



PACIFIC ISLANDS FORUM

Pacific Island Countries
Climate Finance Access and Mobilisation
Strategy (CFAMS)

2025-2030

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I. INTRODUCTION

A. BACKGROUND

1. The Pacific Island Countries Climate Finance Access and Mobilisation Strategy (CFAMS) (the Strategy) is a transformative blueprint designed to empower Pacific Island Countries (PICs) in navigating the complex landscape of climate finance. Recognizing the unprecedented threats posed by climate change to the region's sustainability, resilience, and development aspirations, this strategy aims to enhance the capacity of PICs to access, manage, and effectively utilize climate finance for both mitigation, adaptation and loss and damage initiatives.

2. At its core, the strategy is built around several strategic objectives, including the enhancement of institutional and technical capacities, access to climate finance, efficient utilization and management of funds, and the exploration and promotion of innovative financing mechanisms. It acknowledges the unique challenges faced in the region, such as limited capacity, complex funding mechanisms, and the urgent need for substantial financial resources to combat climate change impacts.

3. Furthermore, the strategy includes institutional arrangements that aim to ensure clear reporting, responsibilities, and accountability at all levels, engagement of a wide range of stakeholders in decision-making to reflect diverse perspectives and needs, and the flexibility to adapt to changing circumstances and integrating lessons learned into strategic adjustments.

4. This strategy was developed based on the findings of the Technical Assessment of Climate Finance in Pacific Island Countries by the Pacific Islands Forum Secretariat, with the support of the Needs-based Climate Finance (NBF) project. The NBF project was established in response to the request of the Conference of the Parties (COP) at its twenty-third session.

B. MANDATES

5. The COP re-iterated that the UNFCCC secretariat should collaborate with the operating entities of the Financial Mechanism, United Nations agencies, and bilateral, regional, and other multilateral channels. This collaboration is essential to explore ways and means to assist developing country Parties.

6. The aim is to assess their needs and priorities in a country-driven manner, including their technological and capacity-building needs. This assessment is crucial for understanding the specific requirements of each country.

7. Additionally, the strategy focuses on translating climate finance needs into action. By identifying and addressing these needs, the strategy aims to support the effective implementation of climate finance initiatives in the PICs.

8. For consistency and alignment with other regional efforts to enhance Pacific Island countries access to climate finance, this strategy will form part of the implementation mechanisms under the Pacific Roadmap for Economic Development (PRED), developed to deliver on the Resource and Economic Development thematic area of the 2050 Strategy for the Blue Pacific Continent. The PRED together with the Climate Finance Access and Mobilisation Strategy (CFAMS) aim to deliver on the goal of Resilient and Sustainable Economies.

9. This strategy was developed in consultation with member countries and endorsed by Pacific Island Forum Economic Ministers in their Special Meeting held from 25 to 26, March 2025.

C. REGIONAL CONTEXT

10. The Pacific Island region, characterized by its vast oceanic expanse and scattered archipelagos, presents a unique contextual landscape. This region includes thousands of small islands spread across a significant portion of the Earth's surface, highlighting its unparalleled diversity in terms of geography, culture, and ecosystems. The PICs are categorized into three main sub-regions: Melanesia, Micronesia, and Polynesia, each with distinct cultural identities, languages, and historical backgrounds. These sub-regions reflect the richness of the Pacific's human heritage and the complex interplay of traditional and modern influences shaping the lives of its inhabitants.

11. The oceanic context is central to understanding the PICs, as the Pacific Ocean not only dominates the geography but also profoundly influences the region's climate, biodiversity, and livelihoods. The islands' economies are heavily reliant on marine resources, including fisheries and tourism, which are integral to their sustainability and development.

12. The Pacific Ocean is also a critical component of global climate systems, playing a key role in weather patterns and climate regulation. The health and stability of this oceanic environment are vital not only for the Pacific islanders but for global ecological balance, making ocean conservation and climate resilience pivotal concerns for the region.

13. The small islands and population context of the PICs further underscore their vulnerability and resilience. Many of these islands are low-lying atolls, highly susceptible to sea level rise and extreme weather events exacerbated by climate change. The populations of PICs vary widely, with some nations comprising

thousands of islands with dispersed populations, while others have more concentrated populations on a few main islands.

14. This diversity in population distribution and density presents unique challenges in terms of governance, infrastructure development, and disaster response. Despite these challenges, Pacific Island communities exhibit strong social cohesion, cultural resilience, and an enduring connection to their environment, which are crucial in navigating the impacts of climate change and pursuing sustainable development.

15. The strategy is in response to the urgent and escalating challenges posed by climate change in the Pacific region. Pacific Island Countries (PICs), characterized by their unique geographical, cultural, and socio-economic landscapes, are at the forefront of experiencing the adverse impacts of climate variability and change.

16. This strategy acknowledges the imperative need for a cohesive and targeted approach to climate finance. It is predicated on the understanding that effective climate action in the Pacific requires substantial financial resources, innovative solutions, and strengthened capacities to access, manage, and deploy climate finance in alignment with both mitigation, adaptation and loss and damage priorities.

17. It underscores the strategic importance of climate finance as a pivotal lever for empowering PICs to undertake ambitious climate actions, thereby securing their developmental gains and safeguarding their future against the backdrop of a changing climate.

18. Moreover, it articulates the vision, which is to create an enabling environment where PICs are equipped with the knowledge, systems, and capabilities to attract, access, and effectively utilize climate finance, driving transformative change towards a resilient and sustainable Pacific.

19. It serves as a clarion call to all stakeholders—governmental bodies, international finance partners, the private sector finance, civil society, and communities—to rally behind this strategy. It emphasizes the collective action and shared responsibility of the PICs to navigate the challenges of climate finance, ensuring that the PICs are not merely surviving but thriving in the face of climate change.

20. In the Pacific Small Island Developing States (PSIDS) region, key climate finance actors play crucial roles in supporting climate change mitigation, adaptation and loss and damage efforts. These actors include international financial institutions, regional organizations, bilateral donors, and national

entities, each contributing to the mobilization, provision, management, and implementation of climate finance.

D. KEY CLIMATE FINANCE ACTORS

21. International Financial Institutions

- (a) **Green Climate Fund (GCF):** The GCF is a critical source of climate finance for PSIDS, providing funding for large-scale climate change mitigation, and adaptation projects. It aims to support transformational changes in developing countries by financing low-emission and climate-resilient development.
- (b) **Global Environment Facility (GEF):** The GEF provides grants and technical assistance for projects focused on biodiversity, climate change, and sustainable land management. It supports PSIDS in building resilience to climate impacts and integrating climate considerations into national policies and strategies.
- (c) **Adaptation Fund (AF):** The Adaptation Fund finances adaptation projects and programs in developing countries, including PSIDS who are particularly those that are vulnerable to climate change impacts.
- (d) **World Bank Group (WBG):** The World Bank, through the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD), provides concessional and non-concessional financing for climate-resilient development, disaster risk reduction, and sustainable energy projects in PSIDS. The International Finance Corporation (IFC), a member of the WBG, mobilizes private sector investment for climate-friendly infrastructure, renewable energy, and resilience-building initiatives.
- (e) **International Monetary Fund (IMF):** The IMF provides financial assistance and policy advice to PSIDS facing economic shocks exacerbated by climate change. Its Resilience and Sustainability Trust (RST) aims to support climate-related reforms and investments to enhance financial stability in vulnerable economies.
- (f) **Asian Development Bank (ADB):** The ADB is a key regional financial institution supporting PSIDS in addressing climate change through concessional loans, grants, and technical assistance. It funds climate adaptation, disaster risk management, renewable energy, and sustainable transport projects in the Pacific region.
- (g) **Climate Investment Funds (CIFs):** The CIFs, including the Clean Technology Fund (CTF) and the Pilot Program for Climate Resilience (PPCR),

provide concessional financing to help PSIDS implement low-carbon and climate-resilient development strategies.

(h) Pacific Resilience Fund (PRF): The PRF is a regionally driven initiative designed to provide flexible and timely financial support to Pacific Island Countries (PICs) to strengthen climate resilience, disaster preparedness, and recovery efforts. The fund aims to bridge the gap between emergency response financing and long-term resilience-building, ensuring that PSIDS have accessible resources to address climate-induced challenges.

(i) Fund for Reducing Loss and Damage: This newly established fund under the UNFCCC aims to provide financial assistance to vulnerable developing countries, including PSIDS, to address the unavoidable economic and non-economic losses and damages resulting from climate change impacts.

22. Regional Organizations

a) Pacific Islands Forum Secretariat (PIFS): PIFS plays a central role in coordinating regional climate finance initiatives, advocating for Pacific priorities in international climate negotiations, and facilitating access to climate finance through policy support and capacity-building programs. Through its Economic Policy team, it is also the convener and coordinating agency for the Finance and Economic Ministers meeting (FEMM).

b) The Secretariat of the Pacific Regional Environment Programme (SPREP) supports Pacific Small Island Developing States (PSIDS) in environmental management and sustainable development. As one of the Accredited Entities in the region, SPREP plays a key role in helping member countries access climate finance for resilience-building initiatives. It provides technical assistance and coordinates regional projects funded by international donors, with a strong focus on climate adaptation, biodiversity conservation, and sustainable resource management.

c) The Pacific Community (SPC) is the leading regional technical and scientific organisation that provides expertise, data, and capacity-building support to Pacific Small Island Developing States (PSIDS) across a broad spectrum of areas, including climate change, disaster risk management, food security, and sustainable ocean and fisheries management. SPC plays a critical role in supporting national and regional climate resilience efforts by working collaboratively with regional and international partners to implement climate adaptation and resilience programs. These efforts extend to key sectors such as climate-smart agriculture, health, water security, and renewable energy. In addition to its technical and advisory

functions, SPC is an accredited and implementing entity to global climate finance mechanisms, including the Green Climate Fund (GCF) and the Adaptation Fund. This accreditation enables SPC to directly support Pacific governments in accessing and implementing climate finance projects, strengthening their capacity to respond effectively to the challenges posed by climate change.

23. Bilateral Donors

a). Australian Department of Foreign Affairs and Trade (DFAT): DFAT provides significant climate finance to PSIDS through bilateral aid programs, supporting projects that enhance climate resilience, disaster risk reduction, and sustainable development.

b). New Zealand Ministry of Foreign Affairs and Trade (MFAT): MFAT supports PSIDS through its aid program, focusing on climate change adaptation, renewable energy, and disaster preparedness initiatives.

24. National Entities

National Implementing Entities (NIEs) and Direct Access Entities (DAEs): NIEs and DAEs are accredited to access direct funding from international sources like the AF and GCF. These entities are responsible for managing and implementing climate finance projects, ensuring alignment with national priorities and sustainable development goals.

E. CLIMATE FINANCE FLOWS AND NEEDS

25. Between 2010 to 2021, Pacific Island Countries (PICs) received a total of USD 3.4 billion in climate finance, predominantly as grants. Adaptation projects received 59% of these funds, mitigation efforts received 31%, and cross-cutting projects received 10%. More than half (54%) of these funds were provided by Multilateral Development Banks (MDBs), 26% was disbursed through bilateral agencies, and 20% through climate funds.

26. The best available (4-year-old data for only 2/3 of PICs) estimates indicate that the amount of climate finance needed for the region totals USD 13.2 billion up to around 2030. Approximately a quarter of what is needed now has been mobilized in the past decade, while climate change continues to severely impact the region. This underscores a significant financial shortfall that must be addressed to meet the climate adaptation, mitigation excluding the loss and damage needs of the PICs.

27. This indicates a large gap and thereby insufficient disbursement of climate finance needed to mitigate and adapt to climate change impacts in the region. Key challenges in accessing and delivering effective climate finance

include complex application processes, stringent eligibility criteria, and limited capacity to develop compelling proposals.

28. Additionally, capacity constraints in absorptive capability hinder the efficient and effective utilization of available funds. Most of the climate finance directed into the region to date has been via short-term, project-based approaches that are short-lived and provide little basis for long-term planning. In many cases, these funds bypass official government tracking and budgeting systems, further complicating effective climate finance delivery. When climate finance bypasses official government tracking and budgeting systems, it becomes difficult to account for these funds at the national level. However, at the regional level, some mechanisms and institutions attempt to track and consolidate these financial flows.

II. Strategic Framework

29. The strategic objectives are designed to guide the Pacific Island Countries (PICs) their development partners and stakeholders towards a coordinated, efficient, and effective approach to climate finance. These objectives reflect the collective aspirations of the Pacific region to address the pressing challenges posed by climate change through enhanced financial mechanisms. This strategy is underpinned by declarations by Pacific leaders, including the declaration of a climate emergency for the region, which underscores the urgent need for action. Additionally, it aligns with the 2050 Strategy for the Blue Pacific Continent, which outlines a long-term vision for sustainable development and resilience in the face of climate change. The following strategic objectives form the cornerstone of this strategy:

A. STRATEGIC GOAL

30. The Climate Finance Access and Mobilisation Strategy (CFAMS) aims to foster sustainable and inclusive economic growth while enhancing climate resilience across the Pacific region. Recognising the urgency of addressing climate change, the Strategy prioritises adaptation, mitigation, and loss and damage efforts in alignment with the Paris Agreement's objectives, the 2050 Strategy for the Blue Pacific and the Pacific Roadmap for Economic Development (PRED). At its core, the Strategy emphasises the importance of collective action, strong leadership, and inclusive development, ensuring that Pacific Island Countries (PICs) are equipped to address the region's most pressing challenges while leveraging unique opportunities for transformation. The Strategy underscores the Pacific Islands Forum Member Countries potential to lead in low-carbon development and climate resilience by adopting innovative approaches— including enhancing renewable energy use, expanding carbon sequestration

capabilities, and strengthening adaptive capacities—to safeguard the region’s future prosperity. Through regional cooperation and strategic financing, the CFAMS provides a pathway for the Pacific to secure the necessary resources to build a resilient, sustainable, and climate-smart future.

B. OBJECTIVES

31. Enhance Access to Climate Finance: To significantly improve the ability of PICs to access existing and emerging climate finance opportunities, both from international and regional sources. This involves simplifying access procedures, building the capacity of local institutions, and ensuring PICs can comply with requirements for various funds and finance mechanisms.

32. Strengthen Capacity and Institutional Frameworks: To develop the human, institutional, and systemic capacities necessary for PICs to effectively manage and deploy climate finance. This includes enhancing knowledge on climate finance mechanisms, improving project proposal development, and ensuring effective financial management and governance structures are in place.

33. Promote Innovative and Sustainable Financing Mechanisms: To encourage the adoption of innovative financing solutions that cater to the unique needs and contexts of PICs. This involves exploring options such as debt-for-climate swaps, blue bonds, green bonds, climate insurance products, and leveraging private sector investments for climate-related projects.

34. Foster Regional Collaboration and Partnerships: To strengthen regional cooperation and partnerships for climate finance, facilitating knowledge sharing, joint initiatives, and collective bargaining power in international forums. This objective also encompasses enhancing engagement with development partners, the private sector, civil society, and academia to mobilize support and resources for climate action in the Pacific.

35. Integrate climate finance with national development planning: To ensure that climate finance is strategically aligned with national development goals, policies, and plans. This includes embedding climate resilience and low-carbon development objectives into broader economic and development planning processes to ensure coherence and sustainability.

36. Ensure transparent, accountable, and effective utilization of climate finance: To establish robust mechanisms for the monitoring, reporting, and verification (MRV) of climate finance flows and their impacts. This will ensure accountability, transparency, and the efficient use of resources in achieving climate action targets.

37. Build resilience and adaptation capacities: To prioritize investments in resilience-building and adaptation initiatives that address the most pressing vulnerabilities of PICs to climate change impacts. This objective emphasizes community-based approaches and the incorporation of traditional knowledge and practices in adaptation strategies.

38. Support low-carbon development and climate mitigation efforts: To facilitate the transition of PICs towards low-carbon development pathways through the support of renewable energy, energy efficiency, and sustainable land use practices. This includes fostering the decarbonization of economies and promoting sustainable management of natural resources.

39. Maximize use of Nature-Based Solutions: PICs will prioritize nature-based solutions (NbS) such as mangrove restoration, coral reef protection, and sustainable ecosystem management to enhance resilience, reduce climate risks, and support livelihoods. However, NbS alone are insufficient given the escalating climate threats. Substantial investments in climate-resilient infrastructure—including seawalls, flood barriers, and reinforced transport and water systems—are essential to protect communities and critical assets. This strategy promotes a hybrid approach, integrating NbS with engineered solutions where needed. The Resilient Pacific Adaptation and Climate Action (RPACA) framework will help deliver this balance, ensuring effective adaptation and long-term sustainability.

40. Incorporate gender-inclusive approaches: To ensure that climate finance and related initiatives are gender-responsive and inclusive. This involves integrating gender considerations into climate finance strategies and projects, ensuring women's participation in decision-making processes, and addressing the specific vulnerabilities and capacities of women and marginalized groups in climate action. Gender-inclusive approaches enhance the effectiveness, equity, and sustainability of climate interventions.

III. STRATEGIC FOCUS OF COLLABORATIVE ACTION

A. STRATEGIC FOCUS I: CAPACITY BUILDING AND INSTITUTIONAL STRENGTHENING

1. Rationale

41. The Pacific Island Countries (PICs) face unique challenges in accessing and effectively utilizing climate finance, largely due to limited institutional capacity, technical expertise, and the complexities of international climate finance mechanisms. Strengthening the capacity and institutional frameworks of PICs is crucial to overcoming these barriers, enabling them to navigate the climate finance landscape more efficiently, and ultimately, to implement impactful

climate change mitigation, adaptation projects and loss and damage. This pillar aims to empower PICs through targeted capacity building and institutional strengthening, ensuring they possess the necessary skills, knowledge, and systems to access, manage, and deploy climate finance effectively.

2. Activities

42. Conduct climate finance readiness assessments: Evaluate the current capabilities and gaps in institutional structures, policies, and personnel related to climate finance in each PIC.

43. Develop and implement capacity building programs: Cognizant of planned or ongoing national capacity building programmes/other readiness support design and implement targeted regional capacity-building programs that complement national initiatives and readiness support. These programs will equip government officials, financial institutions, and key stakeholders with skills in climate finance mechanisms, proposal writing, project management, and financial governance. Training will combine workshops, knowledge exchanges, mentorship, and on-the-job learning, ensuring content is tailored to PICs' specific needs and participants can apply their learning effectively. Strengthening capacity is crucial for enhancing access to and management of climate finance.

44. Promote knowledge sharing and regional cooperation: Facilitate regional forums and networks for knowledge exchange on successful climate finance strategies, challenges, and lessons learned.

45. Enhance legal and regulatory frameworks: Assist PICs in reviewing and updating climate change acts and regulations to enhance climate finance management, incorporating innovative finance mechanisms and developing guidelines, standards, and procedures for accessing funds, while ensuring frameworks adapt to emerging tools like blue/green bonds, carbon pricing, climate insurance, and debt-for-climate swaps.

46. Institutional assessments and technical assistance: Conduct institutional assessments to identify gaps and provide targeted technical assistance to enhance institutional readiness for climate finance. This will include support for developing strategic plans, financial management systems, and accountability mechanisms.

3. Milestones

47. Completion of Climate Finance Readiness Assessments: Within the first year, complete a comprehensive assessment for each PIC to identify specific needs and gaps in climate finance readiness.

48. 2025: Launch of the capacity building programs with an initial cohort of government officials and stakeholders from all PICs participating in specialized training modules.
49. 2027: Strengthen regional climate finance knowledge sharing, facilitating continuous exchange of information and best practices among PICs.
50. 2028: Completion of legal and regulatory framework reviews in at least 75% of PICs, with subsequent implementation of recommended enhancements to support climate finance access and management.
51. 2029: Finalization of institutional assessments for all PICs, with at least 50% having received targeted technical assistance to address identified gaps.
52. 2030: Implementation of identified technical assistance recommendations, with periodic monitoring and evaluation to assess progress and effectiveness via workshops and seminars.
53. 2030: Comprehensive Capacity Building Programs Implemented: Conduct comprehensive training programs on innovative financing mechanisms for all PICs under their respective NDA or Ministry of Finance (acts and regulations) within the first two years, with at least one trained official or stakeholder per PIC.

B. STRATEGIC FOCUS II: ACCESS TO CLIMATE FINANCE

1. Rationale

54. Access to climate finance is crucial for Pacific Island Countries (PICs) to implement effective climate change mitigation, adaptation and loss and damage strategies. Despite being among the most vulnerable to climate change impacts, PICs often face significant challenges in accessing necessary financial resources. These challenges include complex application procedures, stringent requirements, and limited capacity to develop compelling funding proposals. Enhancing access to climate finance is essential for enabling PICs to transition towards resilient and sustainable development pathways.

2. Activities

55. Simplify Access to International Climate Funds: Collaborate internationally to streamline the application and approval processes of funding bodies to become more reasonable for the PICs. This includes advocating for less cumbersome documentation requirements and faster processing times. Building on existing efforts, further streamline processes by leveraging digital tools and platforms already in use.

56. Capacity Building for Fund Access: Organize targeted training sessions and workshops for PICs on navigating the funding landscape, understanding the requirements of different climate funds, and developing strong funding proposals including innovative financing models such as blue bonds, debt swaps for nature, carbon credits, concessional loans, equity etc.). Enhance ongoing capacity-building initiatives by incorporating best practices and lessons learned from previous training programs.

57. Foster Public-Private Partnerships (PPPs): Encourage and facilitate the formation of PPPs to leverage private sector investments in climate-related projects. This involves creating policies, strategies and toolkits, enabling environments for private investment and developing mechanisms for risk-sharing. Build on existing PPP frameworks and initiatives to ensure sustained and scalable private sector engagement.

58. Enhance Direct Access to Climate Finance: Complementarity to existing/planned national readiness, support PICs in obtaining direct access accreditation to major climate funds, such as the Green Climate Fund (GCF), by providing technical assistance in meeting the accreditation requirements and managing accredited entities. Strengthen existing support mechanisms and tailor technical assistance to address specific accreditation challenges faced by PICs.

59. Advocacy and Representation: Actively represent PICs' interests in international climate finance negotiations and forums to advocate for fair and equitable access to climate finance resources. Continue to build on existing advocacy efforts by coordinating with regional organizations and leveraging PICs' collective voice in international platforms.

3. Milestones

60. 2025: Initiating discussions with key international climate funds to go beyond routine engagements and focus on achieving concrete, systemic changes to improve PICs' access to finance. The objective is to simplify and streamline access procedures under special consideration for Small Island Developing States (SIDS) and Least Developed Countries (LDCs), as recognized in the Paris Agreement.

61. 2026: Organize a series of targeted workshops to enhance PICs' capacity to access climate finance, ensuring participation from government officials, financial institutions, and key stakeholders. These workshops will provide practical training on proposal development, financial structuring, and fund requirements, incorporating peer learning, mentorship, and real-world case studies to strengthen long-term institutional capacity.

62. 2028: Support the development of at least one new PPP for climate-related projects by strengthening the national enabling environment and leveraging international support. At the national level, this includes clear PPP policies, risk-sharing mechanisms, and institutional capacity building to attract private sector investment. At the international level, partnerships with MDBs, climate funds, DFIs, and private investors can provide concessional finance, de-risking instruments, and innovative funding models such as green bonds and blended finance.

63. 2029: Assist at least three PICs in securing direct access accreditation to the Green Climate Fund (GCF) or other relevant climate funds by providing technical guidance, institutional capacity-building, and regulatory support. This includes strengthening fiduciary standards, environmental and social safeguards, and project management capabilities to enhance their ability to directly access and manage climate finance.

C. STRATEGIC FOCUS III: EFFICIENT UTILIZATION AND MANAGEMENT OF CLIMATE FINANCE

1. Rationale

64. The effective utilization and management of climate finance are pivotal for ensuring that the investments made in climate change mitigation, adaptation and loss and damage yield the maximum possible impact. Despite the increasing flow of climate finance to Pacific Island Countries (PICs), challenges persist in ensuring that these funds are used efficiently and in alignment with national priorities and needs. This area focuses on enhancing the strategies, systems, and practices for climate finance utilization and management, aiming to increase the impact of financial resources on climate mitigation, climate resilience, loss and damage and sustainable development goals within the PICs.

2. Activities

65. **Enhance Project Management Capacities:** Provide targeted training to strengthen the planning, design, and monitoring aspects of climate finance projects. Focus on equipping local teams with the skills to manage projects from inception through to completion, ensuring effective governance, budgeting, and stakeholder engagement.

66. **Build Implementation Capacities:** Tailor support to the unique needs of each Pacific country to improve on-the-ground project execution. This includes enhancing coordination, logistics, procurement, and resource management to ensure that projects are delivered on time, within budget, and with measurable outcomes.

67. Enhance Financial Management and Oversight Mechanisms: Cognizant of ongoing support (ongoing efforts through finance /economic development, such as the economic reform taskforce in Kiribati) implement systems and processes for improved financial management, accounting, and auditing of climate finance, to ensure transparency, accountability, and effective use of funds.

68. Promote Community Engagement and Inclusion: Ensure that climate finance projects are designed and implemented with active participation, leading/collaborating on origination of project ideas from local communities, including vulnerable and marginalized groups, to enhance project relevance and sustainability.

69. Implement Impact Evaluation and Learning Systems: Develop and integrate systems for ongoing evaluation of project impacts, facilitating adaptive management and continuous improvement of climate finance projects.

70. Foster Intersectoral Coordination: Encourage and facilitate better coordination among government ministries, agencies, and stakeholders to ensure synergistic and complementary use of climate finance across different sectors.

3. Milestones

71. Increased Project Management Capacities: By the end of year 2027, conduct project management training for relevant personnel implementing existing projects, with at least two projects per PIC demonstrating improved management practices.

72. Advanced Financial Management Systems Operational: Achieve operational status for advanced financial management and oversight systems in 50% of PICs by the end of 2029year.

73. Community Engagement in Project Design and Implementation: Demonstrate active community engagement and participation in all new climate finance projects initiated after the strategy implementation start date.

74. Impact Evaluation Systems Implemented: By the end of the fourth year, impact evaluation and learning systems operational for ongoing assessment of climate finance projects in at least 50% of PICs.

75. Effective Intersectoral Coordination Achieved: Document evidence of enhanced intersectoral coordination and integration in climate finance utilization in most of PICs by 2030.

D. STRATEGIC FOCUS IV: INNOVATIVE FINANCING MECHANISMS

1. Rationale

76. The evolving nature of climate change impacts necessitates innovative financial solutions that can provide sustainable, flexible, and scalable funding for climate action. Traditional funding mechanisms are often insufficient to meet the vast needs of Pacific Island Countries (PICs) in their fight against climate change. This pillar aims to explore, develop, and implement innovative financing mechanisms that can complement existing sources of climate finance, attract private sector investment, and mobilize additional resources for climate mitigation, adaptation and loss and damage efforts in the PICs. Additionally, mechanisms such as debt-for-climate swaps offer a critical opportunity for PICs to reduce sovereign debt while channeling resources toward climate action, further enhancing financial sustainability and climate resilience.

2. Activities

77. **Assessment of Barriers and Challenges Preventing Innovative Actors from Engaging in the Pacific:** Identify and analyze the barriers and challenges that hinder innovative actors, including private sector entities and non-traditional investors, from engaging in climate finance in the Pacific.

78. This involves examining regulatory environments, market conditions, capacity constraints, and other factors that may deter investment and participation.

79. Developing targeted strategies to address these barriers will be crucial for fostering an environment conducive to innovation and investment.

80. **Debt-for-Climate Swaps:** Explore and facilitate debt-for-climate swap arrangements, where PICs can reduce their national debt in exchange for commitments to invest in climate mitigation, adaptation, and conservation projects. This mechanism can provide critical relief for debt-burdened countries while directing funds toward projects that enhance climate resilience and align with the goals of the Paris Agreement.

81. **Development of Blue and Green Bonds:** Support PICs in the issuance of blue and green bonds to finance marine and environmental conservation projects, respectively, including capacity building for bond issuance and management.

82. **Exploration and test Climate Insurance Schemes:** Facilitate the exploration and testing of climate insurance schemes that can provide financial protection against climate-related risks and disasters (e.g. Systematic Observations Financing Facility).

83. **Exploration of Carbon Pricing Mechanisms:** Explore the potential for implementing carbon pricing mechanisms, such as carbon taxes or cap-and-trade

systems, to generate revenue for climate projects while incentivizing emissions reduction.

84. Promotion of Public-Private Partnerships (PPPs): Encourage and facilitate the formation of PPPs for climate-related projects, leveraging private sector expertise, efficiency, and resources.

85. Leveraging Climate Investment Platforms: Establish or participate in climate investment platforms that can aggregate funds from various sources, including public, private, and philanthropic, to finance large-scale climate projects.

3. Milestones

86. Financing Assessment Report: Within the first year, complete and publish a report on Barriers and Challenges Preventing Innovative Actors from Engaging in the Pacific to address needs in the contexts of PICs.

87. Issuance of at least one green or blue bond: Achieve the issuance of the first blue or green bond by a PIC within two years, with funds earmarked for specific conservation or environmental projects.

88. Climate Insurance Schemes: By the end of the third year, have at least explored and or tested two climate insurance schemes operational in PICs, providing coverage for climate-related risks.

89. Carbon Pricing Pilot Projects: Initiate pilot projects for carbon pricing mechanisms in select PICs within four years, evaluating their effectiveness and potential for broader implementation.

90. Increased Number of PPPs for Climate Projects: Document a 50% increase in the number of PPPs formed for climate-related projects within five years, compared to the baseline year.

91. Operational Climate Investment Platform: Establish an operational climate investment platform that has successfully financed at least one major climate project within three years.

92. Debt-for-Climate Swaps Initiated: Facilitate the completion of at least one debt-for-climate swap within three years, channeling debt relief into climate resilience, loss and damage and mitigation projects.

IV. INSTITUTIONAL ARRANGEMENTS

93. The institutional arrangements for the Pacific Islands Climate Finance Strategy aim to establish a cohesive and coordinated regional mechanism to support the effective mobilization, allocation, and utilization of climate finance

across all Pacific Island Countries and Territories (PICTs) and Pacific Small Island Developing States (PSIDS).

94. This coordinated approach is essential for maximizing the impact of climate finance and ensuring alignment with national and regional climate policies and strategies, such as Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs).

95. The Pacific Islands Forum Secretariat (PIFS) will lead the regional coordination mechanism, leveraging its role as a central body for regional policy and strategy development. It will include membership from key regional organizations, including the Secretariat of the Pacific Regional Environment Programme (SPREP), the Pacific Community (SPC), United Nations (UN) agencies, Multilateral Development Banks (MDBs), and other climate finance players active in the region.

96. PIFS will utilize the existing Climate Finance Working Group and broaden its Terms of Reference (TOR) to be more inclusive. This group will incorporate representatives from CROP (Council of Regional Organisations in the Pacific) agencies involved in the climate finance space, MDBs, and other financial entities. The expanded group will work to ensure coordination and coherence in climate finance activities, avoiding duplication of efforts and fostering synergies.

97. The regional mechanism will ensure clear linkages to national climate change policies and planning strategies, such as NDCs and NAPs. This alignment will ensure that climate finance efforts are directly supportive of national priorities and contribute to the overall resilience and sustainable development of PICTs and PSIDS.

98. The institutional arrangements will play a crucial role in coordinating donor investments from bilateral, multilateral, and other sources. By providing a centralized coordination mechanism, PIFS will facilitate more effective and efficient allocation of climate finance, ensuring that funds are directed towards the most pressing needs and strategic priorities of the region.¹⁰¹ While the institutional arrangements are aspirational, they are designed to foster an environment of collaboration and shared vision. This framework will enable PICTs and PSIDS to collectively address the challenges of climate change, leveraging regional solidarity and coordinated action to enhance the impact of climate finance.¹⁰² The roles and responsibilities within this coordinated mechanism will be clearly defined to ensure accountability and effectiveness. PIFS will provide strategic leadership and coordination, other CROP agencies will offer technical expertise and support, UN agencies will contribute with their global experience and resources, and MDBs along with other financial entities will secure finance.

V. IMPLEMENTATION AND MONITORING PLAN

99. The implementation of the Pacific Islands Climate Finance Strategy will be coordinated by PIFS, with active participation from SPREP, SPC, UN agencies, MDBs, and other relevant stakeholders. Key actions will include developing detailed work plans, assigning specific roles and responsibilities, and securing necessary resources. Regular capacity-building activities and technical assistance will be provided to ensure effective execution at both regional and national levels.

100. A robust M&E framework will be established to track progress and assess the impact of climate finance activities. This will include setting clear, measurable indicators, conducting regular progress reviews, and preparing annual reports. The Climate Finance Working Group, under the expanded TOR, will oversee the M&E process to ensure transparency, accountability, and continuous improvement.

101. The strategy will incorporate a feedback loop to adapt and refine actions based on M&E findings and evolving needs. Stakeholder consultations and periodic strategy reviews will ensure the approach remains responsive and effective in addressing the dynamic challenges of climate change in the region.

VI. IMPLEMENTATION PERIOD

102. The Strategy shall be valid and implemented between 2025 and 2030 in accordance with an agreed implementation plan to be drawn up by the PIFs.