EXECUTIVE SUMMARY

Environmental sustainability is inextricably linked to sustainable development in the OECS region and sustainable financing is critical to support the long-term vision and initiatives needed to realise development objectives. However, high levels of indebtedness in the region make it difficult for these to be financed solely by domestic fiscal measures. Thus it is imperative to identify, leverage, and work with existing and possibly new sustainable financing mechanisms (SFMs).

A sustainable financing mechanism can be defined as a structured and specialised financial framework combining financial resources and technical assistance to support projects and initiatives addressing key sustainable development challenges.

Ultimately, this research seeks to make recommendations for optimal engagement with the SFM landscape in an effort to close the financing gap. The desktop research elements of this report were complemented by an extensive stakeholder consultation process spanning the development community and stakeholders within the OECS public sector.

These consultations highlighted key constraints and opportunities related to capacity, data & technology, coordination and communication, private sector engagement, and blue economy scoping.

Desktop research revealed a variety of sustainable financing tools via public-led, private-led, and blended finance approaches. Benchmarking efforts then showed which tools across all three approaches including international assistance, domestic fiscal measures, payment for ecosystem services, thematic bonds, debt-for-nature transactions, and place-based portfolios were highly suitable for the OECS region and could be explored further.

Fortunately, many sustainable development areas have a high potential for attracting climate financing which creates an attractive opportunity to align sustainable development priorities with existing or incoming financing mechanisms.

An assessment of regional SFMs showed an extensive landscape of existing SFMs and several that were either in start-up or ideation phases, at time of writing. A further analysis through an operational and thematic lens highlighted variations in efficacy, reach, and impact and presented opportunities for synergies between different SFMs to complement their existing structures and potential shortcomings.

The research and analysis presented enabled this report to draw several conclusions. There is a rich and diverse landscape of impactful work being conducted in the Caribbean and OECS region to support sustainable development through the utilisation of SFMs. Stakeholders are engaged and motivated to overcome deficiencies in coordination to improve capacity and better deliver on existing initiatives.

Four initial recommendations to address concerns and capture opportunities emerged:

1) **Optimise the existing landscape** by operationalising national and regional coordinators to aggregate project demand and identify synergies
2) **Concentrate efforts into a core mechanism(s)** that was designed to be inclusive and adaptive to the region's needs
3) **Develop a nationally-led mechanism** composed of autonomous national financing vehicles that will be supported by a regional coordinator to further drive project aggregation and to scale-up financing efforts
4) **Create a regionally-led financing vehicle** able to invest across the region broadly and aggregate project demand to access regional scaled-up financing

Further analysis and discussion will highlight which approach is best suited as a viable path forward to finance long-term sustainable development.

INTRODUCTION

This document provides an in-depth analysis of selected sustainable financing mechanisms (SFMs) in the Caribbean. The report is based on a number of interviews with multilateral and regional development partners, key national and regional stakeholders, and a review of existing literature on SFMs. This seeks is to provide a nuanced understanding of the successes and challenges of SFM design and implementation in the OECS region. Additionally, this research strives to provide an informed perspective on the current landscape of sustainable financing mechanisms that may be particularly relevant to the needs of Member States.

The report begins by reviewing the project's background context and specific objectives followed by a discussion of the insights uncovered through the extensive stakeholder consultation process. It notes that global development sector programming often attracts large-scale additive resources while regional and national initiatives tend to be more acutely tailored to the beneficiary country's national priorities. Capacity constraints, data paucity, and poor coordination were consistently cited as impediments to achieving project funding and implementation success.

The author's then review a selection of global, regional, and national financing mechanisms through the lens of key sustainable development sectors such as water and waste management, resilient infrastructure, agriculture, fisheries, tourism, biodiversity conservation, and renewable energy. The review further emphasizes the varying strengths and weaknesses of these mechanisms, including ease of accessibility and suitability for specific projects. Specifically, the thrust of the brief aims to demonstrate the clear linkage between the regional and national sustainable development agendas and climate financing; which has emerged as one of the largest and most sought after sources of project financing and technical assistance in the Caribbean.

The gaps and synergies section explores potential opportunities for collaboration within the current landscape of SFMs in the Caribbean. The section emphasizes the importance of dialogue and engagement between all stakeholders to reduce unintended duplication of efforts. It also provides guiding questions, potential paths forward, and recommendations for effectively leveraging the existing resource ecosystem through a coordinated approach to alliance building and mutually-beneficial partnerships.

The report concludes by emphasizing that a combination of various tools may be necessary to facilitate long-term and consistent financing to achieve national development priorities. It also notes that further feasibility studies should be considered for mechanisms and tools that scored highly in the evaluation exercises contained herein.

Overall, this analysis provides valuable insights into sustainable financing mechanisms and highlights strategic approaches to effectively take advantage of the plethora of opportunities which have emerged in recent years.

This research was commissioned to serve as a guide for policymakers seeking to fund sustainable development initiatives by tapping into innovative finance and technical assistance.

CONTEXT AND PROJECT OVERVIEW

Environmental sustainability is critical for long-term regional and national development in the Eastern Caribbean, and much of the economic and social well-being of OECS Member States is dependent on the natural resource base. The need for sound environmental management for sustainable development in the OECS has been reiterated with the onset of the Covid-19 pandemic, the climate crisis and the natural hazards that have impacted the region in the past decade.

The foundation of the St George's Declaration of Principles for Environmental Sustainability in the OECS (now captioned SGD 2040) is the Islands Systems Management (ISM) Framework, which recognises that the close concentration, proximity, and link of island ecosystems require a continuous, adaptive, and dynamic strategy that provides the necessary policy orientation to manage the complexities of these interactions for sustainable development. Sustainable financing has long been viewed as a critical component for effective management of conservation of environmental assets, for ensuring resilience, and for overall sustainable economic development.

The high levels of OECS government indebtedness and fiscal constraints present a real impediment to the level of predictable investments required. Against this backdrop, there is a need for a resource ecosystem of sustainable financing options and arrangements to support research, policy, regulations, financing, and implementation capacity deficits and to assist with the mobilisation and deployment of more resources, including a greater degree of collaboration between the public and private sectors and civil society interests.

Further, according to the Inter-American Development Bank (IDB), the climate financing gap in the Caribbean is estimated to be between $22 billion to $32 billion, with roughly $6 billion to $9 billion required annually up to 2030. Given the sheer size of resource mobilisation needed, official development assistance (ODA) alone is likely insufficient. Furthermore, given the lack of fiscal space in the public sector, it is imperative to effectively crowd-in the private sector through win-win scenarios that intertwine financial incentives with the region’s sustainable development agenda.

Therefore, it is critical that sustainable financing mechanisms be designed with the intention to transform traditional ODA resources into catalytic capital that will in turn be used to reduce the barriers to private sector investment. Further, such mechanisms should be structured to achieve scale from a regional perspective, thereby reducing (1) the inherent issues around small project sizes and (2) demand-side capacity constraints through greater centralisation or coordination, streamlined processes, and project fast-tracking.

Ultimately, this research exercise seeks to make recommendations for optimal engagement with the SFM landscape in an effort to close the financing gap.

Specifically, the objectives of this report include:

- Identification of sustainable development investment priorities and opportunities for resource mobilisation
- Provision of a better perspective of the existing landscape of sustainable financing mechanism in the Caribbean
- Identification of gaps, synergies, and recommendations towards creating a more holistic financing ecosystem for the benefit of OECS members

The desktop research elements of this report were complemented by an extensive stakeholder consultation process spanning the development community and stakeholders within OECS public sector.

STAKEHOLDER CONSULTATION RESULTS

INTRODUCTION

The OECS has engaged in various efforts over time to develop sustainable financing mechanisms through development sector programs as well as regional and national initiatives. The perspectives of stakeholders within participating organisations and Member States are critically important to provide a nuanced understanding of the successes and challenges of these efforts. Development sector programming often has the benefit of attracting large-scale additive capital, while regional and national initiatives may be more acutely tailored to the respective entity's priorities. These two specific stakeholder groups have both overlapping and distinct perspectives on the SFM design and implementation. The authors of this report conducted in-depth interviews with over 10 development partners and key national and regional stakeholders to develop a nuanced perspective of successes and challenges in developing and implementing sustainable finance mechanisms in the Eastern Caribbean region.

GENERAL OBSERVATIONS

Capacity Constraints

Stakeholders interviewed often cited capacity constraints as a hindrance to SFM success. These constraints are related, but not limited, to human resources, organisational expertise to pair with development partners, proposal writing capacity, and a lack of financial resources to implement SFM structures. Local stakeholders as well as development partners are inundated with overlapping, concurrent projects requiring coordination across different stakeholder groups, thematic focus, activity structures, etc. Working across many projects limits the effectiveness of various efforts. Large-scale development projects require specific reporting requirements as well as specialised knowledge for proposal development. This knowledge may be lost with employee turnover or subsuming staff from national organisations to development sector organisations. Projects or initiatives may lack the financial resources needed to employ or retain the necessary staff. These constraints inhibit the ability for stakeholders to effectively engage with existing sustainable financing infrastructure in the Caribbean.

Data & Technology

Data paucity in the region inhibits effective SFM implementation. Lack of data on effectiveness of existing measures and trends, monitoring capital flows, and tracking activity create strong barriers in designing baseline assessments and tracking against them. Additionally, lack of existing data increases cost of baseline assessments as all data must be recaptured for each individual project.

Limited technology use also increases costs and reduces efficiency of implementation measures. One stakeholder noted park entrance data was sporadically tallied on paper and later transferred to an Excel then sent to the respective government ministry. This reduces accuracy and speed of data capture and increases time spent on the task and ultimately, cost. Improved integration of technology can more effectively provide reliable data to improve underwriting and monitoring of projects.

Coordination and Communication

Implementing SFM infrastructure requires targeted and effective coordination and communication between various levels of stakeholders. This often doesn't happen as project control can be concentrated in upper management levels. Additionally, SFM initiatives are often intersectional and may require multiple ministries to coordinate together for implementation success. Competing interests and schedules may hinder this level of collaboration.

When stakeholders are able to convene, stakeholders noted meetings should be well-organised, focused, and intentional. Ideally, project structure should also allow for unstructured opportunities

to share updates regarding the current project ecosystem. The continuation of virtual meetings post the acute phase of the pandemic has had an added benefit of reducing cost and logistics but may have also limited "water cooler" conversations that encourage free form discussion and problem-solving outside of the structured agenda of the meeting. One development partner stakeholder noted it could be ideal to have a point person within the project focus specifically on fostering coordination and communication across key stakeholders.

In order to further communication across levels, all staff should be made aware of projects within their scope, even if they are not directly responsible for its design or implementation. This information should be compiled and available on a centralised platform to limit existing capacity issues.

Private Sector Engagement

Conversations with stakeholders noted private sector engagement remains limited and is often performed under Corporate Social Responsibility objectives. To this end, there is a misalignment in the valuation of ecosystem services, where corporate partners believe supporting efforts towards sustainable development (whether through additional levies, user fees, or helping to finance different initiatives) is more philanthropic than critical to the continued success of their operations. Additionally, most private sector engagement is conducted through highly consumer-facing, and to a larger extent, tourist-facing, enterprises such as supermarkets and resorts. These types of organisations may not be best aligned to provide relevant support to SFM implementation efforts, however, it has been challenging to attract outside private sector support or international commercially-minded financial institutions.

Blue Economy Scoping

While the Blue Economy is often thought to be the activities immediately related to the coastline, oceans, and other bodies of water, development partners, and regional and national stakeholders acknowledge the benefit of broadening the scope of activities considered or contributing to the Blue Economy. This may include land-based sectors such as solid waste and wastewater management, agricultural land-use management, conservation efforts, for a more comprehensive "ridge to reef" approach.

OBSERVATIONS FROM DEVELOPMENT PARTNERS

Capacity Constraints

Development partners noted capacity constraints, largely financial and human capital, as a major barrier toward successful SFM implementation and management. Limited availability of technically trained experts to aid program implementation hinders success. At times, this labour shortage is due to inadequate funding of the project to afford the necessary human resources. Development partners can also exacerbate this issue by recruiting staff from national and regional organisations to work within the development organisation, often at a higher wage than available in-country. This selective "brain drain" limits the technical capacity of national organisations regarding a specific skill set required to implement development sector programs and projects.

Internal, In-Country, and Regional Coordination

The OECS and broader Caribbean region work closely with large, multinational NGOs and INGOs which have personnel numbering in the thousands. Additionally, the interdisciplinary nature of challenges the Caribbean faces often means different projects may be implemented by the same organisation with overlapping objectives. Where these organisations operate in silos, members may not be aware of overlapping projects in the region that may be able to effectively partner, collaborate, and better leverage existing resources. This may also streamline administrative requests for national ministries or organisations.

Development partners have also noted in-country coordination and communication can be challenging when dealing with different ministries, at times across multiple countries, and coordinating between various levels of staff who may not all be as aware of project needs. Stakeholders in the development sector often noted regional organisations with strong influence and power to convene various Member State representatives have proven to be more effective partners in the Caribbean. The key need is to be able to ensure timely, informed communication from project and program stakeholders to solve challenges, gather ideas, and drive effective implementation and adaptation of projects and programs.

Regional Approach Support

As aforementioned, where an effective regional organisation is in place, development partners prefer to work with this type of partner for program implementation. This also allows development partners to aggregate smaller programs through a more centralised, connected organisation, reducing costs while increasing opportunities for smaller countries to participate and benefit from external resources. Where smaller scale individual projects may not be able to finance a dedicated staff member, regional projects are likely more able to allocate enough resources to hire or account for full-time staff members. This can reduce administrative and logistical burdens on national staff and allow program or project staff members to improve program or project implementation. Regional staff can also work closely with national staff to tailor programs to specific in-country needs and systems.

OBSERVATIONS FROM NATIONAL GOVERNMENT STAKEHOLDERS

Capacity Constraints

In-country stakeholders interviewed also noted capacity constraints, often related to administrative tasks, as an impediment to SFM implementation success. This often begins at the proposal stage. Proposal development can be technical, lengthy, and theme-specific. Development sector and other international organisations often have a specific approach to proposal writing that must be followed in order to improve likelihood of success. Proposals can often be lengthy, requiring intensive resources to complete in the required time frame and can be rigidly focused on themes which change from year to year based on prevailing global social concerns. Shifts in societal concerns may divert resources from potential programs critically important to national priorities. These programs may also require a longer duration in order for the expected changes to take place. Additionally, if an application is not successful in a given year, the same organisation may only be funding programs in a different sector the following year, requiring the applying organisation to shift the program focus or put forth a program of lower priority in order to stay engaged in the space.

Capacity constraints related to implementation efforts are similar to those noted in prior sub-sections and are often related to the availability of human capital.

Following proposal design and implementation efforts, reporting can be another challenge in working with SFM programs. When working with INGOs, reporting requirements may be burdensome, commanding extensive resources to complete. One stakeholder interviewed noted the need for more project appropriate reporting. This may mean less frequent reporting, a larger focus on more relevant metrics, and a structure more complimentary to the design of the project versus a format used across a wide array of projects.

Additionally, similar to observations from development partners, in-country stakeholders noted the need to increase communication between and within different departments and ministries.

Tracking and management of funds

Where SFM are in place, tracking and allocating capital can be a challenge. Revenue derived from environmental assets may be immediately sent to the general environmental revenue coffer where it is unclear from which source the funds arrived. As such, it is challenging to appropriately reallocate those funds to the respective asset when needed or during budget development. This reduces the ability of organisations managing environmental assets to re-invest in their development and limits the national government from effectively identifying successful SFMs. Additionally, approaches to capital flow management vary from country to country and a lack of harmonisation may impede the spread of best practices in the region.

Legislation and Regulation

Stakeholders note legislation and regulation play a crucial role in the success of SFM implementation and are often overlooked and underappreciated. The development of new organisations or additional levies or other fiscal measures may require additional legislation to become operational. This is often not considered until after the development of said measure and policymakers may not have been engaged in its design, limiting the effectiveness of development and design efforts. Land-use and marine-use planning policy may need to be updated or adapted to effectively support program implementation and should be reviewed and considered as programs are designed. Furthermore, national, regional, and global organisations should be mindful of required regulation in SFM development and implementation.

Awareness and Sensitization

In-country stakeholders commented on the efforts made to sensitise other stakeholders and program participants on sustainable development efforts and the economic value environmental assets provide. Depending on their vantage point, stakeholders may or may not be aware of the need for SFM or sustainable development. This can make it harder to gain buy-in necessary for program success. Stakeholders noted it is critically important to find and elevate local and regional champions who can compellingly communicate the value proposition of these efforts in a manner relatable to all stakeholders. These champions should be able to influence and authentically connect with their respective audience to drive further engagement and understanding.

SUMMARY OF STAKEHOLDER CONSULTATIONS

Stakeholder Discussion Summary

Topic	Generalized Response	Potential Mitigants
Capacity	• Development partners and government stakeholders both noted limited human capital to complete actions to procure financing such as proposal writing, ongoing administrative tasks, monitoring & evaluation report writing, etc. In some instances, specific knowledge related to the donor is required.	• Include additional resources in project proposal for supporting actions so stakeholders are not stretched between too many projects • Simplify proposal and reporting process • More longer–term projects to reduce need to submit new proposals in new themes frequently

Data & Technology	• Limited use of data and technology hinders project efficiency and could be used to streamline tasks like tracking and data management • Data collection often starts and stops with projects creating inconsistent, non-harmonized data and increasing costs through extensive baseline and landscape assessments	• Procure easy-to-use, versatile technology tools that can be adapted to suit different projects • Embed use of technology into program design and proposal process • Conduct trainings on how use technology and data more efficiently • Develop or improve an independent, coordinated data center to track national trends
Coordination	• Lack of coordination within in-country stakeholders, inter/non-governmental organization stakeholders and between these two groups can hinder project efficacy through duplicative efforts or lack of awareness	• Create centralized database to track all on-going projects • Effectively engage multiple levels of ministry or organization members to ensure information is widespread
Private Sector Engagement	• Private sector is often reticent to be involved in projects or is only involved for short-term, CSR benefit	• Create a broad landscape of potential private sector partners • Regularly engage with private sector partners to understand needs and value add • Work with private sector partners to identify opportunities for long-term strategic alignment and incorporate them into project design

INVENTORY OF SUSTAINABLE FINANCING TOOLS

INTRODUCTION

Traditional financing mechanisms for sustainable development and environmental sustainability have been led by the public sector but more recent and innovative ones have leveraged the private sector as a key source of funding. Blended financing mechanisms which involve collaborations between both public and private sectors have also recently increased in popularity, highlighting the myriad of ways in which environmental management and sustainable development can be intertwined and funded.

This section of the report serves as an inventory of a variety of tools, instruments, and models that have emerged as useful funding sources for sustainable finance mechanisms over the years. Specifically, this section covers:

- Public Sector-led
- Private Sector-led
- Blended Approaches

This section concludes with a simplified benchmarking exercise of each of these models along with a commentary of their respective strengths and weaknesses in regards to their usefulness and appropriateness to the specific context of the OECS.

PUBLIC SECTOR-LED

Domestic Government Budgets

Domestic government budgets are the single largest source of financing for protected areas in most countries. However, as a share of total government spending, the sums involved are usually relatively small.

However, given the highly-indebted financial positions of the majority of OECS Member States, governments in the region are constrained in the amount of budgetary support they can provide directly to resilience financing. This reality therefore increases the need of identifying and working with innovative financing vehicles to supplement the lack of domestic budgetary support.

Domestic Fiscal Measures

Fiscal instruments can be used to finance environmental resource management directly or indirectly. Depending on the measures used, they can also generate substantial revenues for self-financing.

It should be further noted that some or all of the measures listed below may require existing legislation or policies to be updated or implemented in order to provide the supporting legal framework for their usage and enforcement. Finally, the implementation of certain measures listed below may prove to be exceedingly complex within a regional context and thus, policymakers should strive to achieve a balance of implementation simplicity with economic impact. In many cases, additional taxes may also be politically unpalatable for governments.

Taxes and Levies

Taxes can be levied on visitors at hotels, cruise ports, and other collection points, and a portion may be earmarked for use within selected protected areas. In Belize, a 20% commission is charged on all cruise ship passenger fees which goes into the Protected Areas Conservation Trust. In the US, a 10% federal excise tax on sales of sports fishing equipment and motorboat fuel is used to finance the US Aquatic Resources Trust Fund.

User Fees

This involves payments to be made by those wishing to use the protected area directly, often through tourism and recreation, which are then used to fund the management of the protected area. Revenue sources may include marine national park entrance fees, ferry guide fees, entrance fees for museums on main islands, boat mooring fees, and diving fees, among others. For fisheries, revenue sources may include tradable fishing quotas, fishing licences, and revenues from certification and eco-labelling.

User fees exist throughout the OECS region but there is little uniformity with how the funds are collected, managed, and disbursed across various managed areas within a country and across Member States. In one OECS country, for example, the user fees from a National Park flow into the national consolidated fund where they are then used for a variety of purposes rather than being redirected back into the management of this conservation area. This dynamic inhibits the sustainable financial management of the park and ultimately reduces its ability to effectively manage this natural asset. Stakeholder consultations indicate that this dynamic is prevalent throughout the region.

Fines for Environmental Damage

This involves fines and penalties to businesses and individuals who violate laws designed to protect environmental resources, resulting in the degradation of the local environment and/or loss in the local biodiversity. The proceeds would be used to manage and/or restore the local environment.

Bioprospecting

Under this mechanism, companies can acquire exclusive rights to screen useful compounds contained in the country's biodiversity for cosmetics, dietary supplements, or pharmaceutical purposes. Revenue sources may include up-front payments, royalties, and profit-sharing agreements (e.g. when a major drug is developed). In Costa Rica, INBio and the Costa Rican Ministry of the Environment and Energy have an agreement whereby 10% of INBio's research budgets and 50% of its future royalties are donated to the ministry to be reinvested in conservation. To date, however, it is unclear how financially successful INBio has been and the debate regarding how realistic it is linking plant and animal conservation to pharmaceutical development remains ongoing.

Regional cooperation

A country can set up regional networks to pool resources and reduce the efforts and costs of developing protected area monitoring and management methodologies. In the Mediterranean, MedPan North Project created a methodology for marine protected area managers to assess the effectiveness of their management and to coordinate their efforts in recognition of the reality that their respective MPAs are part of a larger interconnected system.

The Caribbean Biodiversity Fund, discussed later in this report, is a comparable example of regional cooperation in the Caribbean.

International Assistance and Official Development Assistance

Many protected areas in developing countries heavily rely on funding from international donors. These include bilateral and multilateral government grants or donations as well as foreign donor agencies such as the GEF, USAID, AFD, CBF, among many others.

PRIVATE SECTOR-LED

Private donations (from corporates and private individuals) and philanthropic foundations have long been a source of funding for protected areas, often through contributions made to the charities and NGOs that fund and undertake protected area conservation. With the recent increase in consumer awareness and pressure on companies to be environmentally conscious, the private sector may have the potential to generate significant sums of capital for environmental resource management.

Private Donations and Philanthropy

A range of mechanisms exist through which private voluntary donations are channelled to protected areas, including from philanthropic foundations (e.g. Gordon and Betty Moore Foundation), corporate foundations (e.g. Sandals Foundation), non-profits (e.g. Conservation International), and private individuals.

One method to raise funds from private individuals is through crowdfunding. Through the use of online platforms (e.g. Crowdfunder, Kickstarter, and Indiegogo), project sponsors can aggregate large volumes of individually modest private donations to help fund a specific project or achieve a specific goal.

Another way to incentivize the private sector to donate to conservation is for governments to make donations tax-deductible, as is the case in the British Virgin Islands. While other OECS members may have tax-deductible donations on the books, knowledge of this does not appear to be widespread among taxpayers.

In St. Lucia, there is the Tourism Enhancement Fund which is financed by a voluntary contribution of $2 from visitors to the country. This Fund is managed by the St. Lucia Hospitality and Tourism Association and is used for community development and supporting environmental projects.

Similar initiatives are being undertaken by international development partners in the region who are encouraging airlines to set up a voluntary carbon footprint offsetting mechanism that will allow air passengers to make a voluntary contribution as part of their airfare to reduce the footprint of their flight into and out of a destination country. Those funds would then flow into a fund that would be used to support environmental projects in the host country. It is unclear, however, how progressed these discussions are.

Payments for Ecosystem Services ("PES")

Protected areas provide ecosystem services which are typically enjoyed by offsite producers and consumers at low or zero cost, and thus make little or no contribution to protected area finance. PES schemes seek to create financial incentives for resource users and managers to adopt activities and technologies that generate environmental benefits. In Tanzania, Sea Sense, an NGO, provides performance payments to Mafia Island individuals who report and agree not to poach sea turtle nests. In Mexico, the Luis Echeverria community receives money in exchange for protecting grey whale habitats. The funds are used to finance small-scale development and alternative income generation. A similar approach could be considered in the OECS, where rampant poaching of sea turtles and orcas continues to occur.

BLENDED APPROACHES

Achieving sustainable management and conservation of protected areas often requires innovative financing mechanisms that go beyond traditional funding sources. This necessity is also applicable to a variety of other economic sectors with environmental linkages such as renewable energy, green infrastructure, low carbon transportation, and food security, among others. Blended approaches to sustainable financing offer promising solutions by combining different models and sources of funding to support the long-term viability of protected areas and circular economy solutions. This section explores various blended approaches that have been successfully implemented in different parts of the world. From place-based portfolio models to debt-for-nature transactions, these approaches leverage partnerships between stakeholders, harness economic incentives, and tap into voluntary contributions to generate the necessary resources for protected area management and other priority investment sectors.

By blending different funding streams, these approaches provide a robust and diversified financial foundation for protecting and enhancing the ecological, social, and economic values of the region's natural asset base.

A Place-Based Portfolio Model

Under this model, a protected area is transferred, typically via a long-term lease, to a charitable trust, with the principal activities managed by a dedicated social enterprise. The trust is responsible for protecting the assets for public benefit and the social enterprise is set up to receive income from the trust, run the assets on the trust's behalf, and carry out commercial activities in accordance with the trust's mission. The trust is an independent organisation made up of a board of stakeholders who make the trust's management decisions. Funds are generated through an endowment raised within the trust and are placed in an investment fund where it is managed for long-term growth by generating returns independently of protected area activities. The endowment could be raised through various ways, such as traditional business revenues, voluntary giving schemes, biodiversity offsets, or nutrient trading schemes. The income generated is then used to cover the cost of the protected area management and to invest in new revenue generating opportunities within the protected areas.

In the UK, Milton Keynes parks were transferred to an independent charitable trust, Milton Keynes Parks Trust, to become entirely self-financing. The trust was endowed with a substantial property and investment portfolio which generates income to cover the annual maintenance costs. It

focuses on continually improving its parks, developing new enterprises and income streams, and delivering enhanced public benefits.

Marine Improvement District (MID)

A MID is established through securing a majority vote from businesses in the area via a ballot process to invest collectively in local improvements in addition to services already being delivered by local statutory bodies. The voluntary levy from businesses would be earmarked to maintain and improve the quality of protected areas as well as to support other underlying revenue generating activities that will benefit businesses in the local area. The model is based on the business improvement district ("BID") model and the idea that a group of aligned enterprises working together can benefit from having an improved local environment, through the encouragement of more visitors to the area and their associated additional spending. This model may be supported with government benefits (e.g. business rate discounts, enhanced capital allowances) provided to the participating businesses, especially smaller ones, in order to also strengthen the local economy.

In the UK, before establishing its first BID in 2011, Newquay was experiencing a decline in its reputation, footfall, and business opportunities. During its first term, the Newquay BID created positive PR, an enhanced environment, and supported new and existing businesses in the local area, in addition to layering in a further £67,000 of grant funding to be spent on additional projects. The town voted to renew its BID for a second term, in which all eligible businesses within the geographic boundary contribute to a 1% levy. An estimated £750,000 was raised in the period 2016-2021.

Blue Impact Fund

A blue impact fund invests in a wide range of business opportunities within protected areas to enhance the sustainability of human activities based on marine or terrestrial ecosystems. The fund could draw money from a blend of investors providing equity or debt investment into a broad range of assets and revenue generating activities within the protected areas that are not currently funded. The fund could also be supported by technical assistance grants or other one-off contributions from donor agencies.

Meloy Fund is an impact investment fund for community fisheries that provides debt investment to small-scale fishing-related enterprises. The fund had a $20 million target whereby the funds were raised through the Global Environment Facility ("GEF"), USAID, and other non-profits. It made its first investment in 2016, lending $1 million to Meliomar to increase its processing capacity, improve logistics, and develop additional product lines. The fund's estimated social and environmental impacts include improving the lives of over 100,000 fishers and their household members while placing 1.2 million hectares of coastal habitats under better management.

Blue Carbon Fund

This model provides funding for the conservation and restoration of coastal and marine habitats through the sale of carbon offsets in the voluntary carbon markets. The fund could also be supported by technical assistance grants or other one-off contributions from donor agencies to support its initial set up.

Mikoko Pamoja is a community-led mangrove conservation and restoration project in Gazi Bay, Kenya. The project consists of the protection of 107 hectares of natural mangrove forest and 10 hectares of plantation as well as planting an additional 4,000 trees annually over a period of 20 years. Carbon benefits are estimated at 2,500 tCO2/year and are derived from a mix of avoided deforestation and degradation, and new planting. The proceeds from sales of carbon credits are invested in local projects determined through community consultation.

Biodiversity Net Gain Fund

A biodiversity net gain fund is a financial mechanism designed to ensure that development projects result in a net increase in biodiversity and ecological value. It is based on the principle of "no net loss" or "net gain" of biodiversity, whereby any ecological harm caused by development activities must be offset by actions that deliver a measurable increase in biodiversity elsewhere.

The fund operates by collecting financial contributions from developers or landowners as part of the planning process for new projects. These contributions, known as mitigation fees or biodiversity offsets, are specifically designated for investment in the conservation or restoration of marine or terrestrial habitats to compensate for any biodiversity loss associated with the development.

This approach provides a valuable mechanism to balance the growth of the hospitality sector while reduces negative impacts on biodiversity and conservation.

Thematic Bonds

As the largest asset class in the global financial market, estimated at $128 trillion as of 2020, the global bond market can play a significant role in catalysing investments to achieve the SDGs. Thematic bonds, a subset of the global bond market, are a type of fixed-income financial instrument that is issued to finance projects or activities that are aligned with a specific theme or objective. These types of bonds allow investors to allocate funds towards specific themes or sectors aligned with ESG objectives and can be issued by governments, corporations, or other entities. There is not yet a definitive global definition of green, social or sustainable bonds, but the market is coalescing around certain standards, notably those of the International Capital Markets Association (ICMA).

The majority of these bonds issued are “use of proceeds” (UoP) whereby the proceeds are functionally ring-fenced to a specific project, compared to the proceeds of traditional bonds which can be used for general corporate purposes. Existing frameworks include green, social, sustainable and sustainability-linked bonds. For green and social bonds, the ICMA principles have helped standardise the market, providing a framework that covers the UoP, process for project evaluation and selection, management of the proceeds, and reporting. These frameworks enhance the thematic bond integrity and transparency, crucial for the expansion of this market.

Thematic bonds have gained traction in recent years, reflecting the increasing demand for investments with positive impact. While 2022 issuance volume dipped slightly year on year, the general trend indicates robust growth in the thematic bond market.

Debt-For-Nature Swaps/Conversions

A debt-for-nature swap is when sovereign debt is purchased at a discount by an outside agency, often an international NGO, and retired in exchange for government commitments to fund conservation activities, often through the establishment of a trust fund. There are a variety of debt-for-nature structures, as illustrated in the Barbados debt-conversion-for-nature case study published by TNC. At the core of these transactions, a government receives a savings on their debt service payments in exchange for those savings being directed towards environmental conservation projects.

BENCHMARKING

In the table below, the aforementioned financing instruments, tools, and mechanisms have been qualitatively analysed based on their relative strengths and weaknesses.

Finally, their suitability to the specific context of the OECS was arrived at based on the challenges that were identified during the stakeholder consultation process. Additionally, the suitability rating was also informed by the author’s experience and familiarity with the OECS region. The suitability rating should be considered a starting point for further study rather than a definitive rating.

Mechanism	Strengths	Challenges	Suitability
PUBLIC SECTOR-LED			
International Assistance	• Can generate significant sums of funding. • Relatively easy for OECS countries to attract.	• Vulnerable to the shifting priorities of the donor agencies. • Often hindered by capacity constraints at the national level.	High
Domestic Fiscal Measures	• Creates economic incentives for more efficient resource use and pollution abatement through market-based mechanisms and penalties. • Can generate significant funding without placing undue strain on government budgets. • Ensures a more equitable distribution of benefits and costs from the use of environmental resources.	• Requires specialised technical capacity to properly design and implement new measures. • May require additional capacity to ensure adequate enforcement.	High
Domestic Government Budget	• Potentially large and more consistent source of funding for environmental management.	• Additional burden on government budgets. • Potentially volatile due to shifting spending priorities.	Medium
PRIVATE SECTOR-LED			
Payment for Ecosystem Services	• Leverages the growing recognition and evidence that PES schemes can be an effective mechanism for compensating communities near natural assets (e.g. beaches) for the biodiversity conservation services they provide.	• Many PES schemes rely on public funds which can create a financial burden on government budgets. However, some seek to capture the willingness-to-pay of private users of ecosystem services. The involvement of both public and private entities may be key. • Clear definitions and measurement of the ecosystem service is challenging.	High
Private Donations	• Can generate significant sums of funding while building broad-based awareness and sensitization to sustainability issues.	• Difficult to rely on as a source of long-term funding. • Vulnerable to the shifting priorities of donors and likely to dwindle during economic downturns.	Medium
BLENDED APPROACH			
Thematic Bonds	• Can generate significant investment volumes from the private sector.	• In practice, only suitable for large-scale projects given that a certain 'benchmark size' is needed to generate adequate investor interest. • Typically higher cost than traditional bond issuances due to the higher monitoring and reporting requirements associated with bond	High

	• Large degree of flexibility enabled through various thematic bond labels (e.g., green bonds, blue bonds, etc.) that can be used to finance a variety of projects. • In some cases, issuers can reduce their cost of capital and achieve a 'greenium' to traditional bond issuances. • Large degree of technical support available from NGOs and financial advisory firms.	proceeds (higher costs can be mitigated through larger transaction sizes and longer maturities). • Requires deep subject matter expertise and distribution networks that is often not available at national level.	
Debt-for-Nature Transaction	• May foster stronger collaborations between governments and investors. • Several international conservation NGOs (e.g. The Nature Conservancy, WWF, Wildlife Conservation Society, Conservation International) have voiced support for debt-for-nature transactions. • OECS countries are well-suited for the issuance of blue bonds, which can generate significant financial sums.	• Complex to negotiate, set up and administer, requiring elaborate legal and institutional structures and strong technical capacities. • May be challenging to ensure that substantial decision-making power over the use of funds remain with the protected area managers.	**High**
Place-Based Portfolio	• Provides a long-term funding source while empowering local communities to enhance the value of their natural assets. • For current protected area management practices that involve a large number of stakeholders, this model could provide a more simplified and streamlined solution by having the social enterprise convening all parties to coordinate management measures. • The endowment and fund provide the revenue required to protect the protected area while creating more opportunities for enhancing it, enabling a myriad of funding sources to sustain the protected area in the long-term.	• Relatively complex to set up and requires funding to secure an endowment and a team with the appropriate skills.	**High**
Blue Impact Fund	• A flexible model which, provided that the investable projects are established and have a proven track record of revenue generation, could seed investment into existing opportunities and catalyze further investment into new opportunities within protected areas over time.	• Not suitable for protected areas with investable projects which are too small to attract investment. • If the protected area does not currently have multiple established investable projects, this model could take a relatively long time to set up. Investible projects require robust business plans that prove their revenue-generating capacities.	**Medium**
Blue Carbon Fund	• Leverages the increased global recognition that carbon sequestration and storage are valuable services provided by coastal and marine habitats.	• Takes considerable time to generate verified offsets.	**Medium**

	• Co-benefits include socio-economic welfare improvements and generation of new livelihoods by involving local communities in the management of habitats under the blue carbon scheme.	• Requires technical capabilities to accurately and reliably assess the technical feasibility of a blue carbon scheme, calculate its expected financial returns ex ante, and ensure its additionality and longevity.	
Marine Improvement District	• If a levy can be secured on business rates, this would enable a significant new source of income to pay for the protected area's annual costs and/or build a long-term endowment. • Co-benefits include fostering a sense of community among local businesses and the strengthening of the local economy.	• May be challenging to get the collective participation of local businesses, especially if they are unaware or sceptical of the benefits of this model. Education, awareness raising, and trust are key to the success of this model. • For this model to work long-term, it requires the long-term participation and commitment of local businesses which may be difficult to ensure, especially during periods of economic downturns.	**Low**
Biodiversity Net Gain Fund	• Co-benefits include socio-economic welfare improvements and generation of new livelihoods by involving local communities in the management of habitats under the offset project.	• Requires technical capabilities to accurately and reliably assess the technical feasibility of a biodiversity offset scheme, calculate its expected financial returns ex ante, and ensure its additionality and longevity. • Requires policy measures that support strong markets for domestic/regional biodiversity offsets. • Biodiversity offsets are a less developed framework than carbon offsets. Therefore, standardized methodologies and market demand may not be well established.	**Low**

As a global hotspot of marine biodiversity and a strong dependence on this biodiversity for the local economy, OECS nations will need to leverage a combination of the above tools to facilitate long-term and consistent financing of their environmental resource management activities.

Given the varying strengths and weaknesses of the aforementioned financing mechanisms, the region should consider the tools that scored "high" on the suitability rating for further feasibility evaluation.

REVIEW OF SELECTED REGIONAL SUSTAINABLE FINANCING MECHANISMS

INTRODUCTION AND KEY INVESTMENT SECTORS

Prior to discussing the relative strengths, weaknesses, ease of accessibility, and suitability of a financing mechanism, it is important to first establish what projects are in need of financing. Ultimately, the thematic area that the project falls under, the project's desired outcomes (i.e., its economic, social, and environmental objectives), and how that project is structured will inform its 'fit' for a particular funding source.

That said, and irrespective of the Caribbean's well-documented challenges in attracting meaningful amounts of private direct investment, the region remains an investment destination that provides a host of opportunities for economic growth that have clear linkages to positive social and environmental outcomes.

Given the limited fiscal capacity of national governments and the shallowness of local capital markets, projects should aim to tap into global climate financing pools by effectively demonstrating the important environmental and social contributions these projects can make. Multilateral climate financing has attracted vast sums of money over the past decade and compared to other funding sources (e.g., traditional private equity), it is one of the few capital sources that is actively seeking to finance projects in the Caribbean. In other words, there is a meaningful gravitational pull towards climate financing and it represents an important opportunity for the region to 'skate towards the puck' as a means of securing the resources for sustainable economic development. This strategic approach of making the 'climate-resilience' case should be strongly considered as a way of increasing the financing options for investment sectors that have clear social and environmental benefits.

For example, there is a real need for quality, affordable housing in many OECS Member States. Instead of thinking of this issue purely from a real estate development perspective, housing authorities should also consider the climate aspect to this issue, as many informal dwelling communities are also located in low-lying flood prone areas. By emphasizing this element – the relocation of communities from flood zones to resilient, affordable housing schemes – Member States will be much more likely to identify additional sources of financing which may in fact be better suited to address the complexities of this pressing issue.

Fortunately, the majority of the region's sustainable development pillars have clear environmental and/or social benefits. These sectors, along with their climate linkages and potential funding sources, are captured in the below table.

It is important to note that the potential funding sources highlighted below are indicative and can vary depending on the specific project, country, and eligibility criteria. It is essential to consult relevant funding institutions, development agencies, and financial experts for detailed information and guidance on accessing funding. The table provided below should be considered a starting point for these discussions.

Sustainable Development Priorities	Potential to Attract Environmental Financing	Justification	Contribution to Sustainability	Potential Funding Sources
Renewable Energy	**High**	SIDS often rely on expensive imported fossil fuels for their energy needs. Transitioning to renewable energy reduces dependence on costly imports, promotes energy independence, and can create local jobs in the renewable energy sector. Additionally, investing in renewable energy projects can attract green investments, enhance sustainability credentials, and support the development of a low-carbon economy.	**Mitigation:** Reduces GHG emissions through the generation of clean energy from renewable sources. **Adaption:** Increases energy resilience and reduces reliance on fossil fuels by diversifying the energy mix.	• DFIs • International Climate Funds • Development Banks • Public-Private Partnerships • Private Sector investment • Thematic Bonds • Government Subsidies • Carbon Financing Mechanisms
Low Carbon Transport	**High**	Transportation is a significant contributor to carbon emissions in SIDS. Shifting to low carbon transport, such as electric vehicles and sustainable public transit systems, not only reduces GHG emissions but also improves air quality and reduces reliance on imported fossil fuels. Developing resilient transport infrastructure helps mitigate disruptions caused by climate-related events, ensuring connectivity, and supporting economic activities.	**Mitigation:** Reduces carbon emissions by promoting sustainable modes of transportation, such as electric vehicles and public transit. **Adaptation:** Enhances transportation infrastructure resilience to climate impacts, such as flooding and extreme weather.	• DFIs • International Climate Funds • Development Banks • Public-Private Partnerships • Private Sector investment • Transport Agencies • Thematic Bonds • Government Subsidies • Carbon Financing Mechanisms
Water & Waste Management	**High**	SIDS often face challenges related to limited freshwater resources and waste management. Investing in water and waste management infrastructure and sustainable practices enhances water security, reduces pollution, and promotes sustainable development. It also helps build resilience against water scarcity, flooding, and other climate-related risks, ensuring the availability of clean water for communities and supporting sustainable economic activities through circular economy approaches.	**Mitigation:** Improves water efficiency, reduces water pollution, and promotes sustainable waste management practices. **Adaptation:** Enhances water resource management and builds resilience against water scarcity and extreme weather events.	• DFIs • International Climate Funds • Development Banks • Water and Waste Management Agencies • Private Sector investment • Public-Private Partnerships • Thematic Bonds • Government Subsidies
Resilient Infrastructure	**High**	SIDS are highly vulnerable to extreme weather events and sea-level rise. Investing in resilient infrastructure ensures the long-term functionality of critical infrastructure, protects economic assets, and safeguards	**Mitigation:** Incorporates climate-resilient design and construction practices to withstand and adapt to climate impacts.	• DFIs • International Climate Funds • Development Banks • Disaster Risk Reduction Programs

		communities from climate-related risks. It also attracts investment, improves business continuity, and enhances the overall competitiveness and sustainability of SIDS' economies.	**Adaptation:** Reduces vulnerability of infrastructure to climate-related hazards and ensures long-term functionality.	• Private Sector investment • Infrastructure Funds • Public-Private Partnerships • Risk Transfer Mechanisms • Thematic Bonds • Government Subsidies
Agriculture	**High**	Agriculture is a crucial sector in SIDS, but it is highly vulnerable to climate change impacts such as changing rainfall patterns and increased frequency of extreme events. Investing in climate-smart agriculture practices, sustainable land management, and resilient infrastructure supports food security, enhances adaptation to climate risks, and reduces GHG emissions. It also fosters sustainable livelihoods, promotes rural development, and strengthens the economic resilience of SIDS.	**Mitigation:** Promotes climate-smart agriculture practices, agroforestry, and sustainable land management to sequester carbon and reduce emissions. **Adaptation:** Enhances agricultural resilience to climate change, improves water management, and supports sustainable farming practices.	• DFIs • International Climate Funds • Development Banks • Agricultural Finance Institutions • Private Sector investment • Public-Private Partnerships • Agricultural Insurance Programs • Government Subsidies • Grants and Donations
Fisheries	**High**	Fisheries and marine resources are critical for the livelihoods and economic well-being of SIDS. Investing in sustainable fishing practices, reducing overfishing, and supporting ecosystem conservation helps maintain fish stocks, preserve biodiversity, and protect the health of marine ecosystems. Building resilience in coastal fisheries against climate impacts ensures the sustainability of this sector, supports livelihoods, and safeguards the food security and economic stability of SIDS.	**Mitigation:** Promotes sustainable fishing practices, reduces overfishing, and supports ecosystem conservation. **Adaptation:** Builds resilience in coastal fisheries against climate impacts, such as ocean acidification and sea-level rise.	• DFIs • International Climate Funds • Development Banks • Fisheries Finance Institutions • Fisheries Agencies • Private Sector investment • Public-Private Partnerships • Grants and Donations
Biodiversity Conservation	**High**	SIDS are often home to unique biodiversity hotspots and vulnerable ecosystems. Investing in biodiversity conservation and restoration not only preserves natural resources but also contributes to climate change mitigation by sequestering carbon. By maintaining and managing biodiversity hotspots, SIDS can enhance ecosystem resilience to climate impacts, support sustainable tourism, and foster sustainable economic activities such as ecotourism and nature-based enterprises.	**Mitigation:** Protects and restores natural ecosystems that sequester carbon, preserve biodiversity, and support climate regulation. **Adaptation:** Preserves and manages biodiversity hotspots to enhance ecosystem resilience and adaptation.	• DFIs • International Climate Funds • Development Banks • Biodiversity/Conservation Funds • Environmental Agencies • Debt-for-Nature Transactions • Public-Private Partnerships • Grants and Donations

Tourism	**High**	Tourism is a vital economic sector for many SIDS. Embracing sustainable tourism practices, including reducing carbon emissions, conserving natural resources, and preserving cultural heritage, enhances the long-term viability of the tourism industry. Investing in climate-resilient infrastructure and destination management supports the sector's ability to adapt to climate change, protects valuable tourism assets, and maintains the attractiveness and competitiveness of SIDS as tourist destinations.	**Mitigation:** Promotes sustainable tourism practices and reduces the ecological footprint of the tourism industry. **Adaptation:** Builds resilience against climate impacts on tourism infrastructure and natural resources.	• DFIs • International Climate Funds • Development Banks • Tourism Agencies • Sustainable Tourism Certification Programs • Private Sector investment • Tourism-focused Funds • Public-Private Partnerships • Government Subsidies • Grants and Donations
Affordable Housing	**High**	Access to affordable and climate-resilient housing is crucial for the well-being and economic stability of communities in SIDS. Investing in affordable housing that incorporates energy-efficient and climate-resilient features reduces energy costs, improves living conditions, and protects vulnerable populations from the impacts of climate change. It also contributes to job creation, supports local construction industries, and fosters sustainable economic development.	**Mitigation:** Promotes energy-efficient and climate-resilient building design and materials to reduce carbon footprint. **Adaptation:** Builds climate-resilient housing to withstand extreme weather events.	• DFIs • International Climate Funds • Development Banks • Housing Finance Institutions • Private Sector investment • Social Impact Investment Funds • Public-Private Partnerships • Thematic Bonds • Government Subsidies • Grants and Donations
Manufacturing	**Medium**	Manufacturing industries in SIDS can contribute to carbon emissions and face climate-related risks, such as disruptions in supply chains due to extreme weather events. Investing in cleaner production methods, energy efficiency measures, and low-carbon technologies helps reduce emissions, improve competitiveness, and build resilience against climate impacts. It also fosters innovation, supports local manufacturing sectors, and creates employment opportunities.	**Mitigation:** Encourages adoption of cleaner production methods, energy efficiency measures, and low-carbon technologies. **Adaptation:** Enhances manufacturing facilities' resilience to climate-related disruptions and supply chain risks.	• DFIs • International Climate Funds • Development Banks • Private Sector investment • Sustainable Industry Funds and Initiatives • Technology Transfer Programs • Public-Private Partnerships • Thematic Bonds • Government Subsidies
Healthcare	**Medium**	Climate change poses risks to public health in SIDS, including increased incidences of vector-borne diseases and extreme weather-related health emergencies. Investing in sustainable and climate-resilient healthcare facilities helps reduce emissions, ensures continuity of healthcare services during climate events, and enhances the overall capacity of healthcare systems to respond to	**Mitigation:** Reduces emissions by adopting energy-efficient healthcare facilities and promoting sustainable healthcare practices. **Adaptation:**	• DFIs • International Climate Funds • Development Banks • Healthcare Agencies • Private Sector investment • Health-Specific Funds and Initiatives • Public-Private Partnerships

		climate-related health challenges. It also supports the growth of the healthcare sector, creating employment opportunities and contributing to economic resilience.	Strengthens healthcare systems to respond to climate-related health risks and emergencies.	• Government Subsidies • Grants and Donations

These investment areas are well-positioned to deliver the dual benefits of sustainable economic development and climate-resilience building, especially when they are designed with a circular-economy approach to resource utilization.

SUSTAINABLE FINANCING MECHANISMS

Recognizing both the economic potential and positive sustainability implications inherent in the aforementioned sectors, a number of sustainable financing mechanisms have been funded and operationalized to address the region's need for a greater number financing options. Additionally, a number of promising regional and national mechanisms are in varying stages of development. This section aims to demonstrate that collectively, these mechanisms provide a bevy of funding opportunities for the region.

Before proceeding with the discussion of specific mechanisms, however, it may be useful to establish a basic definition of what a sustainable financing mechanism is.

Defining a Sustainable Financing Mechanism

A sustainable financing mechanism can be defined as a structured and specialized financial framework that combines financial resources and technical assistance to support projects and initiatives addressing key sustainable development challenges. As it pertains to the Caribbean, the majority of mechanisms are aimed at providing resources to contribute to building climate-resilient economies. In many cases, these mechanisms serve a dedicated platform to mobilize funding from various sources (i.e., international development assistance, multilateral climate funds, and private capital either in the form of large donations or market-rate-seeking investments) and allocate it towards specific thematic areas (e.g., resilient infrastructure, blue economy, disaster vulnerability reduction, biodiversity conservation, etc.). Importantly, many of these facilities provide valuable technical expertise (e.g., legal, financial, engineering, scientific, project design and administration, etc.) which is often not available from traditional funding sources like commercial banks or private investors.

This section of the report provides a high-level qualitative analysis of a subset of such mechanisms, specifically:

Caribbean Biodiversity Fund	Renewable Energy Infrastructure Financing Facility
Barbados Blue-Green Investment Corporation	Dominica National Financing Vehicle
Small Islands Resources Framework Fund	Caribbean Climate Smart Accelerator
Caribbean Climate Investment Programme	Eastern Caribbean Partial Credit Guarantee Corporation
Critical Ecosystem Partnership Fund	Caribbean Climate Smart Fund
Caribbean Investment Facility	Caribbean Regional Fund for Wastewater Management

This subset of mechanisms were selected based on their respective development objectives, geographic eligibility criteria, and thematic focus areas. Inclusion in this report should not be construed as an endorsement while exclusion from this report should not be viewed negatively. For example, in the renewable energy sector, there are numerous financing facilities for which Caribbean-based projects are eligible to apply. Many of these facilities, however, were not included for reasons such as their overlapping objectives or that they have been open to funding Caribbean

projects but have yet to disclose any disbursements in the region. Additionally, for many mechanisms for which Caribbean projects may be eligible, many have finite lives and as such were not included in the analysis.

The objective of this section is to provide a better understanding of the existing landscape of regional and national financing mechanisms to inform a wider perspective of gaps and opportunities for creating more holistic financing approaches in the future. Additionally, this section aims to elucidate synergies between existing structures and how their respective work can be better aligned or adapted to be more additive to the region's sustainable economic development goals.

SFM	Status	Description	Key Objective(s)	Key Focus	Funding	Key Donor(s)/Partner(s)
Caribbean Biodiversity Fund	**Fully-Operational**	Regional umbrella environmental fund that implements innovative solutions and consolidates regional conservation impacts in the Caribbean through a range of financial instruments.	To ensure continuous funding for conservation and sustainable development in the Caribbean.	• Climate Change • Conservation Finance • Nature-based Solutions	**$100M+**	• Agence Française de Développement (AFD) • French Facility for Global Environment (FFEM) • German Ministry for Economic Cooperation (BMZ) • German Development Bank (KfW) • German International Cooperation (GIZ) • World Bank • GEF • UNDP • International Climate Initiative (IKI) • The Nature Conservancy (TNC)
Caribbean Climate Smart Accelerator	**Fully-Operational**	Structured as an accelerator, the CCSA seeks to structure, implement, and fundraise for blended financial facilities to deliver new sources of capital and increase funding available for climate action across the Caribbean.	Central objective is to help transform the region's economy by fast-tracking sound public and private investment opportunities that support climate action and economic growth through sustainable development.	Multi-Sector Focus	**Unclear** (initial funding of $3M from IDB)	• Richard Branson (Virgin Unite) • IDB • World Bank • Various NGOs (e.g., The Nature Conservancy, Gates Foundation, The Children's Investment Fund) • Various multinational companies (e.g., Munich Climate Insurance, Swiss Re, Airbnb, BCG)

Caribbean Climate Investment Programme	**Fully-Operational**	CCIP is a catalytic activity which aims to unlock and increase private sector investments in social and environmentally sound renewable energy and energy efficiency projects.	• Business development service facilitation to private sector partners working with RE/EE technologies • Access to finance, de-risking instruments, and lending products to climate finance seekers working with RE/EE technologies • Technical and financial support to businesses, communities and other entities in developing, scaling, or improving adaptation practices and technologies.	Renewable Energy	**$23.5M** (4 year program)	• USAID • Government of Dominican Republic
Eastern Caribbean Partial Credit Guarantee Corporation	**Fully-Operational**	The ECPCGC was created in response to the contraction of credit in the OECS banking system, and the need for MSMEs to have access to credit to grow their businesses.	The objective of the ECPCGC is to facilitate additional financial intermediation for MSMEs in the ECCU.	Credit Enhancement provided to participating commercial banks	**Unclear** (max guarantee of 80% of the loan amount)	• World Bank • ECCB • Bank of St. Lucia Ltd • National Bank of Dominica • St. Kitts-Nevis-Anguilla National Bank • First National Bank, St. Lucia • Eastern Caribbean Amalgamated Bank, Antigua & Barbuda • ACB Caribbean • ACB Grenada • Grenada Development Bank • Grenada Co-operative Bank • St. Lucia Development Bank • Republic Bank (EC) Limited

						• Bank of St. Vincent & the Grenadines
Critical Ecosystem Partnership Fund	**Fully-Operational**	The Critical Ecosystem Partnership Fund (CEPF) enables civil society to protect the world's biodiversity hotspots—biologically rich ecosystems that are essential to humanity, yet highly threatened.	To empower civil society in developing countries and transitional economies to protect the world's biodiversity hotspots.	Biodiversity Conservation	**Unclear** (Significant funding from donor entities. $277M disbursed since 2000; $11.8M in the Caribbean)	• AFD • Conservation International • European Union • GEF • World Bank • Government of Japan • CANARI (Regional Implementation Team)
Caribbean Investment Facility	**Fully-Operational**	CIF is one of the European Union's regional blending facilities. It acts as a catalyst to mobilize funding for development projects by combining EU grants with financial resources from European and regional financial institutions, governments and the private sector.	• Improving social access and quality of infrastructure in the Caribbean countries. • Increasing environmental protection, supporting climate change adaptation and mitigation and prevention and mitigation of natural disasters. • Promoting equitable and sustainable socio-economic development through improvements to social service infrastructure and support to SMEs.	Sector agnostic as long as project has clear social, economic, and environmental development impact. Current project portfolio includes: • Water Supply & Sanitation • Sustainable Agriculture • Transport • SME support • Renewable Energy • Conservation • Disaster Recovery • Financial Services	**Unclear** (significant financial capacity from multilaterals and resource pooling)	• European Investment Bank • AFD • KfW • IDB • AECID • COFIDES • CBD • CAF • JICA • World Bank

				• Healthcare		
Caribbean Regional Fund for Wastewater Management	**Fully-Operational**	Described as an integrated approach to water and wastewater management using innovative solutions and promoting financing mechanisms in the wider Caribbean region.	To implement innovative technical small-scale solutions in the wider Caribbean region using an integrated water and wastewater management approach building on sustainable financing mechanisms piloted through the Caribbean Regional Fund for Wastewater Management.	• International Waters • Land Degradation	**$150M+**	• GEF • IDB • UNEP
Sustainable Island Resource Framework Fund	**Partly-Operational (Start-up Phase)**	The SIRF Fund is established as a Special Fund under the Finance Administration Act of Antigua & Barbuda. It serves as the primary channel for environmental, climate mitigation and adaptation funding from international and domestic sources.	The purpose of the SIRF Fund is to provide financing to implement the Environmental Protection and Management Act (2015) in a coordinated, systematic and cost-effective manner. The SIRF Fund is mandated to provide access to funding to the public sector, the private sector, and to non-governmental and community organizations in Antigua & Barbuda, and it can support environmental management in other islands in the OECS.	Multi-Sector Focus	**Unclear** (initial funding of $80M via soft loan from the government)	• Government of Antigua & Barbuda
Barbados Blue-Green Investment Corporation	**In-Development**	Joint public-private sector effort to create a regional financing vehicle, initially focused on Barbados and then expanding to other	Specifically targets the private financing of several private and public initiatives for green, affordable, gender-inclusive housing, energy, generation,	Multi-Sector Focus	**Unclear** (initial funding	• Government of Barbados • GEF • USAID • Pegasus Capital Advisors

		CARICOM countries, to overcome the existing financing challenges and constraints of climate change adaptation and mitigation.	water conservation, food security and low carbon transport. It aims to create an improved financing capacity and infrastructure that draws in other financing players like banks, credit unions, pension funds, and insurance companies and will build the wider community's awareness in support of a more resilient and sustainable Caribbean.		from GEF and USAID)	
Dominica National Financing Vehicle	In-Development	The Dominica national financing vehicle is a financing mechanism that aims to catalyze up to $400M in social and climate finance to be invested in a portfolio of projects located Dominica.	Aims to unlock finance from concessional and non-concessional sources to deliver long-term sustainable solutions that enhance the social and economic conditions for the citizens of Dominica and build resilient structures to reduce potential impacts of climate change events in the country.	Multi-Sector Focus	**Unclear** (initial funding from GCF)	• Government of Dominica • Green Climate Fund • Global Green Growth Institute
Renewable Energy Infrastructure Financing Facility	In-Development	Mechanism to accelerate the renewable energy transition to generate affordable, clean power for a climate-resilient ECCU.	Unlocking the barriers to financing by implementing a climate finance architecture conducive to the origination of a pipeline of bankable projects and repeat financing.	Renewable Energy	**Unclear**	• ECCB • World Bank • Castalia Advisors • Williams Sale Partnership (WSP)
Caribbean Climate Smart Fund	In-Development	Blended Finance (private equity) investment Fund	The goal of the CCSF is to help finance distributed, resilient, and clean energy projects, contribute to energy inclusion and justice, and create lasting change in project development in the Caribbean.	Renewable Energy	**Unclear** (target funding of $150M)	• Rocky Mountain Institute • Lion's Head Global Partners

BENCHMARKING AND ANALYSIS

Following from the table above, a qualitative assessment was performed on the active mechanisms as well as the mechanisms that are either in the start-up phase or in the process of being developed. The operational dimensions of the selected mechanisms that were evaluated are defined in the table below, with four (4) being the highest score in a particular dimension and one (1) being the lowest score.

Operational Dimension	Evaluation and Treatment
Financial Sustainability	• **Evaluation:** How sustainable or reliable is the funding base which supports the ongoing operations and financing capacity of the mechanism? • **Treatment:** An endowment or significant multi-year commitments would earn the highest score while a funding base made only of one-off grants or donations would earn a lower score.
Financing Mobilized	• **Evaluation:** How much financing has been mobilized or disbursed as a result of an intervention by the mechanism? • **Treatment:** Large sums earn higher scores while lower sums earn lower scores.
Leveraging	• **Evaluation:** To what extent is the mechanism able to use its own financial resources to crowd-in private capital? • **Treatment:** Mechanisms that demonstrate a strong ability to leverage earn higher scores while those with weaker leveraging capabilities earn lower scores.
Financing Mix	• **Evaluation:** How diverse are the financing instruments or strategies employed by the mechanism? • **Treatment:** Mechanisms that use various forms of financing tools (e.g., grants, debt, equity, credit enhancement, etc.) earn higher scores compared to mechanisms that use only one form of financing (e.g., grants).
Catalytic Effect	• **Evaluation:** How successful is the mechanism in using its own resources to mobilizing additional resources or partners towards a specific initiative? • **Treatment:** A mechanism with a wide variety of partners (i.e., is part of a committed alliance or coalition) earns a higher score than a mechanism that tends to work with a small or closed group of existing partners or affiliates.
Additionality	• **Evaluation:** Is the mechanism's focus area and activities generally additive or duplicative? • **Treatment:** Mechanisms that are focused on a relatively underserved activity (e.g., conservation) or provide an in-demand resource (e.g., credit enhancement or technical assistance) earn a higher score while mechanisms that compete against other mechanisms/project sponsors for existing resources earn a lower score.

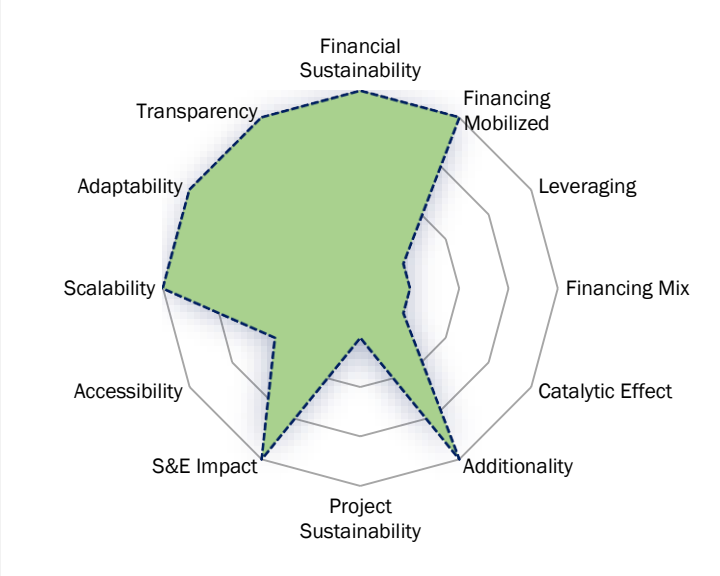
Project Sustainability	• **Evaluation:** To what extent are the projects supported by the mechanism able to succeed in the long-term post-intervention? • **Treatment:** Mechanisms that focus on self-sustaining projects earn higher scores while mechanisms with projects that fail to achieve long-term, post-intervention operations earn lower scores.
Social & Environmental Impact	• **Evaluation:** To what extent does the mechanism's work create positive social and/or environmental impacts? • **Treatment:** Mechanisms with higher impact earn higher scores while mechanisms with lower impact focus earn lower scores.
Accessibility	• **Evaluation:** What is the breadth of eligibility to access resources from the mechanism? • **Treatment:** Mechanisms with flexible eligibility criteria (e.g., private companies, NGOs, governments, etc.) earn higher scores while mechanisms with stricter criteria earn lower scores (e.g., only work with a specific entity type).
Scalability	• **Evaluation:** How scalable or repeatable is the mechanism's activities or its resource capacity? • **Treatment:** Mechanisms with high scaling potential earn higher scores while mechanisms with low scalability (e.g., the mechanism expires after 4 years or it has a capped funding base) earn lower scores.
Adaptability	• **Evaluation:** How adaptable is the mechanism to the specific local context in which it seeks to operate? • **Treatment:** Purpose-built mechanisms (e.g., built specifically to finance infrastructure in the Caribbean) earn higher scores while mechanisms with little flexibility (e.g., with regards to recipient eligibility or project structure) earn lower scores.
Transparency	• **Evaluation:** How transparent is the mechanism with regards to eligibility, operations, disbursements, and general reporting? • **Treatment:** Mechanisms that consistently publish data (e.g., annual reports) earn higher scores than mechanisms that don't publish reports or data on disbursement activity, for example, earn lower scores.

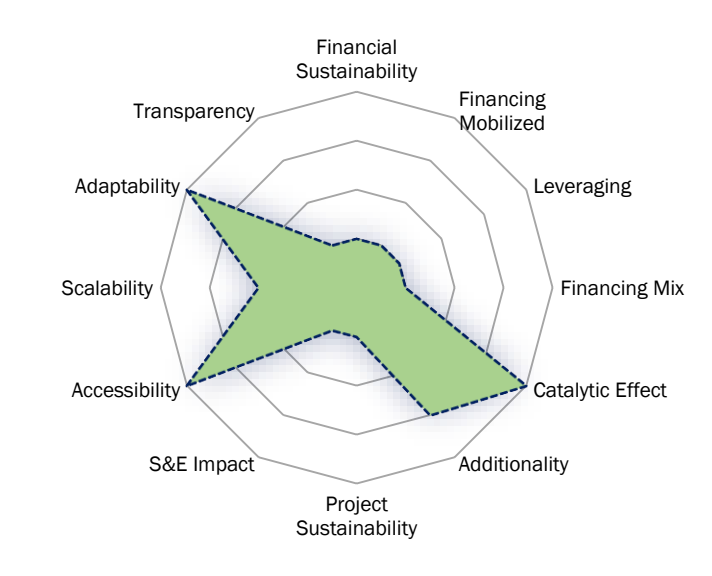
Due to a number of factors such as varying degrees of data availability and a lack of operating history, the qualitative evaluation exercise is largely subjective. For example, for the active and fully-operational mechanisms, only some publish public reports on their activities while others do not. Further, for the cohort of active mechanisms, some are functionally in the start-up phase of their operations and thus lack a substantive operating history thereby making them difficult to evaluate fairly. For the cohort of mechanisms that are in the development phase, they were evaluated based on their intended objectives and activities, rather than their actual operations—which is likely to introduce an additional degree of subjectivity into the evaluation.

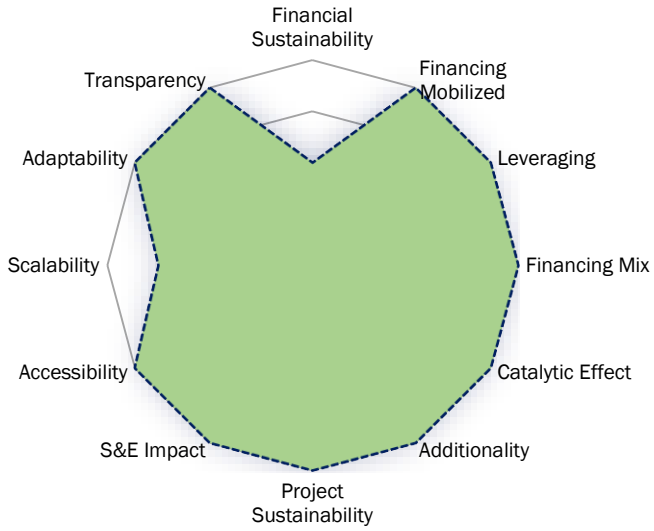
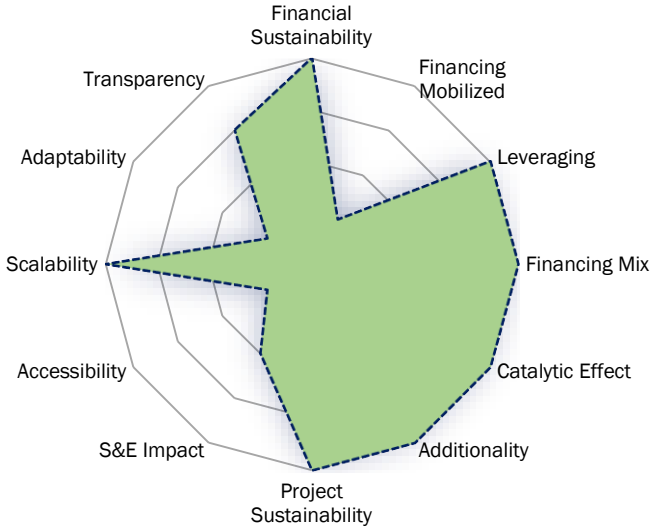
Given the inconsistency in data availability and operating history, this evaluation should be considered a starting point for further study rather than a definitive judgment. For example, some

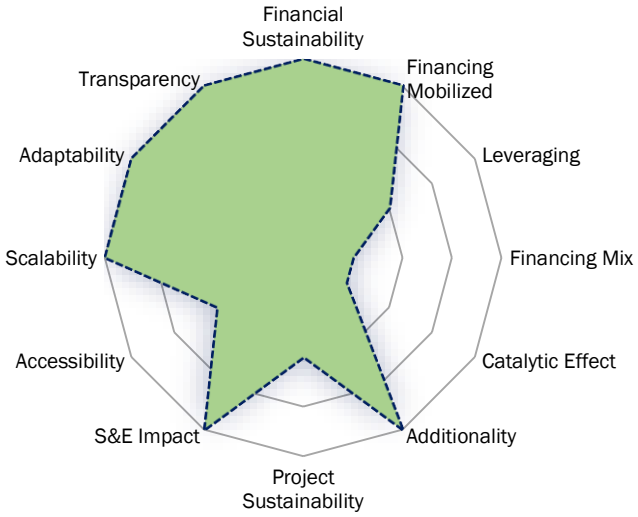
mechanisms that are still in the development phase earned high scores on certain dimensions based entirely upon their stated objectives and scope of intended activities, rather than their actual activities. In theory, it may be easier for a mechanism that exists only in concept (i.e., in their development phase) to score higher due to ambitious goal-setting compared to an active mechanism that publishes regular, publicly-available reports which allow it to be scrutinized to a higher degree. As is often the case, there could be significant deviation from the activities and performance these mechanisms envisioned while they were being developed compared to their actual results once they are operational. Similarly, for the active mechanisms that don't publish regular reports, their evaluation was based on publicly available information (e.g., websites, news articles, etc.) rather than an evaluation of their actual performance.

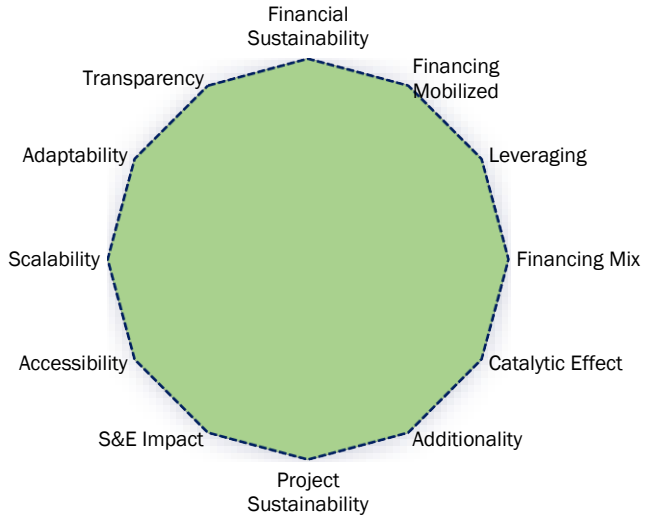
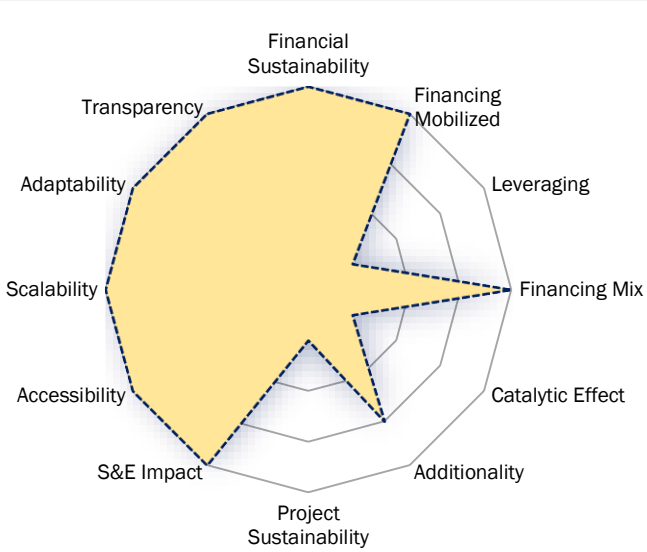
Finally, it is worth noting that many of the mechanisms discussed have different objectives so to some extent, comparisons are not like-for-like. For these reasons, the analysis provided below is intended to be informative rather than definitive.

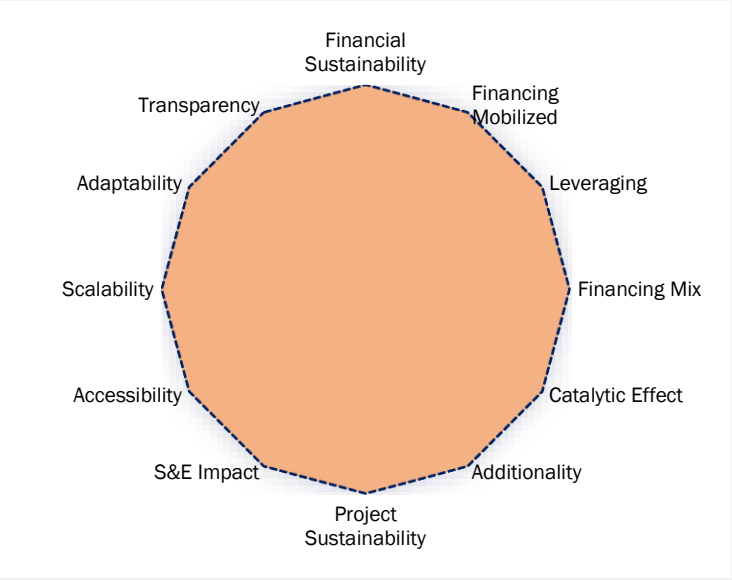
SFM	Status	Operational Evaluation	Key Takeaway
Caribbean Biodiversity Fund	**Fully-Operation**		**Strengths:** • Funded by an endowment providing it with access to long-term financing making it a reliable partner within the ecosystem. • Highly-scalable operational structure that was purpose-built for working in a complex, multi-country environment like the Caribbean. • High additionality as one of the few dedicated Caribbean mechanisms focused on biodiversity conservation. **Weaknesses:** • Low leveraging capacity due to the difficulty making a business case for conservation initiatives. • Low financing mix score due to its sole focus on grants. • Low project sustainability score due to conservation projects being difficult to finance with instruments other than grants. • Low accessibility score as the mechanism works primarily through its regional network of trust funds. **Special Remark:** • The CBF's focus on grants should not be considered negatively, as

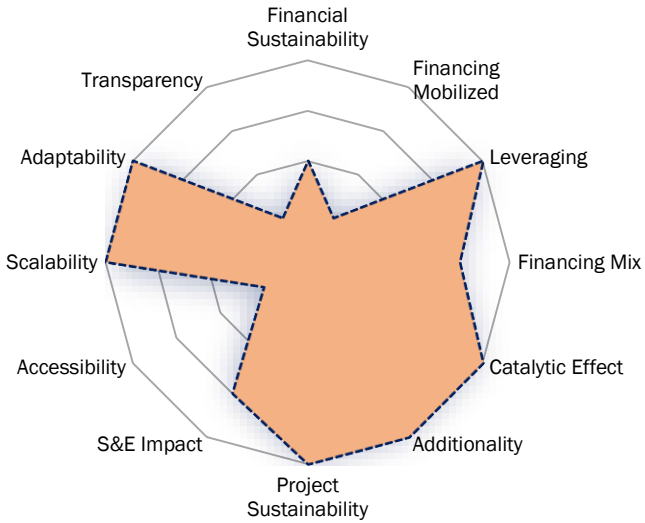
			grants play an important role in supporting innovation and non-traditional business models. • If deployed in the right project, grants can be catalytic.
Caribbean Climate Smart Accelerator	**Fully-Operation**		**Strengths:** • Highly adaptable given its broad mandate. • Highly accessible to a variety of project sponsors. • Highly catalytic due to its broad coalition and alliance of well-capitalized partners. **Weaknesses:** • Medium score on additionality as the mechanism appears to compete with other mechanisms and project sponsors for funding. • Low financial sustainability as it is unclear how the mechanism funds the ongoing operational costs of the accelerator. • Mechanism does not appear to publish public reports so it has scored low on a number of dimensions.

Caribbean Climate Investment Programme	**Fully-Operation**		Overall high score on all dimensions, however, it has a limited ability to scale due to its capped budget and 4-year lifespan.
Eastern Caribbean Partial Credit Guarantee Corporation	**Fully-Operation**		**Strengths:** • High scores on leveraging capability, financing mix, catalytic effect, additionality, project sustainability, and scalability due to its unique focus on providing credit guarantees for MSMEs. Mechanism is also regulated by the ECCB thereby enhancing its accountability and transparency. **Weaknesses:** • Relatively low score on accessibility as it only provides guarantees on loans originated by its partner banks, many of which are commercial banks.

			• Relatively low score on financing mobilized due to its cap on guarantees and loan size. It also doesn't publish annual reports, making quantifying its work difficult. • Low score on Social/Environmental impact due to the its tendency to work mostly commercial banks who tend to employ traditional underwriting methodologies that often exclude micro and small businesses.
Critical Ecosystem Partnership Fund	**Fully-Operational**		**Strengths:** • Generally high scores due to the organisation's scale, global reach, committed funding partners, and deep experience working in developing and transitional economies. **Weaknesses:** • Similar to the Caribbean Biodiversity Fund, this mechanism is focused on biodiversity conservation efforts for which it is traditionally difficult to crowd-in private sector investment.

Caribbean Investment Facility	**Fully-Operational**		Overall high scores across all dimensions. This mechanism is well-endowed, highly flexible and adaptable, utilizes a wide range of financing instruments and leverages deep subject matter expertise to overcome human and technical capacity constraints.
Sustainable Island Resource Framework Fund	**Partly-Operational (Start-up Phase)**		Generally high overall scores but due to lack of operating history is difficult to evaluate. **Strengths:** • Highly scalable mechanism with broad mandate providing it with a great degree of flexibility with regards to project selection and financing strategies. • Mechanism is positioned to be a conduit for multilateral climate funds which it plans on pooling with local funds generated from environmental levies and pollution charges. • Mechanism has a clear mandate and is enshrined in legislation.

			Weaknesses: • Relatively low scores on some dimensions, largely due to its lack of operating history.
Barbados Blue-Green Investment Corporation	**In-Development**		This mechanism is still in development but according to publicly available project documents, it appears to be a transformative mechanism if actual operations meet their intended targets. Mechanism is functionally organized as an investment bank that is specifically focused on blue-green projects (i.e., a wide mandate). Conceptually, the corporation has a sound business plan that aims to be self-financing through typical investment banking revenue streams. The corporation's activities will be piloted in Barbados but has stated its intention to offer its services to other Caribbean countries, making it highly accessible and additive to the sustainable development efforts of neighbouring countries.

Caribbean Climate Smart Fund	**In-Development**		This fund is structured as a traditional private equity fund and plans on employing a technical assistance facility to aid in project development. The General Partner of the fund has a track record of fundraising and managing similar funds in other challenging geographies. However, it remains to be seen how successful it will be with its fundraising efforts, as its focus on renewable energy is a relatively crowded space in the Caribbean.
Renewable Energy Infrastructure Financing Facility	**In-Development**	The evaluation for this mechanism has not been included due to the very preliminary stage of its development. Any evaluation would require too much speculation for it to be comparable to the evaluations of the other mechanisms this analysis. However, an indicative evaluation of the REIFF is provided in the *Gaps and Synergies* section of this report.	N/A
Dominica National Financing Vehicle	**In-Development**	The evaluation for this mechanism has not been included due to the very preliminary stage of its development. Any evaluation would require too much speculation for it to be comparable to the evaluations of the other mechanisms this analysis.	N/A

GAPS AND SYNERGIES

INTRODUCTION

As discussed throughout this report, various mechanisms have been implemented (or are in the process of being implemented) to address the pressing challenge of financing sustainable development in the Caribbean. As mentioned in the benchmarking section, these mechanisms have a significant collective capacity to mobilize much-needed financial and technical resources in the region. However, as with any complex system, there are strengths and demonstrations of best practices within each mechanism but at the same time there are shortcomings which inevitably result in gaps that need to be addressed.

This section of the report aims to identify some of these potential gaps and suggests ways to bridge them. Understanding these gaps is essential for developing relevant strategies to improve the region's need for a holistic financing ecosystem.

Furthermore, it is equally important to explore potential areas of synergies within the landscape. Synergies can enhance the overall impact and efficiency of sustainable financing initiatives by leveraging the respective strengths of certain mechanisms and combining them with others. By identifying and harnessing these synergies, stakeholders can create a more integrated and holistic approach to addressing their respective sustainable development needs.

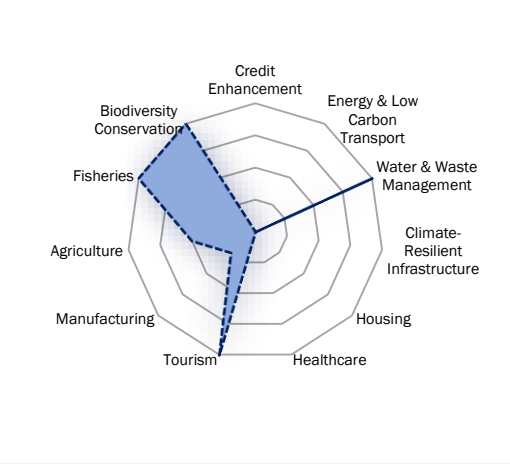
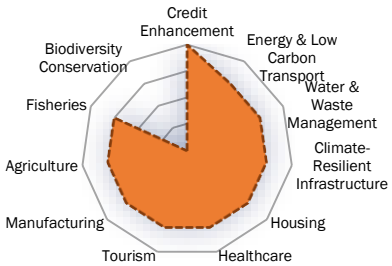
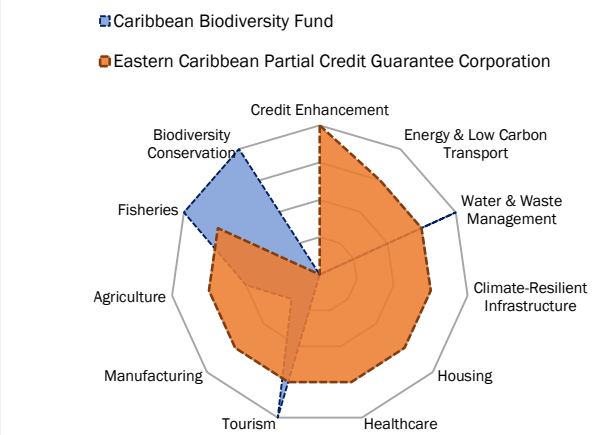
MAPPING GAPS AND POTENTIAL SYNERGIES

Each pillar of the region's sustainable development agenda has its own unique needs and thus requires a nuanced approach to identifying the optimal policy support package, a best-in-class approach to program and project development, and a sensible financing arrangement that enables an appropriate level of risk transfer between development financiers and project beneficiaries.

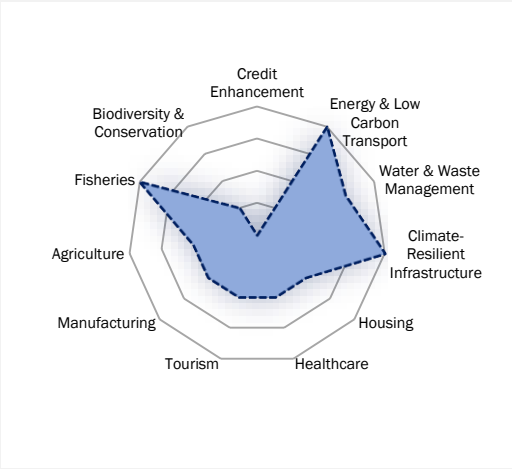
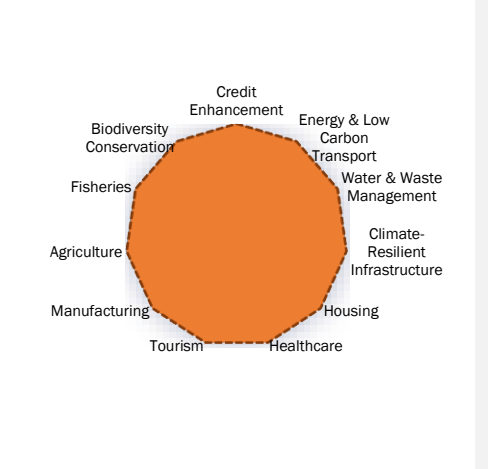
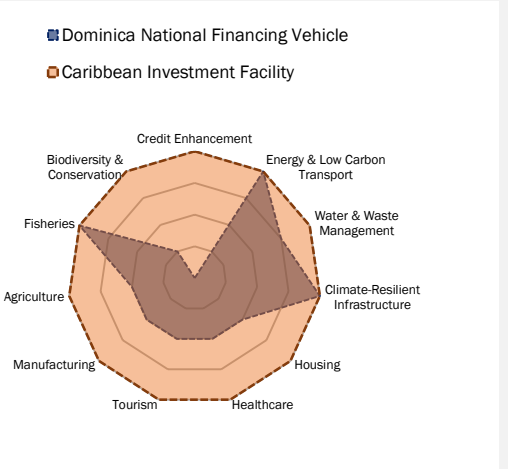
Due to the highly specific nature of calibrating a suitable support package, gaps are discussed from a thematic perspective rather than a project-specific perspective.

Below, a series of tables are provided which seek to highlight specific examples of where a thematic gap has been identified within a subject sustainable financing mechanism. Expanding on the identified gap(s), a secondary mechanism is proposed that could potentially fill said gap(s). From there, a visual representation is provided to bring the concept of synergies to life. Finally the analysis of gaps and synergies are elaborated upon further for additional context. Readers of this report should regard the below analysis as an analytical tool which can be applied to mechanisms that were outside the scope of this brief, and hopefully generate productive discussion between policymakers, development partners, the private sector, and local communities.

Potential Goal
• To make conservation projects more bankable to lenders
Rationale for partnership between Caribbean Biodiversity Fund and the Eastern Caribbean Partial Credit Guarantee Corporation
Conservation projects often face challenges in attracting traditional forms of investment, such as bank financing, due to several reasons: • **Long Payback Periods**: Conservation projects typically have longer payback periods compared to traditional investment projects. The returns on conservation efforts, such as habitat restoration or biodiversity preservation, are often indirect and take time to materialize. This longer time frame for financial returns makes it less attractive for traditional investors seeking quicker returns on their capital. • **Uncertain Financial Returns**: The financial returns from conservation projects can be difficult to quantify and predict accurately. The benefits of conservation, such as ecosystem services or biodiversity preservation, often have intangible or long-term value, which is challenging to convert into financial metrics. This uncertainty makes it difficult to assess the risk-reward profile of conservation projects, deterring traditional investors. • **Lack of Collateral:** Conservation projects may lack tangible collateral that can be used to secure loans. Traditional bank financing typically requires collateral as security, which can be challenging for conservation projects focused on natural resources or environmental protection. This lack of collateral reduces the confidence of lenders in the project's ability to repay the loan. To make it easier for conservation projects to be eligible for bank financing, grants and credit guarantees can be combined in the following ways: • **Grant Funding for Initial Investment:** Grants can provide the initial capital required for conservation projects. These funds can be used for project development, feasibility studies, or early-stage implementation. By utilizing grants, conservation projects can cover upfront costs and reduce the initial financial burden, making them more attractive to traditional investors. • **Credit Guarantees to Reduce Risk**: Credit guarantees can be utilized to mitigate the perceived risk associated with conservation projects. By providing a partial guarantee against potential defaults, credit guarantee mechanisms can enhance the creditworthiness of conservation projects, making them more acceptable to banks and lenders. This reduces the risk for lenders and increases their willingness to provide financing to conservation initiatives. • **Blended Financing Structures:** Blended financing structures involve combining grants, credit guarantees, and traditional bank financing. By blending these sources, conservation projects can create a more attractive investment proposition for traditional lenders. Grants can be used as concessionary capital to lower the overall financial burden, credit guarantees can provide assurance to lenders, and bank financing can bridge the remaining financial gap. This combination creates a more balanced and feasible financial structure for conservation projects. • **Building Partnerships and Networks:** Collaboration between conservation organizations, financial institutions, and government entities is crucial. Establishing partnerships and networks can help raise awareness about the financial viability and social benefits of conservation projects. It can also lead to the development of specialized funds or investment vehicles dedicated to conservation initiatives, thereby increasing the availability of financing options. By combining grants and credit guarantees, conservation projects can leverage these mechanisms to mitigate risk, provide initial capital, and enhance the attractiveness of their investment proposition. This, in turn, increases the likelihood of accessing bank financing and mobilizing resources for critical environmental conservation efforts.

SFM	Thematic Focus	SMF	Thematic Focus	Synergy Illustration
Caribbean Biodiversity Fund		Eastern Caribbean Partial Credit Guarantee Corporation		
Notes		**Notes**		**Notes**
• Strong focus on biodiversity conservation • Strong focus on fisheries • Strong focus on sustainable tourism • Low focus on commercial sectors like manufacturing and housing/construction		• Strong focus on credit enhancement through loan guarantee scheme • Sector-agnostic facility but focused on MSMEs with sound business plans, so ECPCGC exhibits a relatively high degree of flexibility from a thematic perspective • Low/no focus on biodiversity conservation		**Relevant points on CBF:** • Strong focus on biodiversity conservation • Strong focus on grants • Growing openness to supporting projects outside of its conservation trust network • Limited capacity to work outside of conservation arena **Relevant points on ECPCGC:** • Strong focus on increasing MSME's access to finance • Sector agnostic • Zero focus on conservation

Potential Goal
• Widening the scope of Dominica's National Financing Vehicle from energy transition to other key sustainable development areas
Rationale for partnership between Dominica's National Financing Vehicle and the Caribbean Investment Facility
Dominica's National Financing Vehicle has a relatively narrow focus on facilitating the country's transition from fossil-fuel dependence to low-carbon energy production and consumption. However, Dominica has other acute development challenges beyond its carbon-intensive energy mix. By working with a larger, more flexible, and relatively sector-agnostic mechanism like the Caribbean Investment Facility, the two mechanisms could potentially widen their thematic focal areas and address a wider scope of sustainable development needs. A few examples of these expanded thematic areas include: • **Climate resilience:** The NFV and CIF can work together to support projects that make the country more resilient to climate change, such as seawalls, storm shelters, and early warning systems. • **Water management:** They can work together to support projects that improve water management in Dominica, such as rainwater harvesting, desalination plants, and wastewater treatment plants. • **Agriculture:** The two can work together to support projects that improve agricultural productivity and resilience on the island, such as climate-resilient crops, irrigation systems, and food storage facilities. • **Tourism:** These mechanisms can work together to support projects that reduce the ecological footprint of the tourism industry, for example, by supporting waste-to-energy projects or the development of biodiversity offset schemes. • **Healthcare:** The NFV and CIF can collaborate to support projects that improve healthcare access in the country, such as climate-resilient healthcare facilities that can remain operable during severe weather events. Dominica's National Financing Vehicle and the Caribbean Investment Facility can synergize their efforts to support a holistic sustainable development agenda. The above suggestions are just examples but they each have a material linkage to the NFV's mandate while also enabling it to serve a wider agenda.

SFM	Thematic Focus	SMF	Thematic Focus	Synergy Illustration
Dominica National Financing Vehicle[1]		Caribbean Investment Facility		

Notes	Notes	Notes
• Strong focus on increasing renewable energy and energy efficiency in Dominica • Also a strong focus on facilitating investment opportunities within the framework of Dominica's Blue Economy Masterplan • Relatively little focus on other thematic areas	The CIF has three broad strategic objectives: • Improving social access and quality of infrastructure • Increasing environmental protection • Promoting equitable and sustainable socio-economic development As discussed in the *Benchmark and Analysis* section, CIF has a wide thematic focus and a large degree of operational flexibility	**Relevant points on the Dominica NFV:** • Purpose-built vehicle for working in Dominica; positioning it well from a stakeholder engagement perspective • Relatively narrow focus on energy transition but appears open to supporting other thematic areas • It has a target to mobilize $300 million in funding (unclear on progress to date) **Relevant points on Caribbean Investment Facility:** • Well-endowed multilateral vehicle • High degree of operational flexibility • Broad thematic focus

[1] This SFM is still in its development phase, however, based on publicly available information from the Green Climate Fund, its thematic focus is visualized in the above table. More information on this mechanism can be found here: https://www.greenclimate.fund/document/establishment-and-operationalization-national-financing-vehicle-dominica

RECOMMENDATIONS

INTRODUCTION

This section is designed to serve as a starting point for discussions on next steps forward in review of the analysis presented through this paper. This section starts with guiding questions and then explores two distinct paths related to synergies and new mechanisms. While other paths do exist, the two explored below are comprehensive, distinct, and can address aforementioned challenges related to capacity, data, and coordination.

GUIDING QUESTIONS

It is important to review the data and analysis presented above through guiding questions to illuminate goals, needs, and capacities which can help support next steps.

Scale & Partners

- For which sectors do we want to prioritize sourcing SFMs?
- How much funding is realistically needed and can be managed? Over what time period? And in what prioritized sectors?
- Do we want to engage in a national or regional level effort?

Enabling Environment

- Do we have the relevant existing policy and legislation to effectively implement or support deeper SFM engagement?
- What institutions do we need to engage to ensure this mechanism will be fully functional?
- What is the process for approval to establish this mechanism and who are the key players supporting this process?

Structuring & Logistics

- What organization is best aligned in terms of mandate, capacity, and expertise to play a key role in the development and execution of SFMs?
- What stakeholder(s) is best suited to help execute our SFM approach?
- How important do we see the private sector as a partner?
- To what level do we reasonably want to engage the private sector?
- Who will be responsible for project evaluation, design, and structuring?
- Who should make the investment decision?
- How are we ensuring inclusivity in our design approach, selection process, and stakeholder engagement efforts?

Resources & Partnerships

- What resources (human or financial) currently exist to support deeper engagement with SFMs?
- How can we reallocate existing resources to support pursuing SFMs in a non-disruptive way?
- What organization or outside resource has or can build the expertise we need to execute our vision?

POTENTIAL PATHS FORWARD

EXISTING MECHANISMS

OPTIMISING THE EXISTING LANDSCAPE

One core problem is the perceived lack of available funding for projects supporting sustainable development and environmental sustainability. Our analysis shows extensive funding sources exist but are often being underutilised for reasons including those highlighted in the *Stakeholders Consultation* section. The funding sources are broad-based and often have overlapping thematic areas or goals, suggesting opportunities for synergies.

Improving data and technology

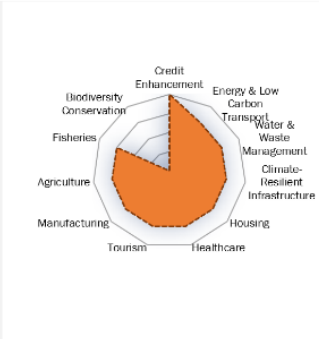
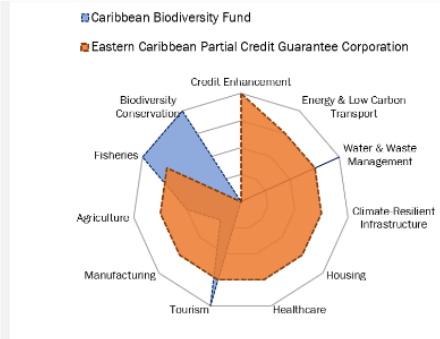
A simple example to support greater access to SFMs would be greater adoption of digital technologies to aid comprehensive data gathering activities, analysis, and reporting. This would reduce costs, improve standardisation, and remove the need for constant baseline assessments.

Supporting projects throughout their lifecycle

Another example would be to connect projects solving problems at different stages of maturity. An initiative to advance agricultural development in the region may require the use of more technical partners in the beginning to focus on production but can later on connect with different projects focused on investing in and scaling agribusinesses. These projects should act in coordination and actively share learnings versus having these two projects being conducted in silos. Identifying and pursuing synergistic activities will require coordination, collaboration, and access to information.

Partnering projects to drive synergies

Stakeholders can also consider partnering different SFMs, such as CBF and ECPCGC, which cater to different functionalities and focus areas to highlight synergistic opportunities.

SFM	Thematic Focus	SMF	Thematic Focus	Synergy Illustration
Caribbean Biodiversity Fund		Eastern Caribbean Partial Credit Guarantee Corporation		

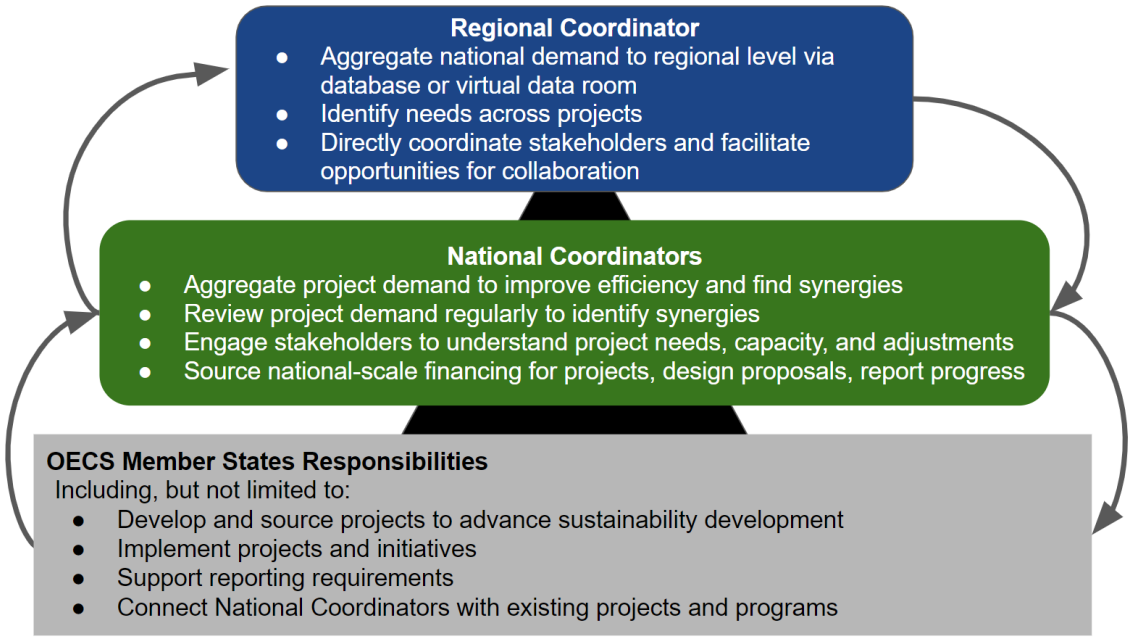
As mentioned in the *Gaps and Synergies* section, creating deeper linkages between the Caribbean Biodiversity Fund (or the Critical Ecosystem Partnership Fund) and the Eastern Caribbean Partial Credit Guarantee Corporation can help produce financially resilient conservation projects by providing early stage capital to support implementation and improve project sustainability, thereby increasing access to more traditional financing through credit guarantees. Partnership efforts can help derisk projects and provide a track record traditional finance can rely on when considering conservation projects in the future. These endeavours could be further supported by technical assistance from specific development projects, experts or consultants, to ensure proposal design and implementation are best suited to become a financially viable structure.

Aligning pipeline development efforts with suitable capital sources

Often, projects may not be structured or marketed in the right way or to the most appropriate mechanism or facility. Additionally, there is a lack of human resources, technology, and data to effectively manage the vast myriad of ongoing projects. The lack of a structured, bankable pipeline of projects can make it difficult to utilise existing financial resources and a lack of coordination hinders the development of synergies to best leverage these resources.

Multi-level coordination efforts

The establishment of national coordinators at the Member State level and the appointing of a regional coordinator at the OECS level can support project aggregation, pipeline development, communication between stakeholders, and aid in the identification of synergies for greater efficiency and scale within the landscape of existing mechanisms.



Existing Mechanism

National Coordinators

The national coordinator should be focused on aggregating project demand and initiatives, regularly reviewing projects to identify synergies, and actively engaging relevant stakeholders to establish communication and collaboration among them.

Establishing a national coordinator directly tackles the core challenges of communication and coordination that stakeholders strongly felt was an impediment to success. The coordinator should serve three core objectives:

1. **Aggregating project demand** and initiatives helps countries tap into larger projects with more strategic financing as well as identify different synergies and overlaps to reduce friction and duplicative efforts. This may also reduce administrative or proposal writing tasks on project staff which could improve capacity and ensure relevant stakeholders have more bandwidth to develop new projects and implement them, rather than being burdened with excessive reporting requirements and administrative functions.

2. **Regular reviews to identify synergies** ensure as projects change or are brought to the coordinator they can be incorporated into ongoing conversations and initiatives. The national coordinator should be abreast of existing sustainable development projects and

aware of SFMs operating or available to operate in-country. These should be included in the synergy analysis and the national coordinator should consistently review the landscape through secondary research or stakeholder engagement to make sure information is as relevant and up-to-date as possible.

3. **Stakeholder engagement should be ongoing** so the national coordinator is up to date on project needs, capacity, and adjustments. These relationship building and information gathering efforts will be critical to identify synergies and which stakeholders connections to make. This will also ensure the national coordinator is aware as new projects and SFMs begin development stages so they can address synergistic opportunities and position existing projects to benefit from or partner with new ones to improve reach and efficacy for all stakeholders.

The three responsibilities outlined above should be the main focus of their work and not an add-on to an existing position. This will provide the focus and concentration needed to realise the benefits of this initiative. The coordinator should be empowered to connect with others inside and outside of government to address project and stakeholder concerns. This coordinator can be housed within the ministry of finance, ministry of sustainable development, but ideally within a ministry with a wide purview of government-wide activities.

Regional Coordinator

Given OECS Commission's standing in the region and value-add proposition, the regional coordinator helps to better realise the Commission's value as a convener. The regional coordinator provides similar functions as the national coordinator and should have, but not be limited to, the core functions below:

1. **Aggregate national demand to a regional level:**

   To support this, the Commission should develop a database or virtual data room (VDR) to house all projects and initiatives. This database should be easy-to-use by national coordinators and allow for segmentation by sector and stage of project development/implementation. This tool should also be used by national coordinators as the platform through which they aggregate and analyse projects in order to streamline opportunities for collaboration. Aggregating and resegmenting project demand at the regional and thematic level can make it easier to position the region to receive large-scale financing for longer-term initiatives and can lead to more effective project proposal development.

2. **Needs identification across projects:**

   The regional coordinator should review this database regularly, potentially on a quarterly basis, to identify overarching needs required by the project in an effort to proactively identify funding opportunities and harness synergies. The coordinator, for instance, can potentially use aggregated project demand to develop proposals. This approach can potentially reduce costs and encourage some level of standardisation to make these projects more attractive to large-scale donors and financiers.

3. **Directly coordinating stakeholders and facilitating opportunities for collaboration:**

   Many development partners interviewed noted the OECS Commission as a responsive, reliable partner with a unique skill to effectively convene key stakeholders and decision-makers. The Commission's respected position makes it a preferred partner for development organisations looking to connect and engage in projects across the region.

By leveraging the Commission, development partners can outsource resources focused on building relationships to convene ministers and stakeholders to a trusted, better-positioned partner who can execute on stakeholder convening and engagement. The regional coordinator should ensure key stakeholders meet regularly in well-defined meetings to support project endeavours and also provide space for informal gatherings connected to these meetings to continue to foster relationship development and knowledge sharing.

This should be an explicit role within the OECS Commission and not an add-on responsibility to an existing staff member. Financial resources for this role can be sourced from larger-scale projects as a coordination fee/cost designed to improve the efficiency of projects and ideally improve the return on investment.

The national and regional coordinators should work closely together to provide a level of accountability to each other, relying on the group to make their role effective. Project aggregation can reduce administrative burden by positioning future proposals more strategically and may require fewer grant-making resources across national and regional departments. Coordinators should be well-versed in proposal design across a variety of stakeholders, grant-making, a skilled communicator and convener, and proactive in identifying synergies and ways to realise them. The coordinator role at the national and regional level relies on consistent stakeholder engagement and knowledge sharing with the ultimate goal of sourcing sustainable financing to support economic development through the wide array of initiatives in the region.

Roles & Responsibilities

National Coordinators would be responsible for proposal development, project implementation, and reporting requirements for projects when implemented and financed on a national level. National Coordinators will support the Regional Coordinator in these endeavours when projects are aggregated and packaged for regional scale financing efforts.

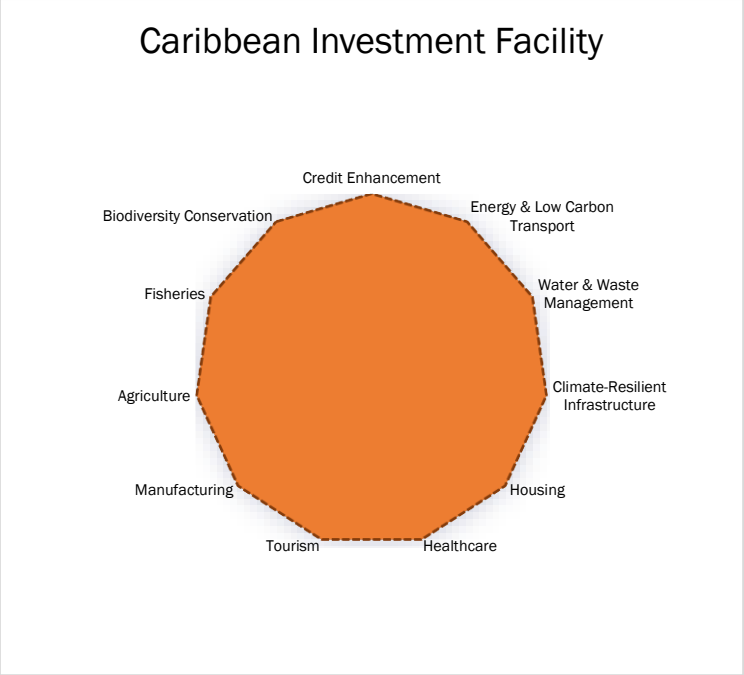
Advantages & Disadvantages

Advantages: Two-tiered process of national and regional coordination create more opportunities for collaboration, communication, and accountability. The two tiers mutually benefit each other and allow the respective parties to play to their strengths which can increase more tailored and appropriate financing to the region. Opportunities to effectively aggregate demand at national and regional level reduces pipeline issues often hindering financing and can create broad-reaching engaging themes for financiers to support.

Disadvantages: Opportunity for tasks to remain incomplete if not clearly delegated. Both regional and national coordinators will need to determine an appropriate split of roles and responsibilities. Variations between countries (language, culture, economic status) may impact the effectiveness of national coordinator ability to support regional coordinator. National coordinators have the discretion on project inclusion for regional efforts, which means the regional coordinator needs to ensure national sourcing efforts are broad-based and inclusive.

CONCENTRATING EFFORTS WITHIN A CORE MECHANISM(S)

The analysis section shows the variation within efficacy, scope, and design of SFMs currently existing in the Caribbean. Some SFMs are more comprehensive and inclusive while others have a narrow focus and mandate. Within those assessed, there are a few exemplars due to their comprehensive and inclusive nature which could be catalytic for bringing transformative change and capital to the region, such as the CIF. The Caribbean Investment Facility has positioned itself to be highly flexible and adaptable with a focus on sector-agnostic sustainable development that leverages blended finance.



CIF projects are highly additive and attract additional capital from multilateral and bilateral European financing institutions (such as EIB and AFD) and national, regional and multilateral development banks (including, but not limited to, Development Bank of Jamaica, CDB, IDB, JICA, DFID, etc.). To this end, ensuring a high-quality project pipeline and improving coordination and communication between national and regional partners can accelerate the impactful and transformative work already being undertaken by this institution.

Depending on its current internal structure, the CIF could benefit from the implementation of national and regional coordinators working directly with regional entities in the Caribbean, such as the OECS Commission, to aggregate and structure smaller scale projects to benefit from CIF's grant and blended finance facilities. The OECS and its regional coordinator could work together with CIF Investment Committees to understand investment needs and objectives and work with national coordinators to source and aggregate small to medium scale projects to better position them for suitability for the CIF. Current projects tend to be larger scale (tens of millions in USD with a portion coming directly from CIF).

This could broaden and deepen the mechanism's reach, not only with financial resources but technical assistance as well. It could also be an entry point for partnering financial institutions to better understand opportunities in the region for further financing efforts.

It is to be noted CIF's work extends to 13 Caribbean countries, all of whom are signatories of the ACP-EU Partnership Agreement. This mandate includes all independent members of the OECS, but

does not include associate members such as the British Virgin Islands, Anguilla, Martinique, and Guadeloupe.

Roles & Responsibilities

A regional entity, like the OECS Commission, provides project aggregation services to CIF and provides proposal design, submission, and reporting support. The regional entity or regional coordinator works with national coordinators to source projects, share resources, and coordinate opportunities for technical assistance connected to financing. Regional coordinator leads reporting and other efforts associated with CIF funding.

Advantages & Disadvantages

Advantages: Working with a flexible, comprehensive facility with additive capital properties can effectively leverage financial and human resources and allow smaller scale projects to benefit from enhanced technical assistance.

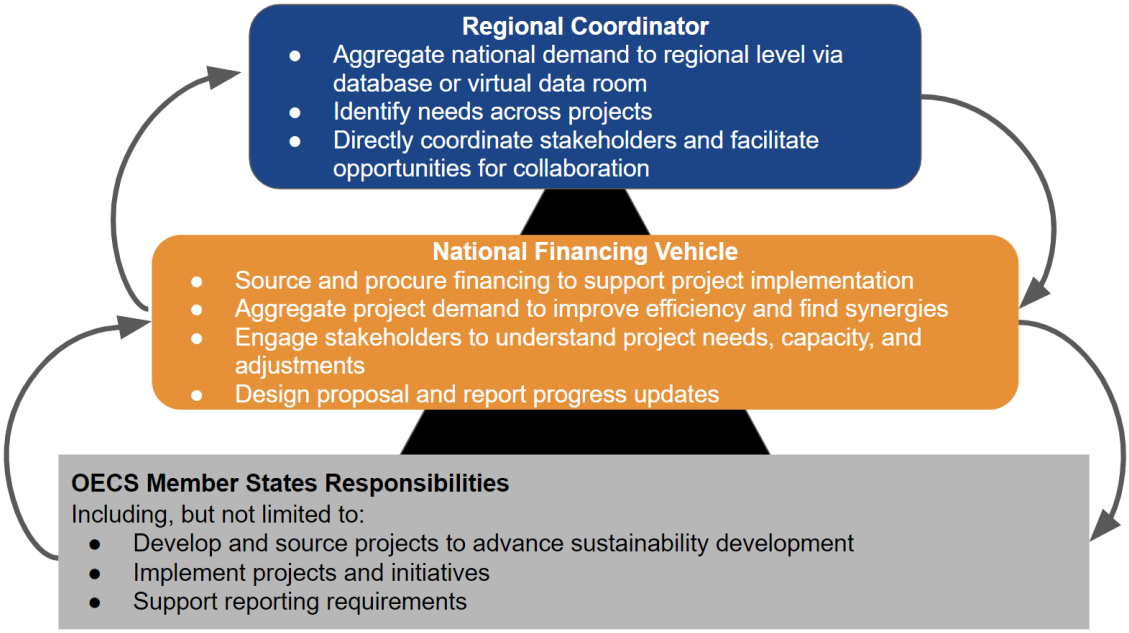
Disadvantages: CIF may be challenged to incorporate aggregated small projects into investment thesis.

NEW MECHANISMS

NATIONALLY-LED NEW MECHANISM(S)

It may also be helpful to consider a new mechanism developed to explicitly address challenges identified earlier. This could take the form of national financing vehicles which report to OECS for coordination and collaboration. These NFVs would be modelled after the Antigua & Barbuda Sustainable Island Resource Framework Fund. This mechanism takes a more bottom-up approach with demand and funding starting at the national level and the regional partner providing oversight, scale-up financing opportunities, synergy identification and collaboration support.

The SIRF Fund is established as a Special Fund under the Finance Administration Act of Antigua & Barbuda. It serves as the primary channel for environmental, climate mitigation and adaptation funding from international and domestic sources. The SIRF Fund is mandated to provide access to funding to the public sector, the private sector, and to non-governmental and community organisations in Antigua & Barbuda, and it can support projects in other islands in the OECS. The SIRF Fund can act as a national convener of third-party climate or other thematic funds related to the specific mandate of the fund. Its ability to invest in other islands could be well-suited for bilateral or multilateral endeavours such as food terminals, port redevelopment, or affordable, environmentally sustainable transport between islands. This structure could also finance sustainable development projects in the overseas territories which generally suffer from a lack of access to SFMs due to their territorial status.



New Mechanism

Mandate and Stakeholders

In this scenario, a country will design a national financing vehicle (NFV) with the ability to invest broadly by sector through the lens of environmental sustainability and have international reach. Key stakeholders to be included should be representatives from the Ministry of Finance, and Ministries of the Environment, Economic and/or Sustainable Development as available by country, financial institutions, and environmental sustainability experts (internal and external).

Structure

Stakeholders will need to establish a governing board with multi-stakeholder participation from both private and public sectors, an independent investment committee, and a lean but experienced staff to support investment origination and underwriting.

Enabling Environment

This vehicle should be implementable through existing legislation or should be accompanied by new legislation and policy designed to ensure its efficacy and protect its existence from political capture. It will be inherent for boards to contain members from various political parties as well as private sector individuals to ensure some level of continuity as administrations change.

Capital Provision

The founding capital for the NFV can be procured via a soft loan from the government or sourced through international organisations. The NFV's leadership will be responsible for coordinating with international organisations to source additional funding as it is made available to the region and use the NFV to invest in opportunities advancing the fund's mandate, capital provider's mandate/focus, and national priorities.

Roles & Responsibilities

The NFV would be responsible for proposal development, project implementation, and reporting requirements. The NFV will work with local stakeholders to understand available projects, scale, and direction. NFVs will provide information to OECS and consider any recommendations made regarding project selection and collaborations.

Regional Collaboration

The OECS Commission acts as a convening partner and high-level regional coordinator to these autonomous NFVs. These national NFVs would operate autonomously and leverage the OECS Commission as a convening partner to identify synergies and aggregate projects and demand. The Commission can be a conduit to coordinate regional scale-up financing to be directed to NFVs.

Advantages & Disadvantages

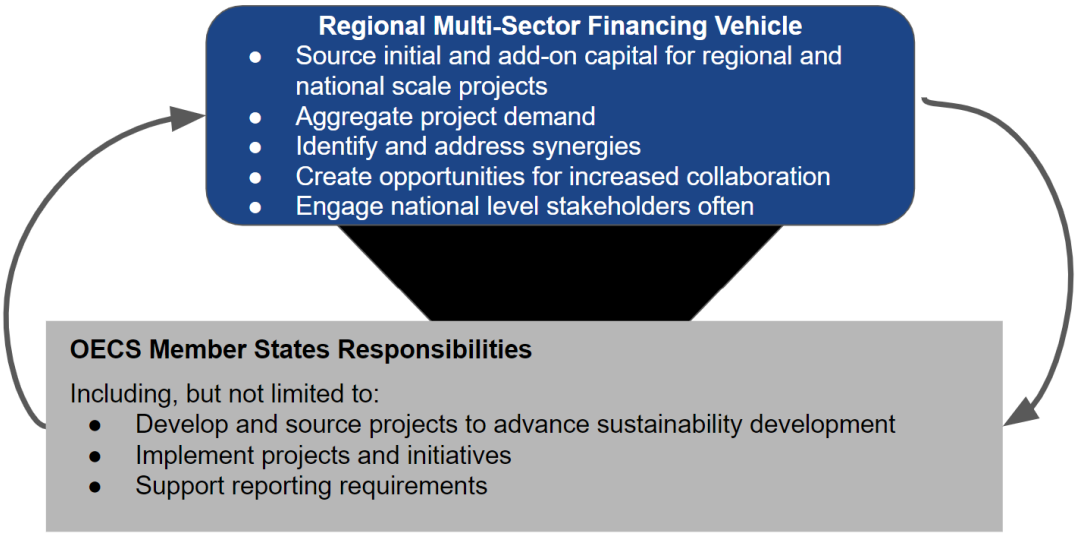
Advantage: NFV are able to act autonomously and can be more flexible and adaptive to unique national needs and characteristics. Fewer levels of coordination may lead to quicker action. Other NFVs can learn best practices from each other.

Disadvantage: OECS Commission will have limited influence over NFV decision-making and will be largely a strategic partner. Varying scale and capacity in Member States may mean some states are less likely to benefit from and participate in this endeavour.

It is advisable to consult directly with the architects of the Antigua & Barbuda SIRF Fund for a more comprehensive outline of how to operationalise this structure if this path is selected.

REGIONALLY-LED NEW MECHANISM

A new mechanism may also take a top-down approach as opposed to the bottom up approach in the prior recommendation. In this option, a regional body, like the OECS Commission, acts as the manager and operator of a financing vehicle designed to provide sustainable financing for environmental sustainability to its membership. This structure should also be able to support and finance sustainable development projects in the overseas territories which generally suffer from a lack of access to SFMs due to their territorial status. This new regional mechanism, if decided to be incorporated to the OECS Commission, should operate as a distinct organ of the Commission to ensure its autonomy while also maintaining an appropriate level of governance, accountability, and general checks and balances.



New Mechanism

Mandate and Structure

The regional financing vehicle can be similar to the national financing vehicles in terms of mandate and structure, however, the mechanism will need to consider engaging various stakeholders at the country level. Board and investment committee selection must be conscious of equitable representation across countries at different stages of sustainable development. The Chairman position should rotate between Member States and include public and private sector stakeholders from the respective Member States. Collaboration among Member States will ensure the success of the vehicle, however, it is important to be mindful that the control of, and ultimately, the benefits of, the vehicle are not allocated to only one or a few Member States.

Similar to the national financing vehicle approach, stakeholders will need to establish a governing board with multi-stakeholder participation from both private and public sectors, Member State representation, an independent investment committee, and a lean but experienced staff to support investment origination and underwriting.

Enabling Environment

Policy and legislation consideration will be critically important for this vehicle given its multilateral approach. The regional body will need to ensure the vehicle is able to invest across the Member States, including the non-independent Member States, and the relevant policy infrastructure exists or can be quickly developed to support its implementation and integration in sustainable development efforts at the national level.

Stakeholder engagement will be critical to the development of this vehicle. While the effort should be top-led, it will be critical to involve senior government officials such as Ministers of Finance, Ministers of the Environment, Sustainable Development, and other relevant departments to understand the purpose of the fund, ensure Member State's ability to participate, and begin to build a pipeline of projects the vehicle will fund.

Coordination

The regional body and investment committee operating the vehicle will have to work closely with country representatives and in-country stakeholders to source relevant, investment-ready opportunities to fund. This will require clear communication and trust. Those managing the vehicle will have to establish regular communication pathways to ensure information continues to flow.

Capital Provision

The vehicle can be financed through development sector financing, like the IFC or World Bank, contributions from Member States, an endowment from development, public sector(s), or private institutions and investors. As the organising body reviews and aggregates national level demand, it can strategically position the region for larger-scale financing across various thematic areas.

Roles & Responsibilities

The regional financing vehicle would be responsible for proposal development, project implementation, and reporting requirements with strong input and support from in-country stakeholders.

Advantages & Disadvantages

Advantages: Strong opportunity to engage large-scale transformational capital for the region through project aggregation and thematic positioning.

Disadvantages: The regional body does not have a coordinated set of stakeholders to help source projects. This may therefore require additional resources and time to effectively source projects

CONCLUDING REMARKS

In conclusion, this report has examined the key sustainable development areas in the Caribbean and identified key project needs for each area. It is clear addressing these needs requires a tailored approach, considering factors such as policy support, program and project development, financing arrangements, and data and implementation constraints. While gaps exist within the sustainable financing landscape, this analysis has provided insights into potential solutions and areas of synergy.

To further enhance their strategy of engaging with the region's sustainable financing ecosystem, readers should consider combining the insights from the *Stakeholders Discussion, Inventory of Sustainable Financing Tools, and Review of Selected Regional Sustainable Financing Mechanisms* sections. By addressing gaps through leveraging synergies, a more integrated and effective approach can be achieved, unlocking the necessary resources and expertise to support transformative change in the region. The guiding questions and recommendations provided above serve as a starting point for dialogue that can lead to a suitable path forward.