

Achieving Development Resilient to Climate Change: A SOURCEBOOK FOR THE CARIBBEAN WATER SECTOR

Financing climate resilience in the water sector

Specialist climate finance is becoming increasingly important in the Caribbean. A number of global climate funds are available to support countries in their efforts to increase resilience to climate variability and change. The water sector is in a prime position to benefit from these funds.

KEY MESSAGES

- The direct and indirect costs of climate hazards are unacceptably high in the Caribbean region
- Investing in climate resilient development particularly in the water sector, brings significant benefits and is a high priority for the region
- Increased investment implies increased financial flows through both domestic and external channels
- Specialist climate funds can provide an important contribution to these financial flows
- The water sector is typically associated with funding for climate change adaptation but actions may also deliver co-benefits eligible for mitigation funding

Benefiting from climate resilient investments

Climate hazards such as hurricanes, floods and droughts already cause an unacceptable level of disruption to Caribbean societies, economies and the environment. For example the economic impacts of Hurricane Ivan which struck Grenada in 2004 were evaluated in terms of direct costs and indirect losses totalling EC\$2.4 billion dollars, 227% of the islands GDP (OECS, 2004). Climate change threatens to exacerbate these risks and increase the costs of climate related hazards.

Investing in measures to increase resilience such as improving water efficiency, governance, allocation and the climate proofing of infrastructure will help reduce these losses to acceptable levels. Financing such measures requires a strong demand from water management agencies and support from external sources of finance.

This brief discusses some of the opportunities for financing climate resilience through traditional development cooperation and specialist climate change funds.



Financing climate resilience in the context of the Regional Framework

The Implementation Plan for the Regional Framework for Achieving Development Resilient to Climate Change (CCCCC, 2012) identifies a number of actions required by Caribbean nations to overcome barriers to financing climate resilience.

These actions include:

- Developing climate investment road maps which set out how countries plan to access finance from a range of potential sources (public budgets, private sector and development assistance)
- Enhancing the enabling environment for private sector investment by reducing risk and making investment options more attractive
- Developing a regional funding mechanism to harmonise international development assistance and support project preparation and fund application

“The ability of small islands to undertake adaptation and mitigation programs, and their effectiveness, can be substantially strengthened through appropriate assistance from the international community (medium confidence)”.

Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (IPCC, 2014)



Recent trends in Official Development Assistance (ODA) and specialist climate change funds for the Caribbean water sector

USD 8.3 billion ODA was disbursed over 2010-2012 in the Caribbean. USD 172 million went to the water sector, of which USD 12 million was tagged as climate change relevant, with USD 11 million of this related to adaptation (see Figure 1).

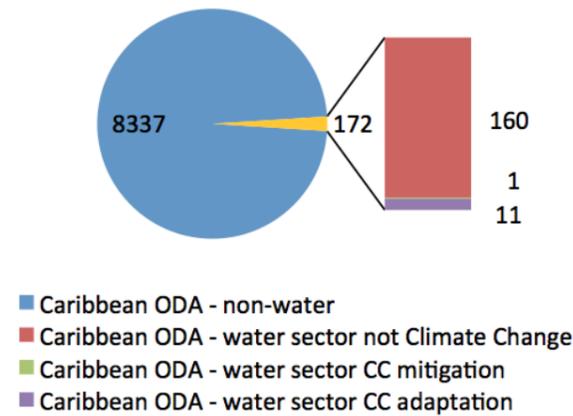
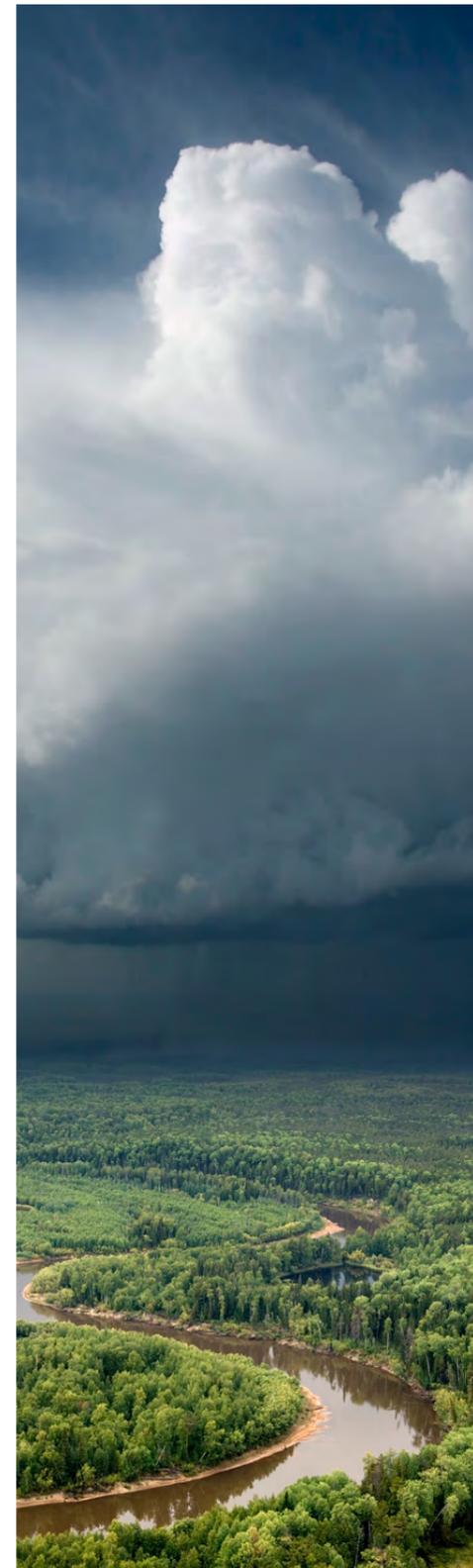


Figure 1 - ODA disbursed to the Caribbean between 2010-2012 (USD million)

International funding from global climate funds disbursed a slightly higher amount over the period to the water sector than climate change-related ODA: USD 14 million compared to USD 12 million.

These funds also made a stronger contribution to water sector strategy development and technical studies whereas the funding channelled through traditional ODA channels was focused primarily on infrastructure development. It can therefore be seen that global climate funds already represent a strategic source of funding for water sector planners.



Sources of specialist finance for climate resilience

Five global climate funds disbursed funding to the Caribbean water sector over the 3-year period 2010-2012. All these funds support countries in their efforts to increase resilience to climate variability and change. The funds (in decreasing level of disbursements) are:

- The Global Climate Change Alliance
- The Adaptation Fund
- The Pilot Program for Climate Resilience
- The Least Developed Countries Fund
- The GEF Trust Fund – climate change focal area

Approximately USD 44 million was disbursed from these five funds to countries in the Caribbean. Of this amount, USD 14 million was targeted at the water sector (32%) (Figure 2).

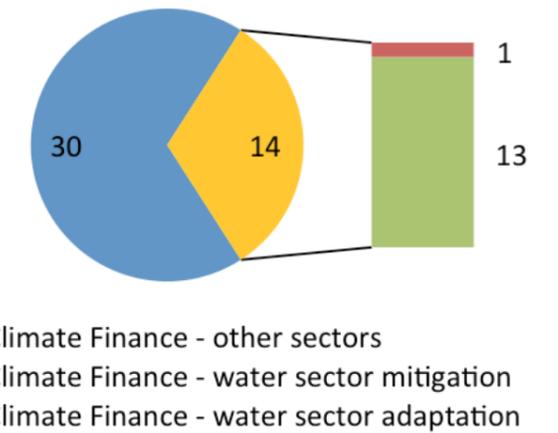


Figure 1 - Climate finance disbursed to the Caribbean between 2010-2012 (USD million)

The Green Climate Fund

This Fund was adopted as an operating entity of the financial mechanism of the UN Framework Convention on Climate Change (UNFCCC) at the end of 2011. Over time, it is expected to become a major multilateral financing mechanism to support climate action in developing countries, disbursing USD 100 billion per year. If it achieves this level of disbursement it will go a long way to harmonising the fragmented landscape of climate change finance. However, at the present time it is not clear when funding may become available from this new Fund.

Identifying climate financing opportunities

Online platforms specialised in climate finance should be used by water sector planners as a primary search tool to evaluate different financing opportunities.

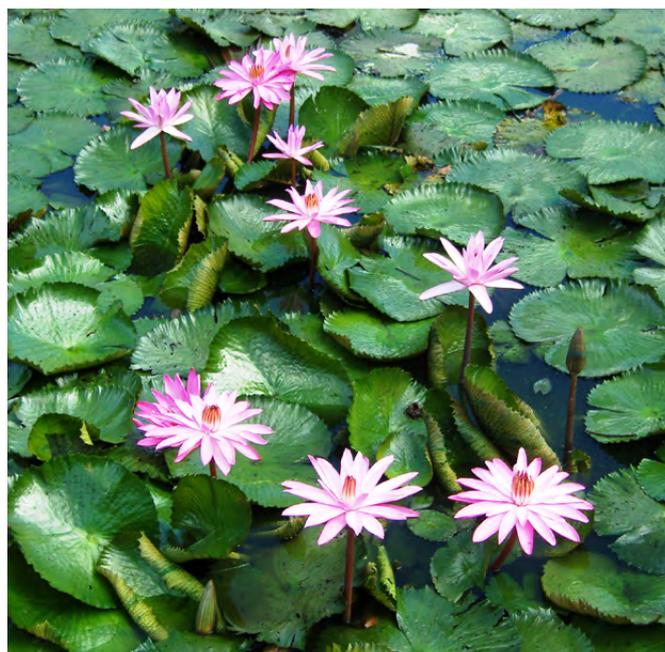
Climate Finance Options is one such online platform that provides information on different sources of finance and provides access to tools that can assist water sector planners and project developers in designing climate change projects.

Source: The Climate Finance Options website is <http://climatefinanceoptions.org>

Funding for co-benefit actions

Several other multi-lateral funds may also be relevant to water management in the Caribbean. These focus on climate change mitigation and forest conservation. Mitigation funds can be relevant to water management in terms of reducing carbon emissions from water infrastructure through increasing the efficiency of operations and infrastructure such as pumping operations. Forest conservation has co-benefits with water management by preventing land degradation in watersheds used for supplies. These funds include:

- The Clean Technology Fund
- The Scaling-Up Renewable Energy Program
- The Global Energy Efficiency and Renewable Energy Fund
- The Forest Carbon Partnership Facility
- The Forest Investment Program
- The UN-REDD Programme



Matching climate finance with traditional funding sources

Climate finance is important both for its own sake and to help leverage larger amounts of financing from ODA sources and elsewhere. Matching climate finance with traditional water financing is therefore a good strategy. For example, climate finance is a potential source of funds for establishing an enabling environment or to support water infrastructure project preparation.

Water sector financing principles associated with the 3Ts' - namely tariffs, taxes and transfers – will of course remain highly relevant and these primary sources are likely to continue to be used to leverage repayable finance for large capital investments such as infrastructure construction and upgrades.

References

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