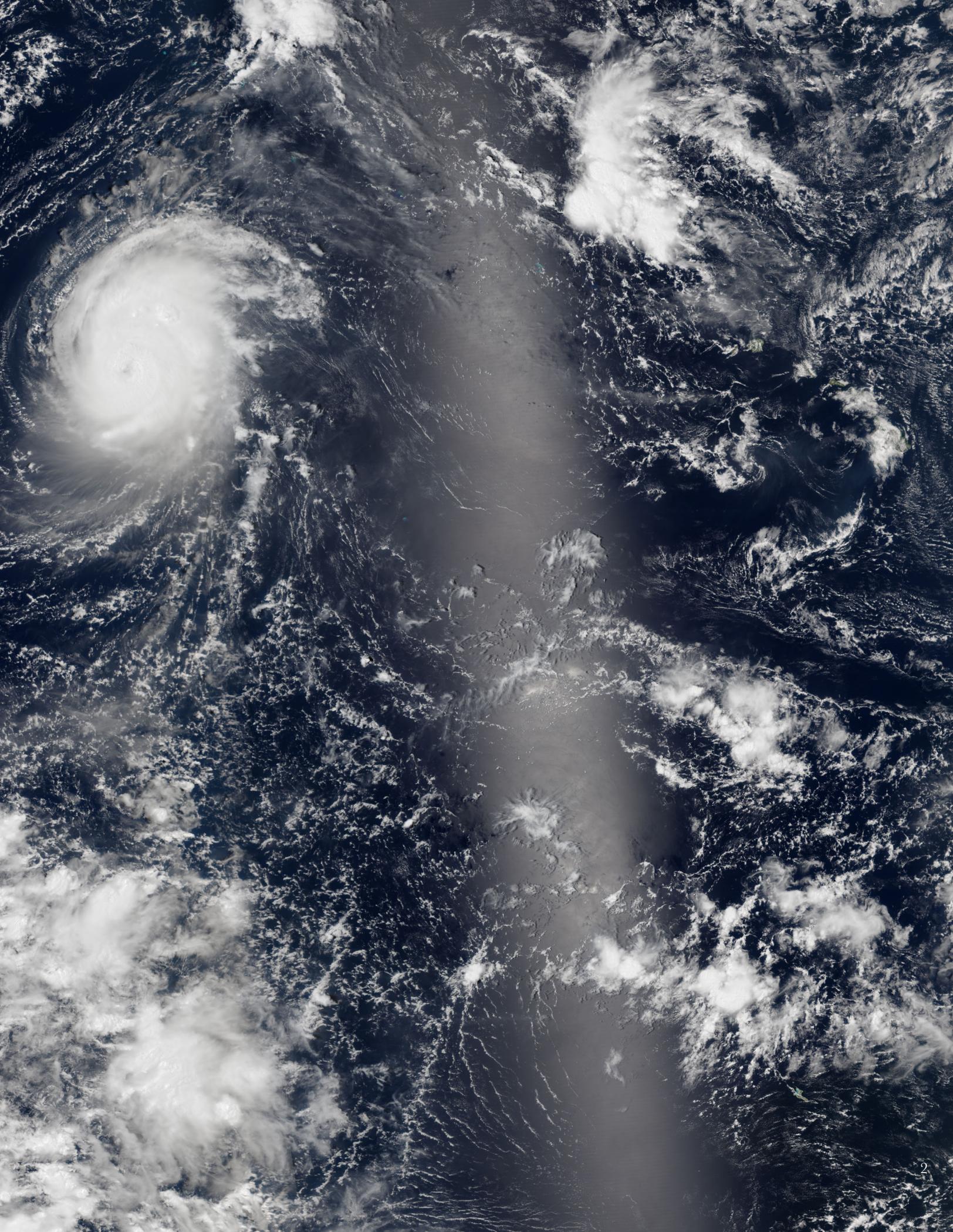


CLIMATE AND DISASTER RESILIENCE FINANCING

in Small Island Developing States





An aerial satellite-style photograph of a tropical cyclone, showing a distinct eye and spiral cloud bands over a dark blue ocean. The image is used as a background for the report's introduction.

INTRODUCTION

Natural disasters and climate change severely affect the growth trajectory of SIDS and their ability to achieve sustainable development. SIDS are located in some of the most disaster-prone regions in the world and comprise two-thirds of countries with the highest relative annual losses due to disasters. With the effects of climate change compounding the intensity of these disasters, this trend is set to continue, creating new developmental challenges for SIDS. Natural disasters and climate variability severely impact major economic sectors in SIDS, hinder economic growth and affect the most vulnerable populations. Lacking relatively stable and strong fiscal revenues and domestic savings, SIDS governments often need to divert scarce public resources from essential social and economic development investments to address disaster-related needs, compromising the pace and scope of future growth. Development in SIDS, therefore, is subject to a range of interconnected and mutually reinforcing economic, social and environmental challenges.

2/3

SIDS ACCOUNT FOR TWO-THIRDS OF THE COUNTRIES IN THE WORLD THAT SUFFER THE HIGHEST RELATIVE LOSSES DUE TO NATURAL DISASTERS ON AN ANNUAL BASIS - BETWEEN 1 TO 9 PERCENT OF THEIR GDP EACH YEAR.

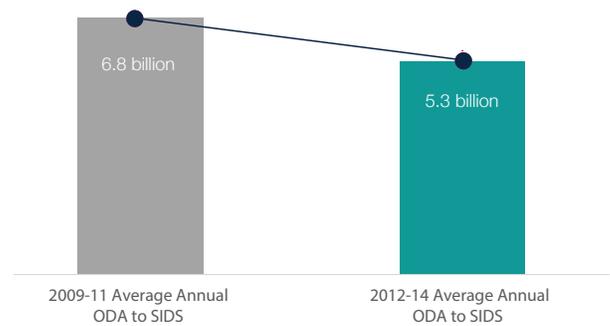
Building resilience at individual, institutional and private-sector levels is essential to achieve sustainable development in SIDS, but available financing for this purpose is limited and difficult to access. The responsibility, expertise and funding for climate and disaster resilient development is scattered across a large number of actors, creating a complex global architecture of funds and providers. While several market-based financing mechanisms have become available globally, they are not equally and easily accessible to all SIDS, and concessional finance from the international community remains a key source of financing to foster climate and disaster resilient development. Understanding how much SIDS are actually receiving and in what ways becomes, therefore, pivotal to help the international community more effectively support SIDS in building climate and disaster resilience.

KEY TRENDS IN CONCESSIONAL FINANCE

1

CONCESSIONAL FINANCE DIRECTED TO SIDS IS SHRINKING IN AGGREGATE

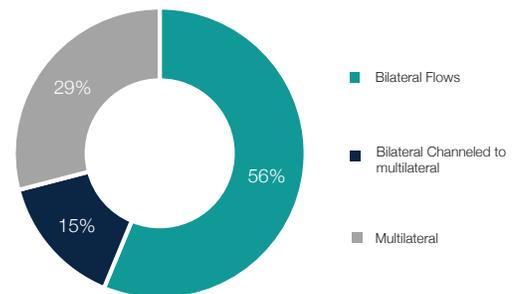
TERMS: between 2012-14, annual average funding was USD 5.3 billion, **22% below** the annual average of 2009-11. A small fraction of this finance supports climate and disaster resilience, averaging **14% a year** (equal to USD 783 million).



2

BILATERAL PROVIDERS GAVE THE BULK OF RESILIENCE FUNDING TO SIDS (71%), CONTRIBUTING AN AVERAGE OF USD 556 MILLION A YEAR - COMPARED TO THE USD 227 PER YEAR FROM MULTILATERAL ORGANIZATIONS.

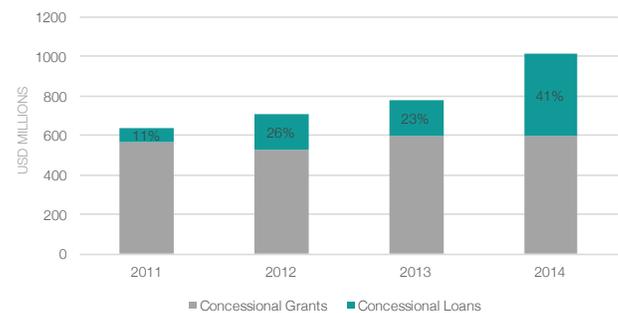
While multilateral institutions contributed 29% of total funds, they channeled close to 44% (USD 345 million) of the annual resilience funding in SIDS.



3

RESILIENCE FINANCING WAS MOSTLY PROVIDED IN THE FORM OF GRANTS, BUT CONCESSIONAL LOANS, MAINLY TARGETED TO SELECTED UPPER MIDDLE INCOME COUNTRIES (UMICs), INCREASED SUBSTANTIALLY.

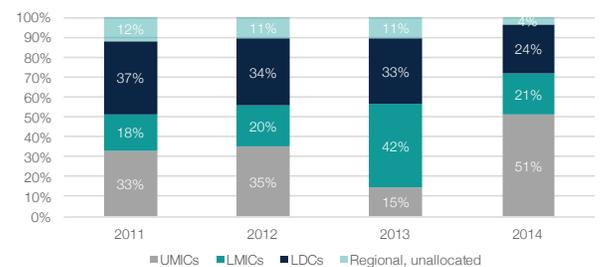
This increase is in part due to increased concessional loans by MDBs. Overall, concessional loans reached **USD 415 million** in 2014 (41%), up from USD 69 million in 2011 (11%).



4

WHILE UMIC SIDS WERE ABLE TO ACCESS MORE CONCESSIONAL LOANS - BRINGING THEIR SHARE OF CONCESSIONAL FINANCING TO 51% IN 2014 (up from 33% in 2011) -

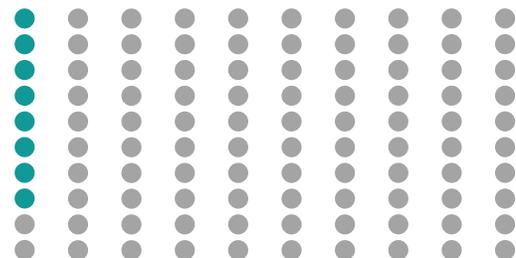
funding for Least Developed Countries (LDCs) remained fairly constant, bringing the share of concessional financing to LDCs to 24% of the total in 2014, down from 37% in 2011.



5

USE OF SECTOR-WIDE APPROACHES AND BUDGETARY SUPPORT REMAIN LIMITED, AS IS RELIANCE ON SIDS GOVERNMENTS TO EXECUTE FUNDS.

About **8%** of concessional finance for climate and disaster resilient development (USD 239 million) was provided as sectoral budget support and was provided only to 11 out of 35 SIDS.

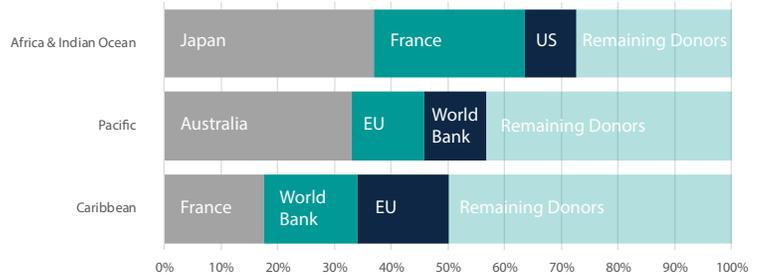


FOR CLIMATE AND DISASTER RESILIENCE¹

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THE RELATIVE WEIGHT OF VARIOUS DONORS VARIES ACROSS GEOGRAPHIC REGIONS.

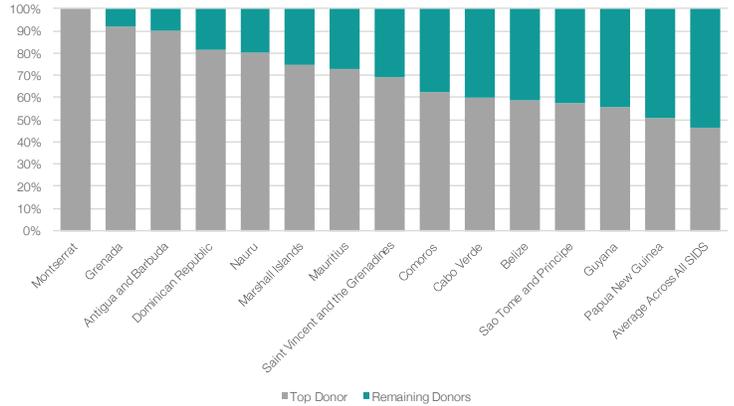
This trend of a small number of donors in a given region is concerning, as SIDS could become overly reliant on the shifting priorities of the dominant donor(s).



7

MOST SIDS DEPEND PRIMARILY ON A SINGLE PROVIDER FOR THE BULK OF THEIR RESILIENCE FINANCING, EXACERBATING FINANCIAL VULNERABILITY.

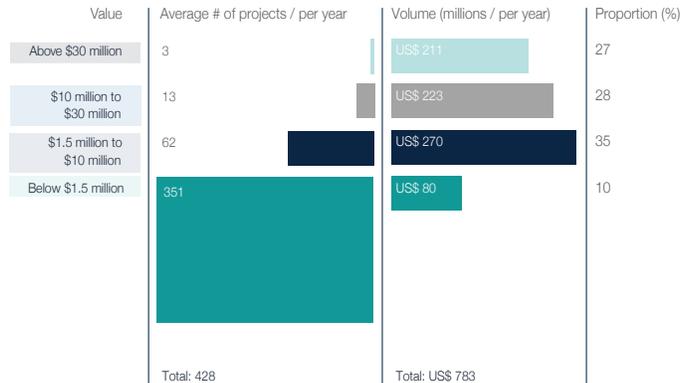
For 14 of the 35 SIDS considered in this report the top provider accounted for over half of the resilience financing during 2011-14, with this percentage increasing over time.



8

THE REMAINING RESILIENCE FINANCING IS FRAGMENTED ACROSS A LARGE NUMBER OF PROJECTS THAT ARE DIFFICULT TO MANAGE GIVEN THE LARGE CAPACITY CONSTRAINTS OF SIDS.

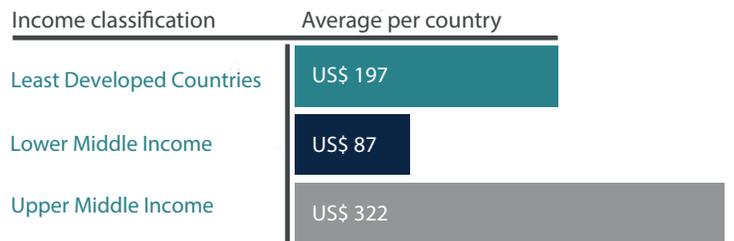
About 82 percent of the projects supporting resilience in SIDS were below USD 1.5 million each, and comprised approximately 10 percent of the annual funding.²



9

ON AVERAGE, UMICs RECEIVED MORE CLIMATE AND DISASTER RESILIENCE FINANCING PER CAPITA THAN LDCs AND LMICs, largely due to access to concessional loans.

LDCs in Africa received particularly low funding, on average USD 8 per capita annually, compared to USD 197 on average for all LDC SIDS.

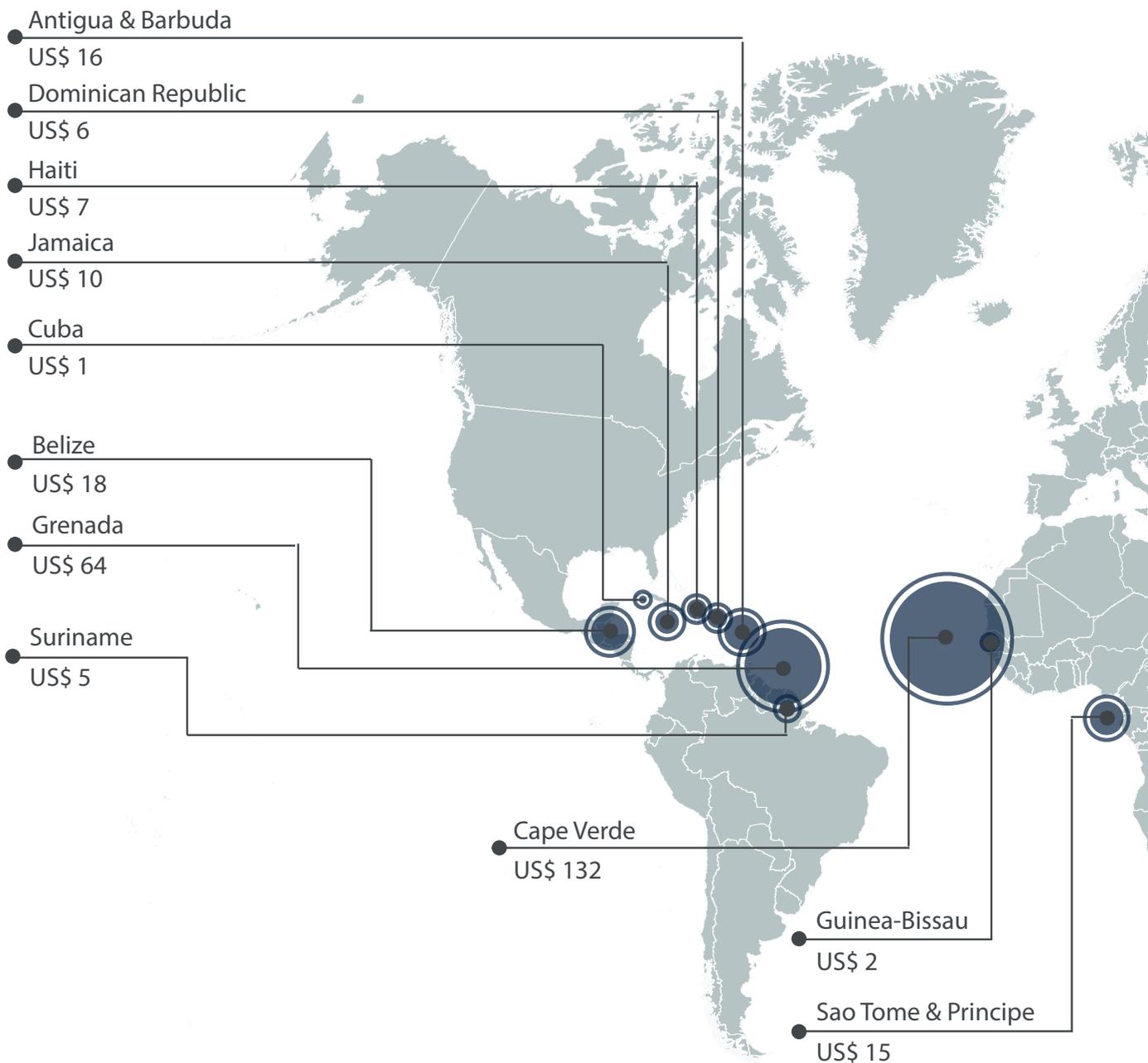


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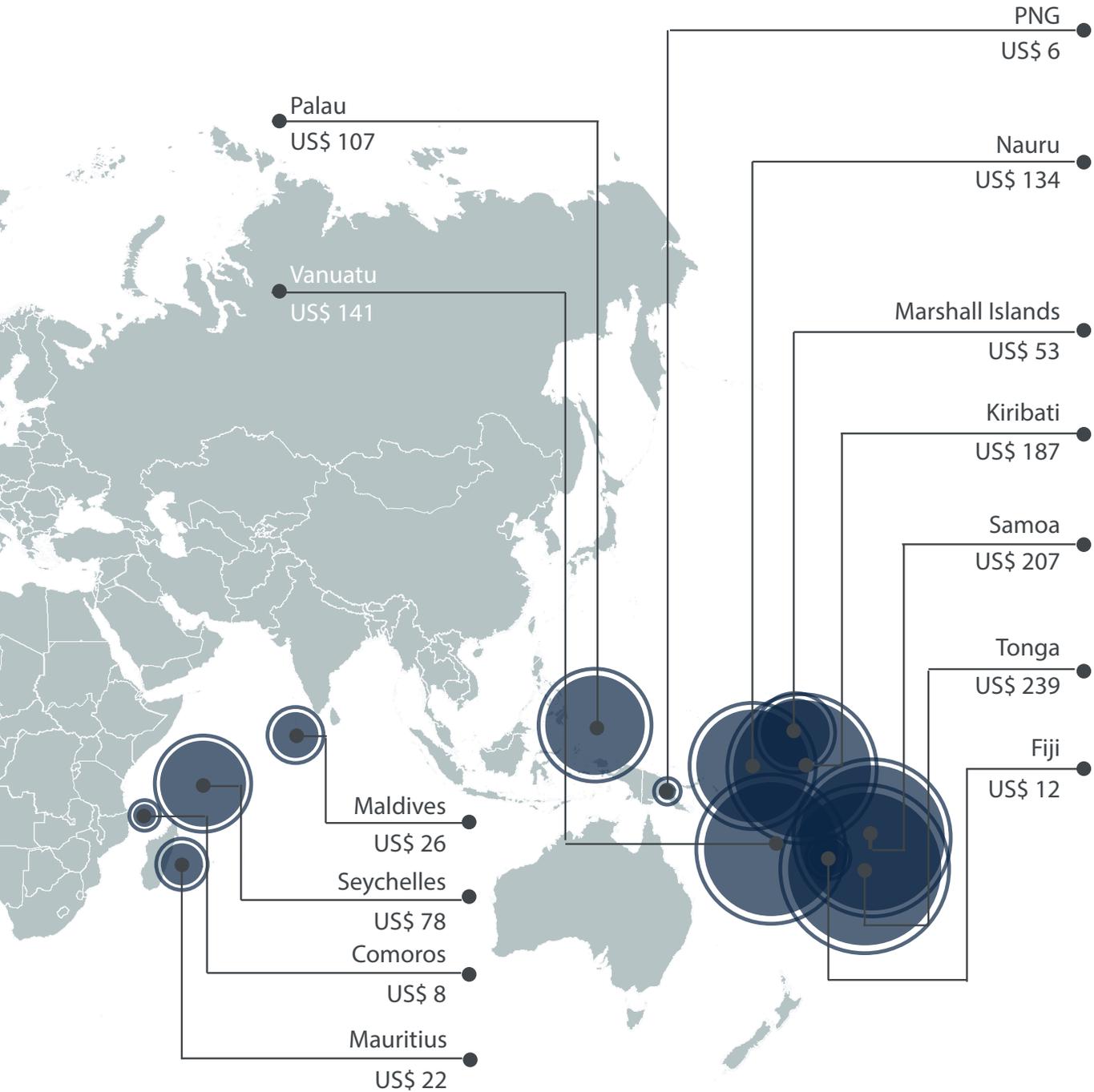
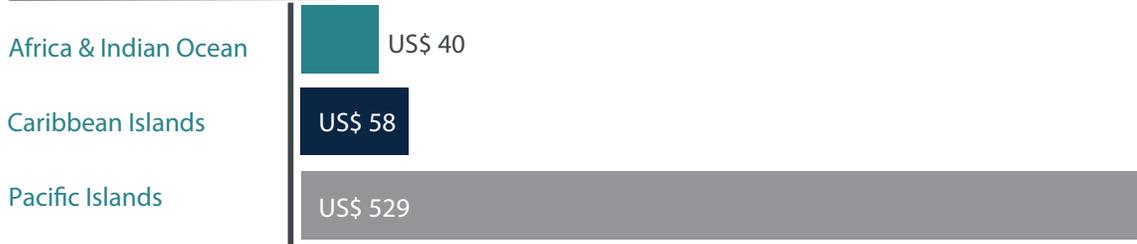
THERE ARE SUBSTANTIAL DIFFERENCES IN ACCESS TO CLIMATE AND DISASTER RESILIENCE FINANCE ACROSS INDIVIDUAL SIDS WHEN MEASURED ON A PER CAPITA BASIS.

The smallest nations tend to receive the highest per capita annual financing allocations, largely because of the high fixed administrative costs.

ANNUAL FUNDING FOR CLIMATE AND DISASTER RESILIENCE TO 23 SIDS, PER CAPITA³



Region Average per country



THE INTERNATIONAL COMMUNITY COULD DO MORE TO HELP SIDS



Supporting SIDS to create an enabling policy environment for climate and disaster resilience. This includes public policies and regulations, which can promote climate resilience by influencing the choices of private actors in various sectors.



Enhancing information on resilience and information management systems. This can be done through multi-country and regional partnerships and the innovative use of technology, which could prove cost-effective and increase impact.



Supporting SIDS to integrate climate and disaster risk into national planning and budgeting. This will require supporting collaboration across a large set of ministries and departments to identify and integrate priorities, and highlight linkages and synergies across sector-level policy objectives. It may also require the adoption of contingency funds or financing buffers to allow for better preparedness and immediate response following disasters.



Supporting public administration systems and institutions responsible for managing natural disasters, climate finance and risk. This includes supporting SIDS to further develop their public financial management systems and capacities to access and manage concessional funds – for example, by reinforcing central units as a one-stop shop for all incoming funding proposals – thus enabling investments to be prioritized and channelled more efficiently.



Increasing the use of financing mechanisms that enhance capacity and coordination. Donors should consider further ways to pool resources to reduce SIDS reliance on a single source of concessional funds, while avoiding the high level of project fragmentation currently experienced.



Providing predictable and more programmatic funding. Funding that is more programmatic and long term (typically 10-15 years) could also help build resilience for the smaller and more frequent disasters that can lead to larger cumulative damage over time.

RECOMMENDATIONS

ENHANCE CLIMATE AND DISASTER RESILIENT DEVELOPMENT BY:

Providing predictable and more programmatic funding. Investing in pre-emptive measures to build resilience requires access to more reliable financing. Funding that is more programmatic and long term (typically 10-15 years) could also help foster the policy, institutional and behavioural change needed to help build resilience to climate and disaster impacts.



Facilitating access to funding from global climate funds through simplified application and management procedures for SIDS. Development partners should use their influence to support adoption, by the global climate funds, of proportionate and streamlined approaches to encourage greater direct access and project implementation and greater national ownership.



Using financing instruments that can help SIDS at risk of debt distress improve their debt situation and avoid using financing mechanisms that can undermine debt sustainability. In recent years, a number of instruments to deal with the debt situation of SIDS have emerged, which could be further scaled up and replicated. While some can provide temporary relief, the international community should also help SIDS address the drivers of debt accumulation. Furthermore, while greater concessional lending to Upper Middle-Income SIDS in recent years has increased the financing available for resilience, care should be taken to avoid endangering their debt sustainability.



Facilitating an international dialogue on the eligibility criteria for concessional finance with the aim of ensuring that SIDS are able to access the finance they need at terms and conditions most suited to their specific circumstances. Currently, SIDS face a complex web of eligibility requirements that must be met in order to access different sources of concessional financing for resilience. With eligibility to several multilateral and bilateral funding sources relying heavily on per capita classification, SIDS have called for a coordinated effort by development partners to review the rules governing access to concessional finance.



Investing to build national capacities and expertise. The sustainability and ownership of resilience programmes depends on striking the right balance between temporary solutions to fill human resource gaps and longer-term investments in national capacities across the full spectrum of institutional needs. Innovative approaches and the use of new technologies could help tailor capacity-building approaches to the specific context of SIDS.





NOTES

1. Figures over 2011-14, in constant 2013 prices, unless otherwise specified.
2. The proliferation of small projects is widespread across all SIDS, with many countries managing an average of 10 individual projects a year providing less than USD 1.5 million each.
3. Annual Funding for Climate and Disaster Resilience to SIDS, Per Capita

Country	Income Classification	Total Resilience Financing, 2011-2014 (US\$ millions)	Annual Average Financing for Resilience (US\$ millions)	Population (millions)	Annual Per Capita Resilience Financing
Antigua and Barbuda	Upper Middle Income Country	\$6	\$1	0.09	\$16
Belize	Upper Middle Income Country	\$24	\$6	0.33	\$18
Cabo Verde	Lower Middle Income Country	\$264	\$66	0.50	\$132
Comoros	Least Developed Country	\$23	\$6	0.73	\$8
Cook Islands	Upper Middle Income Country	\$27	\$7	0.01	\$497
Cuba	Upper Middle Income Country	\$52	\$13	11.27	\$1
Dominica	Upper Middle Income Country	\$68	\$17	0.07	\$238
Dominican Republic	Upper Middle Income Country	\$250	\$63	10.40	\$6
Fiji	Upper Middle Income Country	\$41	\$10	0.88	\$12
Grenada	Upper Middle Income Country	\$27	\$7	0.11	\$64
Guinea-Bissau	Least Developed Country	\$14	\$3	1.70	\$2
Guyana	Lower Middle Income Country	\$189	\$47	0.80	\$59
Haiti	Least Developed Country	\$282	\$71	10.32	\$7
Jamaica	Upper Middle Income Country	\$103	\$26	2.72	\$9
Kiribati	Least Developed Country	\$77	\$19	0.10	\$187
Maldives	Upper Middle Income Country	\$36	\$9	0.35	\$26
Marshall Islands	Upper Middle Income Country	\$11	\$3	0.05	\$53
Mauritius	Upper Middle Income Country	\$115	\$29	1.30	\$22
Micronesia	Lower Middle Income Country	\$13	\$3	0.10	\$30
Montserrat	Upper Middle Income Country	\$1	\$0	0.01	\$58
Nauru	Upper Middle Income Country	\$5	\$1	0.01	\$134
Niue	Upper Middle Income Country	\$23	\$6	0.00	\$4,910
Palau	Upper Middle Income Country	\$9	\$2	0.02	\$107
Papua New Guinea	Lower Middle Income Country	\$172	\$43	7.32	\$6
Saint Lucia	Upper Middle Income Country	\$83	\$21	0.18	\$114
Saint Vincent and the Grenadines	Upper Middle Income Country	\$67	\$17	0.11	\$152
Samoa	Lower Middle Income Country	\$158	\$39	0.19	\$207
São Tomé and Príncipe	Least Developed Country	\$11	\$3	0.19	\$15
Seychelles	Upper Middle Income Country	\$28	\$7	0.09	\$78
Solomon Islands	Least Developed Country	\$153	\$38	0.56	\$68
Suriname	Upper Middle Income Country	\$11	\$3	0.54	\$5
Timor-Leste	Least Developed Country	\$220	\$55	1.18	\$47
Tonga	Upper Middle Income Country	\$101	\$25	0.11	\$239
Tuvalu	Least Developed Country	\$51	\$13	0.01	\$1,299
Vanuatu	Least Developed Country	\$143	\$36	0.25	\$141
Oceania, regional	Regional	\$274	\$69	-	-
Total		\$3,132	\$783		



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