



SAINT LUCIA' S NDC FINANCING STRATEGY



Acknowledgements

This report has been developed by the Global Green Growth Institute as part of the Climate Action Enhancement Package, which is aimed at fast-tracking support to countries to enhance the quality, increase the ambition, and implement nationally determined contributions (NDCs). It is supported by the NDC Partnership and the donors listed below.

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With support from:

Climate Analytics

Cover photo and inner photos (pages 10, 36, 42, 44) by:

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Abbreviations and Acronyms

AF	Adaptation Fund
AfDB	African Development Bank
ASAP	Adaptation for Smallholder Agriculture Programme
BMZ	Federal Ministry for Economic Cooperation and Development (Germany)
CARICOM	Caribbean Community
CDB	Caribbean Development Bank
CDCF	Community Development Carbon Fund
CIF	Climate Investment Funds
CTF	Clean Technology Fund
DECC	Department of Energy and Climate Change (United Kingdom)
DEFRA	Department for Environment, Food and Rural Affairs (United Kingdom)
EBRD	European Bank for Reconstruction and Development
ECLAC	Economic Commission for Latin America and the Caribbean (United Nations)
EIB	European Investment Bank
ESG	Environmental, Social and Governance
FAO	Food and Agriculture Organization
FCDO	Foreign, Commonwealth and Development Office (United Kingdom)
FCPF	Forest Carbon Partnership Facility
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
GGGI	Global Green Growth Institute
GIZ	Gesellschaft für Internationale Zusammenarbeit (German Development Agency)
GoSL	Government of Saint Lucia
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IRENA	International Renewable Energy Agency
JICA	Japan International Cooperation Agency
KfW	Kreditanstalt für Wiederaufbau (German Development Bank)
KOICA	Korea International Cooperation Agency
LDC	Least Developed Country
LFI	Local Financial Institution
LUCELEC	Saint Lucia Electricity Services Limited
MRV	Monitoring, Reporting and Verification
NAMA	Nationally Appropriate Mitigation Action

Abbreviations and Acronyms

NAP	National Adaptation Plan
NDA	National Designated Authority
NDC	Nationally Determined Contribution
NDCPP	Nationally Determined Contribution Partnership Plan
NETS	National Energy Transition Strategy
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PPCR	Pilot Program for Climate Resilience
PPIAF	Public-Private Infrastructure Advisory Facility
PPP	Public-Private Partnership
Readiness Programme	Readiness and Preparatory Support Programme
SDG	Sustainable Development Goal
SECCI	Sustainable Energy and Climate Change Initiative
SIDS	Small Island Developing States
SLDB	Saint Lucia Development Bank
SME	Small and Medium Enterprises
SREP	Scaling Up Renewable Energy Program in Low Income Countries
SWOT	Strengths, Weaknesses, Opportunities and Threats
UAE-CREF	United Arab Emirates–Caribbean Renewable Energy Fund
UK-CIF	United Kingdom–Caribbean Infrastructure Fund
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
USAID	United States Agency for International Development
USP	Unsolicited Proposal

Executive Summary

Saint Lucia's nationally determined contribution (NDC) targets are conditional to external financing and technical assistance. Saint Lucia relies heavily on grant funding and concessional loans from development partners to achieve its NDC targets. Although international public finance and official development assistance (ODA) can offer some relief to Saint Lucia's growing debt-to-gross domestic product ratio, it is an unsustainable long-term approach. The Government of Saint Lucia (GoSL) estimates that NDC mitigation actions will cost approximately US\$368 million, and the private sector is expected to contribute 90% of the required investment.¹ This NDC Financing Strategy outlines short- and medium-term actions for mobilizing public and private finance required to achieve Saint Lucia's mitigation targets by 2030. Specifically, the NDC Financing Strategy focuses on mobilizing finance for prioritized NDC implementation actions related to energy efficiency, renewable energy, sustainable transportation and energy storage.

The proposed strategy is composed of four action lines:

1. Creating an enabling environment for mitigation projects – This involves redirecting technical assistance and ODA to overcome non-financial barriers that are hindering private sector participation and investment in climate change mitigation projects. It includes strengthening Saint Lucia's institutional capacity to identify, develop and manage bankable mitigation projects. Specific recommended actions include the following:

- Utilize available sources of international climate finance and technical assistance to develop an enabling environment conducive to a low-carbon transition, including policies for sectoral development, tariff design and feasibility studies for priority projects. An example of such action is the utilization of resources from the European Union's Technical Assistance Facility for the Sustainable Energy for All initiative to increase renewable energy integration into Saint Lucia's electricity system.
- Develop and implement a pipeline of climate finance readiness programs to increase and strengthen the capacity of the country to plan, access, deliver, mon-

itor and report on climate finance, in alignment with national development priorities and the NDCs. This can be achieved, for instance, by planning and executing more Readiness and Preparatory Support Programmes funded by the Green Climate Fund (GCF).

- Leverage international finance and technical assistance for institutional capacity development that eliminates non-financial barriers, and design market incentives to encourage private sector participation and investment.
- Leverage support from international and regional project preparation facilities to increase the GoSL's capacity to design bankable projects and develop project proposals for submission to the GCF and other providers of international climate finance.

2. Scaling up access to international public climate finance – This involves planning and investing resources to build the GoSL's capacity to access climate funds, generate high-quality funding proposals and navigate funds' requirements. This is necessary for the GoSL to increase its ability to leverage resources from international climate funds and facilitate the financing of prioritized projects aligned to the country's development needs without putting further pressure on the country's fiscal balance. Specific recommended actions include the following:

- Increase access to underused international climate funds, such as the GCF and the Climate Investment Funds (CIF), to finance project preparatory activities and projects that require a high degree of concessionality and/or risk tolerance.
- Engage with innovative funds to deploy blended finance and innovative financing mechanisms, such as the Global Innovation Lab, Private Sector Set-Asides part of the CIF, GCF, Global Environment Facility, and the Private-Sector Investment Finance Scheme and Preparatory Survey for Public-Private Partnership of the Japan International Cooperation Agency.

¹ GoSL, Updated Nationally Determined Contribution under the United Nations Framework Convention on Climate Change (UNFCCC) (2021), <https://bit.ly/3b5GNZD>.

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- Allocate financial resources and establish a government unit tasked with building a pipeline of mitigation projects, identifying appropriate funding opportunities, and meeting technical and financial requirements of international providers of climate finance.
- 3. Increasing private sector participation and investment in climate change mitigation projects** – This involves lowering barriers to entry for private sector investors and adjusting risk/return profile of mitigation projects to increase opportunities for private sector investment via blended finance, innovative financial instruments, and improved and streamlined public-private partnerships (PPPs). Specific recommended actions include the following:
- Pursue financing mechanisms that minimize pressure on the GoSL budget and maximize access to long-term affordable climate finance, such as green bonds, national financing vehicles, debt for climate swaps, blended finance, green credit instruments and impact investment funds.
 - Strengthen the GoSL's capacity to plan and implement PPPs by –
 - Linking the objectives of the PPP program to the country's infrastructure and growth strategy, or climate change mitigation and adaptation strategy.
 - Managing unsolicited PPP proposals by developing a framework to ensure transparency and empower officials to formulate PPPs using a rule-based process.
 - Taking advantage of technical assistance programs offered by international organizations, such as the Public-Private Infrastructure Advisory Facility, to overcome the GoSL's constraints at various stages of the PPP project cycle, including project selection and planning, engineering, and legal and financial structuring.
- 4. Greening the financial sector** – This involves embedding environmental, social and governance (ESG) standards into Saint Lucia's financial sector to align financial flows with NDC targets. Specific recommended actions include the following:
- Develop guidelines, recommendations and regulations to incentivize ESG integration into financial institutions' processes and procedures.
 - Promote the development of environmental and social management systems by local financial institutions to screen, measure and mitigate transactions for potential adverse environmental and social risks and impacts.
 - Establish ESG metrics and enforce transparency policies for climate risks throughout the financial sector in Saint Lucia.
 - Strengthen the national monitoring, reporting and verification system to track all the small donor-driven projects and align them toward bigger impact and transformational change.
 - Utilize carbon finance to accelerate the achievement of Saint Lucia's NDC targets. Saint Lucia has the intention of using domestic and international carbon pricing initiatives to achieve its NDCs. Thus, the introduction of a carbon tax as proposed by the International Monetary Fund may be an option to accelerate the achievement of the NDC targets in certain sectors, such as transport and energy.



Introduction: Building on Existing Climate Finance Actions and the NAP Financing Strategy

Saint Lucia relies heavily on grant funding and concessional loans from development partners to finance its development and climate change objectives. The achievement of Saint Lucia's nationally determined contribution (NDC) targets is conditional to external financing. Although international public finance and official development assistance (ODA) offer some relief to Saint Lucia's growing debt-to-gross domestic product (GDP) ratio, the decreasing level of international aid undermines the long-term sustainability of this approach, with Saint Lucia's net ODA decreasing by 39% between 2015 and 2018.² Consequently, the Government of Saint Lucia (GoSL) is pursuing efforts to diversify the country's donor engagement, access underutilized climate funds, and develop new and innovative finance mechanisms to de-risk mitigation projects to attract private sector investments.

Saint Lucia has embarked on a process to optimize donor financing by ensuring alignment between the mandate of finance providers and regional and national development targets. This includes reforming its project cycle to drive a more efficient use of international donor financing for priority development projects.

In alignment with the GoSL strategy of having the private sector contribute an estimated US\$218 million in mitigation investments by 2030³ (that is 90% of the total), this NDC Financing Strategy proposes specific actions aimed at increasing and accelerating private sector participation and investment. Actions include the development of commercial mitigation projects in energy generation, energy efficiency, sustainable transport and

cross-sectoral sectors (i.e., agriculture, forestry and other land use, water, and waste management). Additionally, this strategy considers potential funding opportunities for cross-cutting projects (i.e., adaptation and mitigation) based on proposed actions from Saint Lucia's Climate Financing Strategy and Private Sector Engagement Strategy under the National Adaptation Plan (NAP).

Specifically, this NDC Financing Strategy answers the following questions:

- What is the state of climate finance in Saint Lucia? (Section 2)
- What are the macroeconomic and sector-specific barriers hindering private sector participation and investment in mitigation projects? (Section 3)
- How can the GoSL increase access to international climate finance, such as the Green Climate Fund (GCF) and its Readiness and Preparatory Support Programme? (Section 4)
- What are some of the innovative financing mechanisms available to Saint Lucia? How can they be used to leverage private sector resources? (Section 5)
- How can Saint Lucia leverage private sector expertise via public-private partnerships (PPPs)? (Section 6)
- How can Saint Lucia accelerate the achievement and financing of the NDCs using carbon finance? (Section 7)
- What are the short- and medium-term actions required to overcome the barriers and promote private sector participation and investment across prioritized sectors? (Section 8)

² OECD, "Aid at a glance chart," 2019, <https://bit.ly/2PeJ63U>.

³ GoSL, Intended Nationally Determined Contribution under the United Nations Framework Convention on Climate Change (UNFCCC) (2015), <https://bit.ly/3b5GNZD>



2. Climate Finance Framework in Saint Lucia

2.1. Governance, Regulation and Information Flows

Saint Lucia is committed to implementing the 2030 Agenda for Sustainable Development. In accordance with Sustainable Development Goal (SDG) 17 on Partnerships for the Goals, Saint Lucia directs its financing flows toward national environmental priorities defined by the NDCs and NAP. Moreover, in accordance with SDG 13 on Climate Action, Saint Lucia receives international funds to adapt to climate change and invest in low-carbon development.⁴

At the national level, the National Environment Policy and National Environmental Management Strategy outline the instruments the GoSL can leverage to finance environmental management programs. The National Environment Policy states: “All environmental projects constitute a significant component of the Public Sector Investment Programme and the work programs of social investment agencies, namely the Basic Needs Trust Fund and the Poverty Reduction Fund, notably in water supply, sanitation, drainage, disaster risk management, and impact mitigation instruments.”⁵ The statement suggests a key role for public finance in the financing of environmental programs. Other sources of finance include fees and payments for environmental services, contributions from the international community, and environmental tariffs and levies in case the projects generate any revenue.

The GoSL estimates that NDC mitigation actions will cost approximately US\$368 million.⁶ The National Energy Policy and National Energy Transition Strategy (NETS) support NDC cost estimation, and provide further details on the costs for operating the electricity system in an optimal scenario with 33% renewable penetration by 2025 at EC\$5,514 million (US\$2,040 million) over 20 years.⁷ Additionally, the

⁴ GoSL, Third National Communication on Climate Change for Saint Lucia (2017), <https://bit.ly/3dWklyn>

⁵ Ministry of Physical Development, Environment and Housing, GoSL, National Environment Policy (NEP) and National Environmental Management Strategy (NEMS) for Saint Lucia (2004), 19, <http://extwprlegs1.fao.org/docs/pdf/stl179851.pdf>.

⁶ GoSL, Updated Nationally Determined Contribution under the United Nations Framework Convention on Climate Change (UNFCCC) (2021), <https://bit.ly/37YQR2>

⁷ GoSL, Saint Lucia National Energy Transition Strategy and Integrated Resource Plan (2017), <http://www.govt.lc/media.govt.lc/www/resources/publications/saint-lucia-nets-executive-summary-final.pdf>.

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National Energy Transition Strategy and Integrated Resource Plan sets a “cost-containment” goal for all energy efficiency and renewable energy generation projects.⁸ Finally, as part of the National Emergency Management Plan, the GoSL published the National Hazard Mitigation Policy that sets out broad goals and objectives to facilitate more effective use of scarce financial resources in a comprehensive approach to disaster risk management.

The institutional arrangements relating to climate change in Saint Lucia can be summarized as follows:⁹

- The Department of Finance is responsible for finalization of the budget, including capital allocation decisions to climate change adaptation and mitigation initiatives.
- The Department of Economic Development is tasked with coordinating the development of the capital budget and is responsible for donor engagement and coordination, including the submission of funding proposals to donor agencies.
- The Department of Infrastructure is tasked with identification of energy projects.
- The Department of Sustainable Development acts as the national climate change focal point, and collaborates with the Department of Economic Development and Department of Infrastructure to prioritize climate change projects and engage with donor agencies.

The recently established National Integrated Planning and Programme Unit within the Ministry of Finance is tasked with the establishment of a new evidence-based national infrastructure planning program.

2.2. Stakeholders and their Contributions to Financing Mitigation Projects

2.2.1. International Public Finance

Saint Lucia received US\$36.71 million in multilateral and bilateral public climate finance in 2010-2015, according to the Stockholm Environment Institute.¹⁰ Based on the latest Organisation for Economic Co-operation and Development

(OECD) statistics on ODA during 2014-2018, Saint Lucia received a total of US\$29.2 million for climate change of which 41% was allocated to adaptation, 17% to mitigation and 42% to cross-sectoral projects. Moreover, in the same period, Saint Lucia received US\$75.8 million for related activities that would have a positive impact on climate, although their core objectives were not to mitigate emissions or adapt to climate change impacts.

ODA funding in 201-2018 came primarily from five sources: European Union institutions (62%); Climate Investment Funds (CIF) (18%); Japan (16%); Global Environment Facility (GEF) (2%); and Spain (1.6%). Other international donors accounting for smaller contributions include Canada, Germany and the Republic of Korea.¹¹ In the context of climate change mitigation finance, Japan and GEF stand out as the main donors with substantial financing earmarked for supporting geothermal projects, modernization of equipment and machinery for productive industries (e.g., fisheries), and development of integrated land, water and wastewater management systems.¹² Multilateral development banks play a crucial role in channeling funds from international donors to Saint Lucia’s climate projects – the Caribbean Development Bank (CDB), Inter-American Development Bank (IDB) and World Bank stand out as the largest providers of finance to mitigation projects. Annex A shows a list of Saint Lucia’s current mitigation projects and its financiers.

2.2.2. Private Sector Finance

Currently, the participation of international private sector actors in the country’s climate landscape is limited but efforts are underway to scale it up. Overall, regional and international enterprises operating in the country support climate-related activities in their respective sectors, either directly or through corporate social responsibility programs, and by orienting foreign direct investment to sustainable projects.

The participation of national private sector actors is also limited but is particularly critical for scaling up access to climate finance. The national private sector is engaged primarily through commercial banks and the Saint Lucia Development Bank (SLDB), which provides

⁸ Roy Torbert et al., Developing the Saint Lucia Energy Roadmap (Rocky Mountain Institute, 2016), <https://bit.ly/3kv7J85>

⁹ United Nations Development Programme, Saint Lucia Voluntary National Review Report on the implementation of the 2030 Agenda for Sustainable Development (2019), <https://bit.ly/2ZU5p0P>

¹⁰ Stockholm Environment Institute, Climate Finance in the Caribbean Region’s Small Island Developing States (2017), <http://bit.ly/2NNsP5N>

¹¹ Analysis by GGGI using data from OECD Statistics ODA Creditor Reporting System (CRS).

¹² Stockholm Environment Institute, Climate Finance in the Caribbean Region’s Small Island Developing States (2017), <http://bit.ly/2NNsP5N>

development finance loans.

Additionally, non-bank financial entities, such as insurers and investment funds, have developed “green portfolios”.¹³ Microfinanciers play an important role in Saint Lucia’s financial system and have the potential to contribute to climate change mitigation activities, for example, by providing loans for the installation of solar home systems. However, at present, microfinanciers are mostly focused on providing loans for non-productive activities.

According to the Private Sector Engagement Strategy under the NAP process, the primary engagement modalities for the private sector are sector specific and based on PPPs. The GoSL is considering the adoption of more transparent and effective incentives regimes, such as depreciated capital allowances, tax credits and sustainability credits based on contribution to natural capital formation/preservation, to incentivize private sector participation in priority climate change adaptation and mitigation sectors.

To date, the use of innovative financing mechanisms to crowd-in and/or raise private capital, such as green bonds, blended finance mechanisms, guarantees for development, risk financing facilities, insurance and infrastructure support funding, is yet to be fully explored. Similarly, syndicate private sector investments, investment partnerships, joint ventures and new insurance options are alternatives not yet fully explored, although they are mentioned as potential options in the Private Sector Engagement Strategy under the NAP process. A number of such schemes are being piloted across the region by multilateral institutions, an example is the parametric insurance product developed for fisherfolks in the Caribbean through the Caribbean Oceans and Aquaculture Sustainability Facility.¹⁴

2.2.3. Domestic Public Finance

According to the International Monetary Fund (IMF), the GoSL spent EC\$83.8 million (US\$31 million) on climate-related activities in 2016-2017, equivalent to 2% of the country’s GDP. Investments in mitigation initiatives accounted for 26% of the climate action budget.¹⁵

Figure 1 provides a snapshot of the sources of climate finance available to Saint Lucia. The figure emphasizes the primary climate finance actors in Saint Lucia (marked in green) identified on the basis of the analysis of the 2014-2018 ODA flows conducted by OECD on the Creditor Reporting System.¹⁶ The figure highlights a number of untapped sources of climate finance (marked in red) identified through literature review and the United Nations REGATTA portal.¹⁷

2. 3. Efforts to Increase Climate Finance and Streamline Spending for the Achievement of NDC Targets

The GoSL is undertaking multiple efforts to align its limited financial resources to the achievement of the NDC and SDG targets. For example, the GoSL’s Public Sector Investment Programme is being updated to focus on responsible impact investing and capital formation that is climate resilient and sustainable.¹⁸ Additionally, the GoSL is undertaking overarching efforts, such as the development of a Country Finance Roadmap for the SDGs and Resources Mobilization Strategy, to address governance and know-how gaps regarding its climate finance system in order to access untapped sources of climate finance.¹⁹

Overall, Saint Lucia’s efforts to increase climate finance and streamline its spending are focused on strengthening multi-stakeholder and multi-donor engagement, addressing challenges to accessing untapped sources of climate finance, developing action plans to unlock financial resources, and developing policies to put in place enabling conditions to attract private sector participation and investment.

¹³ GoSL, Saint Lucia’s Private Sector Engagement Strategy under the National Adaptation Planning Process (2020), <https://bit.ly/2PigeYJ>

¹⁴ World Bank, “Innovative Fisheries Insurance Benefits Caribbean Fisherfolk,” September 20, 2019, <http://bit.ly/3sw2KXA>

¹⁵ GoSL, Saint Lucia’s Climate Financing Strategy under the National Adaptation Planning Process (2020), <https://bit.ly/3uCFoBw>

¹⁶ OECD Statistics, “Creditor Reporting System (CRS),” <https://stats.oecd.org/Index.aspx?DataSetCode=CRS1#>.

¹⁷ United Nations Environment Programme, “Regional Gateway for Technology Transfer and Climate Change Action in Latin America and the Caribbean (REGATTA): Financing Opportunities,” <http://bit.ly/2MzZc7s>

¹⁸ GoSL, St. Lucia Medium Term Development Strategy 2020-2023 (2020), <http://bit.ly/3b4yYDD>

¹⁹ World Economic Forum, “Country Financing Roadmaps,” <http://sdiponline.org/country-financing-roadmaps>.

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Some of these efforts include:

- Development of Saint Lucia's Climate Financing Strategy and Private Sector Engagement Strategy under the NAP process, published and endorsed by the Cabinet in August 2020. These documents jointly set out a roadmap for enhancing access to adaptation finance through a range of sources for the NAP process.
- Support through the GCF Readiness and Preparatory Support Programme (or Readiness Programme) to develop a GCF Country Programme that sets out national climate priorities and a pipeline of high-priority climate change mitigation and adaptation projects for the next four years (2020-2023).
- Development of Saint Lucia's Nationally Determined Contribution Partnership Plan (NDCPP) that aims to attract coordinated donor funding to facilitate the implementation of the NDCs. This plan will respond to emerging funding opportunities, and its outcomes will support the update of the NDCs and provide insights for the GCF Readiness Programme.
- Development of the Strategy Paper on Donor Coordination Engagement that complements Saint Lucia's Annual Donor Policy Symposium where high-level meetings with the donor community are convened to: (1) present the national portfolio of approved programs and projects for funding support; (2) strengthen partnerships with various multilateral and bilateral financing institutions; and (3) present the impact of previous funding.
- Hiring of a National Climate Finance Advisor by the Commonwealth Secretariat, who will aid coordination and mobilization efforts to increase access to climate finance at the national level. This technical assistance is delivered under the Commonwealth Climate Finance Access Hub that supports small and vulnerable member states to improve access to climate finance by placing experts in government departments to help with grant applications, strengthen climate change policy and build capacity in order to achieve their adaptation and mitigation goals, with particular focus on developing local capacity and South-South cooperation.

- Use of Saint Lucia's Nationally Appropriate Mitigation Action (NAMA) for Schools to develop concept notes and attract funding from development partners for climate change mitigation.²⁰

The specific efforts to increase Saint Lucia's private sector participation include:

- Development and adoption of the PPP Policy in 2015 through technical support received by the CDB.
- Engagement with the private sector in line with the framework of Saint Lucia's Private Sector Engagement Strategy under the NAP process and the development of Guidelines for Stakeholder Engagement in Support of Saint Lucia's Collaboration with the GCF. These efforts aim to facilitate the development of insurance, finance and investment products targeting prioritized sectors and opportunities for private sector involvement in the NAP.
- Provision of financing to small and medium enterprises (SMEs) under the Climate Adaptation Financing Facility, which offers concessional climate change adaptation loans through the SLDB.
- Collaboration with the World Economic Forum on the development of the Saint Lucia Country Financing Roadmap for the SDGs.
- Introduction of financial and fiscal incentives for sustainable businesses that relocate to Saint Lucia.

The efforts to increase the effectiveness of Saint Lucia's public spending on climate finance and sustainable development include:

- Alignment of Saint Lucia's Medium-Term Development Strategy 2020-2023 to a selected suite of SDGs, which include SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action).²¹
- Overall strengthening of the GoSL's project cycle management process and capabilities, including the revamping of the Public Sector Investment Programme to prioritize climate change mitigation and adaptation projects.
- Participation in the GCF Readiness Programme that assisted members of the CDB to assess the status of climate change programming and

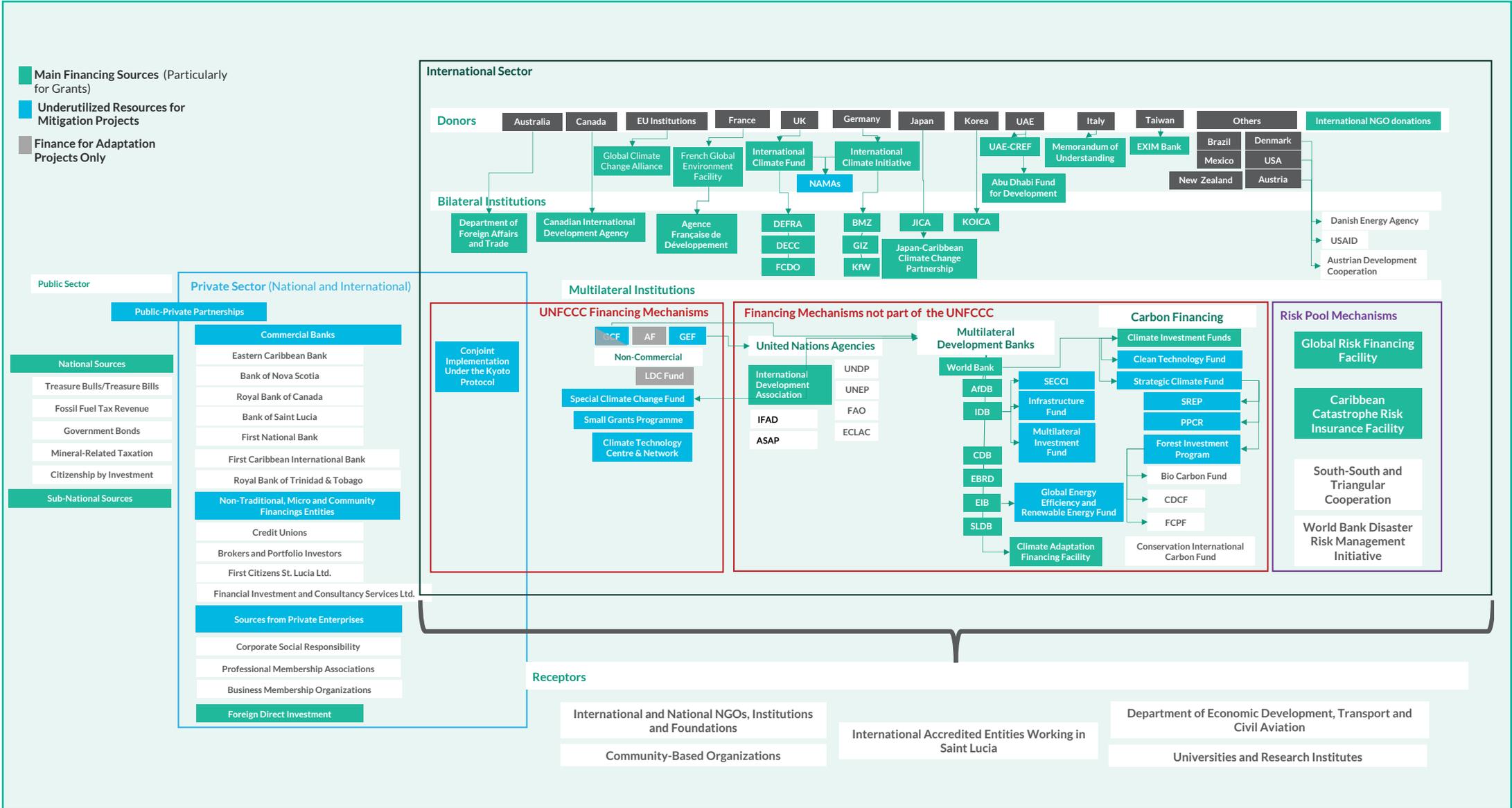
²⁰ GoSL, Saint Lucia's Nationally Appropriate Mitigation Action for Schools (Green Schools NAMA) (2018), <https://bit.ly/3aZN2y5>

²¹ GoSL, St. Lucia Medium Term Development Strategy 2020-2023 (2020), <https://bit.ly/3bP2jRD>

²⁰ GoSL, Saint Lucia's Nationally Appropriate Mitigation Action for Schools (Green Schools NAMA) (2018), <https://bit.ly/3aZN2y5>

²¹ GoSL, St. Lucia Medium Term Development Strategy 2020-2023 (2020), <https://bit.ly/3bP2jRD>

Figure 1. Climate finance architecture in Saint Lucia (with focus on mitigation options)



Source: Modified by the Global Green Growth Institute (GGGI) from Climate Funds Update, 2017.

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their level of preparedness for accessing climate change financing. The program identified some of the impediments to effective climate change programming, and worked with the Department of Economic Development, Transport and Civil Aviation whose Permanent Secretary is the National Designated Authority (NDA) for the GCF to develop a Climate Finance Readiness Action Plan to address identified barriers.

- Technical assistance for the development of the Strategic Framework, Country Programme and NDA Toolkit to facilitate Saint Lucia's access to GCF resources. These were developed under the GCF Readiness Programme, through the project (LCA-RS-001) delivered by Climate Analytics. The project also led to the nomination of SLDB as a candidate Direct Access Entity to the GCF.

Additionally, Saint Lucia has made specific efforts to increase climate finance in the energy efficiency and renewable energy sectors. The GoSL strengthened the legal and regulatory frameworks to ensure energy source diversification, improve energy production efficiency and incentivize renewable energy generation. Some key milestones include the following:

- 1999 – The Cabinet waived import duties and consumption taxes on renewable energy equipment and materials.
- 2001 – The GoSL waived taxes on the purchase of solar water and an environmental levy was applied to the importation of used vehicles, thereby incentivizing the acquisition of new ones.
- 2011 – The National Energy Policy established an energy sector framework for economic regulation, competition and promotion of renewable energy.²² The policy sets a target to generate at least 35% of Saint Lucia's electricity from renewable energy sources by 2020. The policy mandates the Regulatory Commission to prepare an international public tender to invite independent power producers for renewable energy installation and operation.
- 2012 – The Geothermal Resources Development

Bill was drafted.²³

- 2015 – The Amendment to the Electricity Supply Act restricted the monopoly of the Saint Lucia Electricity Services Limited (LUCELEC) on using only fossil fuels for electricity generation, and created the National Utilities Regulatory Commission for the licensing and regulation of electricity from all other sources.
- 2016 – The Energy Efficiency Bill was drafted.²¹

The GoSL prepared action plans and long-term strategies to provide clarity on the country's sectoral priorities to potential investors and donors. For example, in 2004 the GoSL commenced a program to reduce the island's lighting load. Under Saint Lucia's NDCPP, the following projects to advance on regulation and strategy for the energy sector will be developed and/or supported:

- Development of an energy efficiency and renewable energy incentives framework;
- Review and enactment of the Energy Efficiency Bill;
- Adoption of mandatory energy standards for appliances;
- Enactment of the Electricity Services Act;
- Revision of the NDCs for the 2021-2025 period;
- Evaluation of the effectiveness of the NDC in the 2018-2020 period;
- Promote a South-South dialogue on electric mobility.

²² Roy Torbert et al., Developing the Saint Lucia Energy Roadmap (Rocky Mountain Institute, 2016), <https://bit.ly/3kv7J85>

²³ GoSL, Revision of the Saint Lucia Geothermal Resources Development Bill (2011), <https://bit.ly/37TgKmx>

²⁴ Roy Torbert et al., Developing the Saint Lucia Energy Roadmap (Rocky Mountain Institute, 2016), <https://bit.ly/3kv7J85>

²⁵ Sustainable Development Investment Partnership, "Working Draft of the Technical Analysis – Diagnostics Roundtable," 2020.



3. Barriers to the Increase and Acceleration of Financing Mitigation Projects

As stated in Saint Lucia's *Third National Communication to the United Nations Framework Convention on Climate Change (UNFCCC)*, multiple barriers limit access to finance for mitigation projects. While some barriers are specific to priority mitigation sectors, others are driven by the macroeconomics and social circumstances of the country.²⁵ This section describes these barriers that are hindering Saint Lucia's access to finance for mitigation projects.

3.1. Barriers across Prioritized Mitigation Sectors

Table 1. Sectoral barriers hindering financing

Electricity Generation	
NDC Actions	Renewable energy generation. ²⁶
Investment Required	Saint Lucia's National Energy Transition Strategy and Integrated Resource Plan estimates that the recommended scenario of centrally-owned diesel, solar, wind and storage systems can provide a 75% penetration of renewable energy in the national grid by 2025, with a 20-year incremental capital cost of EC\$630 million (US\$230 million) and total operational cost of EC\$5,595 million. ²⁷ The estimated total operational cost based on the NDC scenario of 35% renewable energy penetration is EC\$5,514 million. ²⁸
Current Financing Mechanisms	Traditionally, renewable energy projects in Saint Lucia have been financed by international donors via grants or concessional loans. Some projects have been financed by LUCELEC, Saint Lucia's state-owned utility company.

²⁶ ECLAC, Sustainable Energy in the Caribbean: Reducing the Carbon Footprint in the Caribbean through the Promotion of Energy Efficiency and the Use of Renewable Energy Technologies (2016), <https://bit.ly/2ObLW9o>

²⁷ GoSL, Saint Lucia National Energy Transition Strategy and Integrated Resource Plan (2017), <https://bit.ly/37WhHKw>

²⁸ The NDC target has been updated to reach 35% renewable energy penetration in the national grid by 2022.

Barriers Hindering Financing	<p>Cross-stakeholder barriers:</p> <ul style="list-style-type: none"> • Lack of awareness of the benefits of energy efficiency and renewable energy. • Local financial institutions lack the experience and know-how to assess energy efficiency and renewable energy projects.²⁹ • Lack of policy, legal and regulatory frameworks hindering, investments and the mainstreaming of new technologies. For example, the legislative framework for independent power producers has not been completed and the Electricity Bill has not been enacted. • Lack of market incentives for independent power producers. • Lack of clearly defined targets on independent power producers' participation to achieve the 35% renewable energy target. <p>Barriers for private sector participation and investment:</p> <ul style="list-style-type: none"> • Limited fiscal and financial incentives for commercial energy efficiency and renewable energy projects. Saint Lucia offers only net metering/billing, tax credits and tax reduction/exemption on the import of renewable energy components. • Lack of readily available statistical information on the energy sector for decision-making and policy development. • Lack of cohesive regulations to promote trust among private sector investors, such as a foreign investment act, mutual agreements for foreign investment protection, agreements to avoid a double fiscal imposition, and measures to promote investments in energy efficiency and renewable energy. • Land acquisition remains a challenge for utility-scale developers as it competes with agricultural uses. <p>Barriers for households and SMEs:</p> <ul style="list-style-type: none"> • Poor access to finance due to low consumer creditworthiness or lack of collaterals. • High-interest rates and inflexible loan periods tied to home mortgages or equipment loans. <p>Barriers for providers of finance:</p> <ul style="list-style-type: none"> • Financiers lack the capacity and know-how to develop new credit products tailored to energy efficiency and renewable energy interventions. Financiers have requested support for risk evaluation and payback calculation.³⁰ • Low innovation for community financial business models that can boost renewable energy adoption. • Lack of understanding and information on renewable energy equipment increases financiers' perceived risk. • Low demand for renewable energy products increases transaction costs. • Lack of ESG integration in financial institutions' processes and procedures.
Energy Demand	
NDC Actions	<ul style="list-style-type: none"> • Reduction of electricity consumption (i.e., energy efficiency in buildings and appliances). • Improvements to grid distribution and transmission efficiency. • Water distribution and network efficiency.
Investment Required	<p>Saint Lucia's NDC targets include a 20% reduction in energy consumption by 2022. The achievement of this target is expected to require investments of US\$11 million.³¹</p>
Current Financing Mechanisms	<p>N/A</p>

²⁹ General Secretariat of the Organization of American States, The Financiers' Guide to Sustainable Energy Lending in the Caribbean (2013), <https://bit.ly/3bP5UPw>

³⁰ General Secretariat of the Organization of American States, The Financiers' Guide to Sustainable Energy Lending in the Caribbean (2013), <https://bit.ly/3bP5UPw>

³¹ ECLAC, Identification of mechanisms for financing of energy efficiency and renewable energy initiatives to increase investment in Saint Lucia (2016), https://repositorio.cepal.org/bitstream/handle/11362/40461/1/S1600827_en.pdf.

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Barriers Hindering Financing	<p>Cross-stakeholder barriers:</p> <ul style="list-style-type: none"> Public actors lack the capacity and knowledge to design, implement and monitor bankable energy efficiency projects. Slow roll out of national energy efficiency standards to reduce demand. <p>Barriers for consumers, especially households and SMEs:</p> <ul style="list-style-type: none"> High upfront cost of energy-efficient equipment. Low public awareness on energy-saving measures. Lack of credit lines targeting energy-efficient technologies and projects. High perceived risk of energy-efficient technologies. <p>Barriers for finance stakeholders:</p> <ul style="list-style-type: none"> Lack of knowledge on financial viability and risk for various types of energy-efficient technologies. High perceived risks of energy-efficient technologies.
Sustainable Road Transport	
NDC Actions	Increased penetration of electric vehicles in the transport sector (by expanding public transport). ³²
Investment Required	N/A
Current Financing Mechanisms	Traditionally, public transportation infrastructure has been financed by public funding via taxation, borrowing, operating profits or a mixture of these.
Barriers Hindering Financing	<p>Cross-stakeholder barriers:</p> <ul style="list-style-type: none"> Lack of a sustainable mobility strategy or coordinating framework to guide the shift toward electric mobility. Thus, there is no country target on the sector, although Saint Lucia's Medium-Term Development Strategy 2020-2023 indicates infrastructure developments. Inadequate statistical data for decision-making and policy development. For example, Saint Lucia lacks statistics on energy usage in the transportation sector, thus, analyses are limited to fuel consumption and energy intensity. Also, there is poor record of vehicles by fuel type. Lack of targets on strengthening vehicle fuel efficiency standards. Lack of policies, such as a national transport policy that includes the notion of energy efficiency and fuel diversification. Lack of holistic policy and regulatory frameworks for electric vehicles, electric vehicle supply equipment, waste disposal and renewable energy integration with the national grid. Lack of public charging infrastructure, e.g., network of charging stations. Lack of experience, technical and operational skills, and abilities that can respond to future requirements for clean transport and power generation. Lack of differentiated incentives between hybrid vehicles and electric vehicles. <p>Barriers for private sector participation and investment:</p> <ul style="list-style-type: none"> Limited demand on alternative vehicles, e.g., electric/hybrid cars, due to lack of information given to customers and lack of knowledge on the total cost of ownership advantage of electric vehicles over gasoline vehicles. High upfront cost of electric vehicles, although they are more economical over the long term. Limited number of available electric vehicle classes on the market. No incentives for private-owned bus owners to change fleets. Undeveloped circular economy markets for discarded components of electric vehicles and their maintenance. <p>Barriers for finance stakeholders:</p> <ul style="list-style-type: none"> Low capacity to recognize the opportunity to invest. Lack of adequate finance schemes and business models.

³² Improvement of Urban Mobility and Accessibility in Downtown Castries.

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Waste	
NDC Actions	Coupling waste disposal facilities (i.e., landfills) to the energy system, using emitted methane as a fuel for a small power plant.
Investment Required	N/A
Current Financing Mechanisms	Traditionally, waste infrastructure has been financed by public funding via taxation, borrowing or a mixture of these.
Barriers Hindering Financing	<p>Cross-stakeholder barriers:</p> <ul style="list-style-type: none"> • Although waste-to-energy and biomass projects have been developed, no commercial application has been implemented. According to a study by the Carbon War Room and the Clinton Climate Initiative, the quantity of waste collected, along with the absence of revenue-generating measures within the solid waste portfolio, was not encouraging in terms of viability, although the approach could have negated the need for continued costly development of landfills. • Contrary to other countries, Saint Lucia does not charge waste haulers or households any fees for disposal, but instead requires that every visitor to the country pay a small environmental levy. Thus, operations are highly dependent on the subvention from the GoS and the tourism sector, resulting in an underfunded service.
Agriculture, Forestry and Other Land Use	
NDC Actions	N/A
Investment Required	N/A
Current Financing Mechanisms	N/A
Barriers Hindering Financing	<p>Cross-stakeholder barriers:</p> <ul style="list-style-type: none"> • Private-owned lands in critical areas for forestry and sustainable agriculture. <p>Barriers for private sector participation and investment:</p> <ul style="list-style-type: none"> • Lack of business models for implementing sustainable activities in the sector. • Unattractive and poorly bankable projects. For example, Saint Lucia's Climate Adaptation Financing Facility reports that it has difficulty attracting the private sector even with interest loans starting at 4.5% compared to 11-12% for regular rates.

Section 8 provides sector-specific recommendations on addressing these financing barriers for achieving the NDC targets.

3.2. Macroeconomic Barriers

3.2.1. High Country Debt Gives Little Opportunity for Contracting Further Loans

Saint Lucia's long-term growth remains uncertain due to high public debt, vulnerability to external shocks,

credit crunch to the private sector, and uncertainty on Foreign Direct Investment inflows.

As of December 2019, Saint Lucia's public debt stood at 71% of the country's GDP, with IMF forecasts expecting this to grow further to 77% by 2024 due to upcoming external debt-financed public infrastructure investments.³³ Economic forecasting to date is yet to integrate the impact of the COVID-19 pandemic on the short-term outlook of the country, which is expected to further increase the country's debt to GDP and erode the borrowing capacity of the GoSL. As of October 2020, IMF World Economic Outlook forecasts a GDP contraction of 16.9% in 2020 followed by a rapid

³³ IMF, "World Economic Outlook Databases," April 2020, <http://bit.ly/2OcR7pK>

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recovery in 2021 with expected real GDP growth of 7.2%.³⁴ The current situation leaves little policy space to react to external shocks and global economic downturn. The GoSL acknowledges the need for fiscal consolidation to reduce public debt to the regional target of 60% of GDP by 2030 to increase policy space and provide the country with the flexibility to respond to external shocks.

Saint Lucia's fiscal constraints prevent it from meeting the financing needs of prioritized mitigation actions identified in the NDC, which amount to EC\$651 million (US\$241 million), or 14% of FY2016 GDP between 2017 and 2030, equivalent to 1.1% of GDP per year. Considering this, the GoSL intends for the private sector to play a pivotal role in the financing and implementation of climate change mitigation actions, contributing an estimated US\$218 million in mitigation investments by 2030.³⁵

3.2.2. Difficulties in Doing Business Lead to Low Participation of the Private Sector

The World Bank's Ease of Doing Business³⁶ rankings in 2020 indicate that Saint Lucia is not a particularly easy place in which to do business. The country is ranked 93rd out of 189 economies. The common challenges in doing business in Saint Lucia are summarized in Figure 3.

According to the World Bank's Enterprise Survey, 22.4% of Saint Lucia's firms reported access and cost of electricity as the biggest obstacles to doing business in the country.³⁷ The logistical challenges of bringing electricity to small island nations, the lack of economies of scale, the inefficiency of the power sector and dependence on imported fossil fuels contribute to the region's high electricity tariffs.

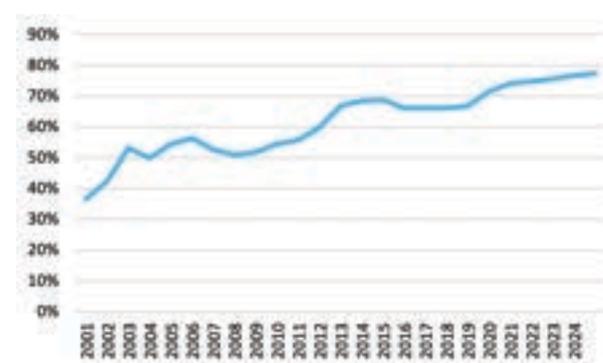
In April 2020, LUCELEC reported electricity tariffs in the range of US\$0.28/kWh for domestic users to US\$0.33/kWh for industrial users.³⁸ By way of comparison, US electricity prices averaged from US\$0.13/kWh for residential users to US\$0.06/kWh for industrial users in February 2020.³⁹ The country's

Table 2. Evolution of debt

Date	Debt (US\$ million)	Debt Per Capita (US\$)
2018	1,247	6,856
2017	1,207	6,672
2016	1,145	6,363
2015	1,103	6,341
2014	1,091	6,306
2013	1,031	6,027
2012	971	5,743
2011	866	5,187
2010	785	4,727
2009	714	4,328
2008	666	3,919
2007	653	3,887
2006	616	3,710
2005	589	3,589
2004	529	3,262
2003	450	2,795
2002	439	2,762
2001	339	2,148
2000	302	1,938

Source: IMF, "World Economic Outlook Databases," April 2020, <https://bit.ly/2OcR7pK>

Figure 2. Evolution of debt as percentage of GDP



Source: IMF, "World Economic Outlook Databases," April 2020, <https://bit.ly/2OcR7pK>

³⁴ IMF, "Real GDP Growth," 2020, <https://bit.ly/3b6CM78>

³⁵ IMF, "St. Lucia Climate Change Policy Assessment," June 2018, <https://www.imf.org/~/media/Files/Publications/CR/2018/cr18181.ashx>

³⁶ World Bank, "Ease of Doing Business in St. Lucia," <http://bit.ly/3bO6zR7>

³⁷ World Bank, "Enterprise Surveys: St. Lucia," <http://bit.ly/3sEKRgc>

³⁸ LUCELEC, "Rates & Service Standards," <http://bit.ly/3b1pmt8>

³⁹ U.S. Energy Information Administration, "Electric Power Monthly: Table 5.6.A. Average Price of Electricity to Ultimate Customers by End-Use Sector, by State, September 2020 and 2019 (Cents per Kilowatthour)," <http://bit.ly/301888P>

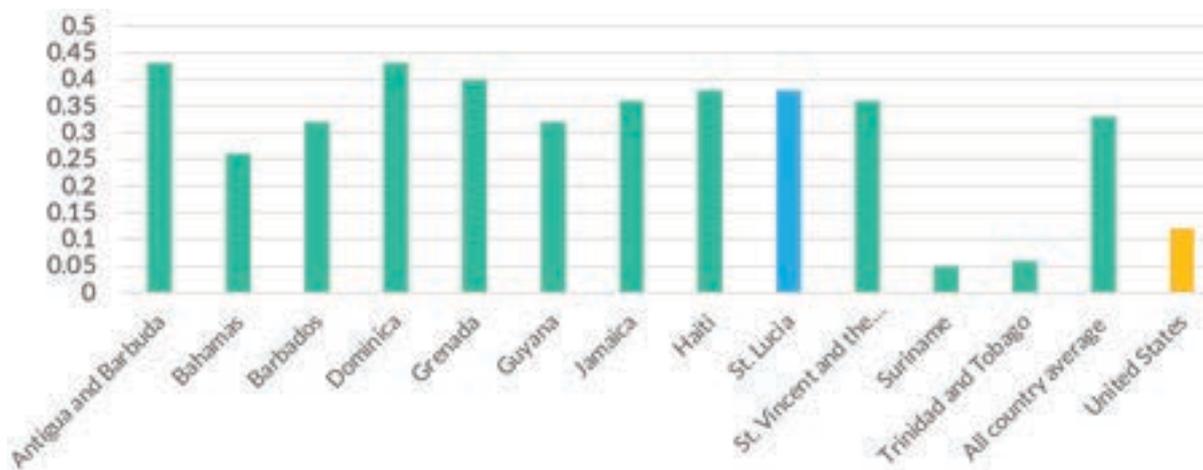
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Figure 3. Saint Lucia's rankings for ease of doing business



Source: World Bank, "Ease of Doing Business in St. Lucia," <https://bit.ly/3bO6zR7>

Figure 4. Average retail tariffs per utility (US\$)



Source: IDB

Table 3. Percentage of firms surveyed identifying access to finance as an obstacle

	No Obstacle	Minor Obstacle	Moderate Obstacle	Major Obstacle	Severe Obstacle
All-Country Average	12	30	30	15	11
Antigua and Barbuda	15	41	39	2	4
Bahamas	7	39	28	9	17
Barbados	27	22	19	23	10
Belize	7	17	18	40	18
Dominica	4	33	18	17	28
Grenada	9	34	33	9	15
Guyana	33	13	18	21	14
Jamaica	19	26	25	23	7
Saint Kittis and Nevis	10	40	29	5	17
Saint Lucia	5	35	44	13	4
Saint Vincent and the Grenadines	5	34	26	14	21
Suriname	32	33	11	18	6
Trinidad and Tobago	4	31	52	10	4

Source: 2014 firm-level survey funded by Compete Caribbean.

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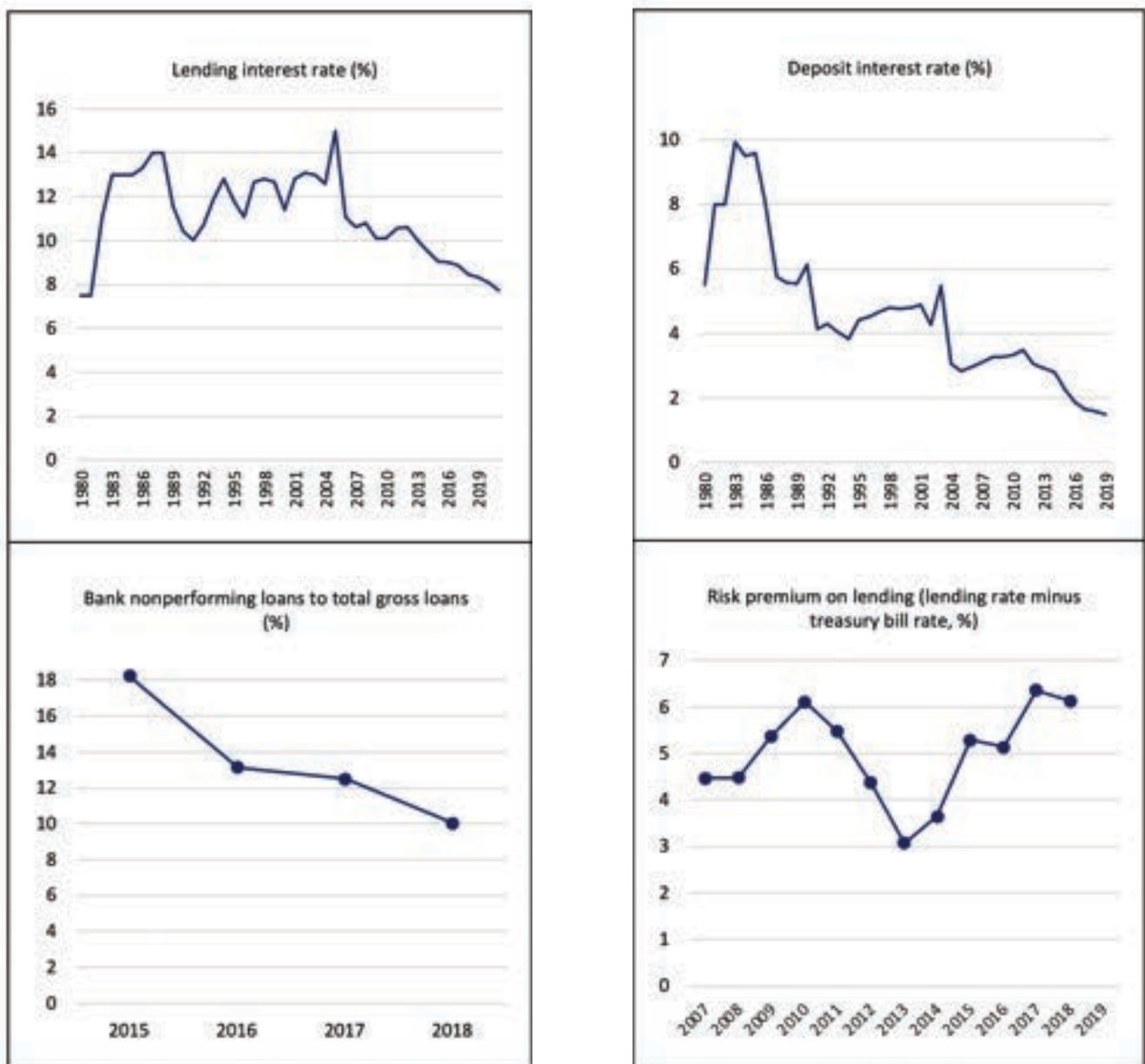
high per-capita energy costs are a contributing factor to the financial stress that private sector companies face in the country. While certainly an obstacle for the long-term sustainability of the private sector, the situation highlights the importance of tapping Saint Lucia’s renewable energy resources, such as solar and wind, to address the electricity market failure and meet the country’s mitigation targets.

3.2.3. The Private Sector’s Low Access to Finance Constrains Private Investment

Access to finance is a major challenge to the development of a healthy private sector in Saint Lucia and across the Caribbean. On average, 61% of the firms surveyed in the 2014 Compete Caribbean study indicated moderate to severe difficulty in accessing finance, with 44% of the respondents mentioning it as a moderate obstacle, and 17% as a major or severe obstacle (Table 3).

The study also highlights that only 14.8% of firms in the country use domestic banks as a source of investment funds whereas almost 50% rely on bank financing as a source of working capital. The findings show an acute tendency of private firms to not use domestic banks to fund investments. This is owing to the high-interest rate and collateral required. In 2019, lending interest rates in Saint Lucia averaged 7.7% descending from a peak

Figure 5. Saint Lucia’s financial data



Source: World Bank.

Table 4. Gross enrollment ratio in tertiary education (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total	12.39	16.19	10.02	13.56	16.44	16.33	18.94	19.88	14.07
Female	17.82	20.56	13.75	18.1	22.27	21.42	25.06	26.51	18.69
Male	6.91	11.81	6.31	9.06	10.67	11.28	12.84	13.25	9.44

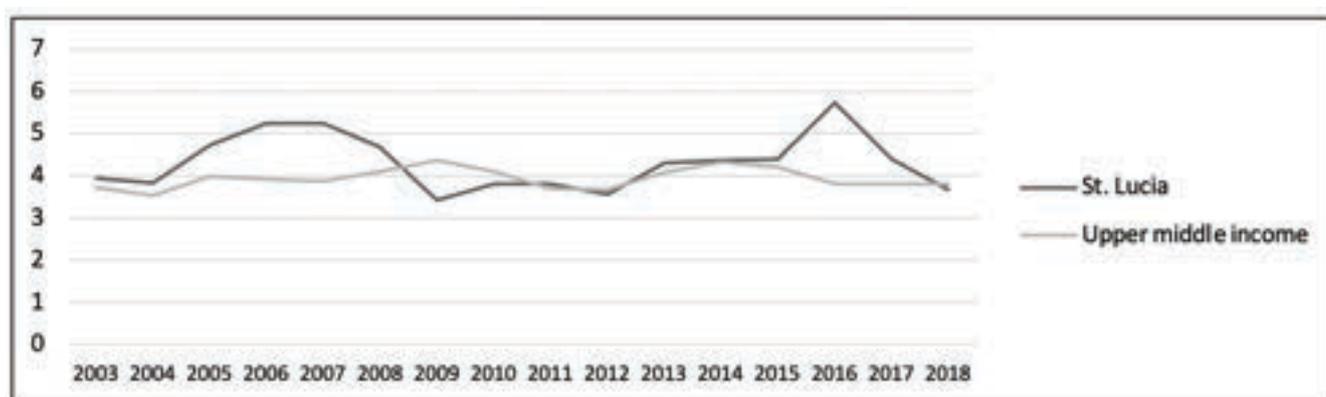
Source: UNESCO.

Table 5. Government expenditure on education

	2010	2011	2012	2013	2014	2015	2016	2017	2018
As % of GDP	3.82	3.81	3.57	4.31	4.36	4.4	5.74	-	3.68
As % of Total Government Expenditure	14.2	13.84	12.19	13.85	15.3	16.45	21.98	-	14.36

Source: UNESCO.

Figure 6. Government expenditure on education (% of GDP)



Source: World Bank.

of 15% in 2003. Despite the improving cost of capital, the approximate value of the collateral required from banks to borrowers remains high at 140%. As a result, domestic financial institutions provide little support to the funding of private sector projects with total bank credit to the private sector falling for the sixth consecutive year.

The reasons for this credit crunch are multiple, including banks' efforts to mitigate and resolve non-performing loans, which remain high at over 10%,⁴⁰ the absence of a credit bureau and registry, shortage of acceptable collateral (limited to real estate or land), the regional minimum saving deposit rate (currently set at 2%), and outdated foreclosure and insolvency legislation that increase banks' risk aversion.⁴¹

3.2.4. Low-Skilled Labor Force Increases Project Development Cost

Private sector productivity and development requires a well-educated and skilled labor force. Saint Lucian firms surveyed by the World Bank in 2014 indicated poorly-educated workers as the fourth obstacle to doing business in the country. On the one hand, firms struggle to find workers with the right skill sets for the jobs available. On the other hand, highly-educated workers struggle to find appropriate employment. In other words, past long-term planning has failed to align educational outputs with private sector needs. According to the United Nations Educational, Scientific and Cultural Organization (UNESCO), enrollment in tertiary education in Saint Lucia was 14.07%⁴² in 2018, compared to the global average of 38%,⁴³ and only

⁴⁰ World Bank, "Data: Bank nonperforming loans to total gross loans (%) - St. Lucia," <https://data.worldbank.org/indicator/FB.AST.NPER.ZS?locations=LC>

⁴¹ IMF, "St. Lucia: 2019 Article IV Consultation-Press Release; and Staff Report," February 24, 2020, <http://bit.ly/301qCWP>

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2.1% of the population completed a Master's degree while 0.2% completed a doctorate or equivalent degree. Government expenditure on education, however, is aligned with the average for upper-middle-income economies standing at 3.68% and 3.81%, respectively in 2018.⁴⁴

The data suggests that additional investments may be needed to boost enrollment in technical and vocational education and training in secondary schools, specifically, in areas related to the development of the NDCs, including renewable energy, energy efficiency, waste management, circular economy and electric mobility. This may prove a cost-effective alternative to tertiary education while meeting private sector needs.

Private sector firms are not the only ones suffering from skills mismatch, with many skilled workers emigrating due to a shortage of suitable employment opportunities and relatively low wages. Economists have pointed at the need for higher public sector investment to encourage the establishment of clusters of innovative enterprises to keep talented workers in the Caribbean.

3.2.5. Saint Lucia's Classification as an Upper-Middle-Income Country Limits Access to Concessionary Finance

Saint Lucia is classified as an upper-middle-income country by the United Nations according to its per capita income, human asset criteria and economic

vulnerability criteria.⁴⁵ Caribbean governments have pointed out that the United Nations classification fails to appropriately take into account Caribbean countries' vulnerability to external shocks.⁴⁶ In fact, this classification presents an obstacle to accessing ODA and has excluded Saint Lucia from accessing highly concessionary ODA financing.

3.2.6. Decreasing Levels of ODA Increase Pressure on Developing Scalable and Impactful Project Concept Notes

Between 2015 and 2018, Saint Lucia's net ODA decreased by 39%.⁴⁷ This is aligned with the United Nations General Assembly analysis that: "Declining levels of ODA and rising levels of debt are impeding the world's ability to pay for the SDGs and address the negative impacts of climate change, particularly in Africa and among Small Island Developing States (SIDS)."⁴⁸ This is partly due to the global economic recession that is causing fiscal deficits among donor countries, to which ODA budgets are tied.

Saint Lucia needs to better align available ODA to strategic needs utilizing its sectoral plans and national strategies to aggregate ODA toward high-impact and transformational programs and projects rather than individual and disconnected small projects. Saint Lucia needs to increase its spending effectiveness by strengthening its monitoring, reporting and verification (MRV) system.

Table 6. Evolution of ODA

	2010-17	1990-99	2000-09	2010-17	2015	2016	2017	2018
	Share of total ODA to America (%)	Annual Average of Net ODA (US\$ million)			Annual Amounts of Net ODA (US\$ million)			
Saint Lucia	0.2	33	18	22	14	15	12	8.5

Source: OECD. "Aid at a glance chart." 2019. <https://www.oecd.org/countries/saintlucia/aid-at-a-glance.htm>.

⁴² UNESCO Institute of Statistics, "Saint Lucia," <http://bit.ly/3bNiiQ5>

⁴³ World Bank, "Data: School enrollment, tertiary (% gross)," <http://bit.ly/3q5ePI4>

⁴⁴ World Bank, "Government expenditure on education, total (% of GDP) - Upper middle income," <http://bit.ly/3dU6DBD>

⁴⁵ UNDP & UN-OHRLS, "Financing for Development and Small Island Developing States: A Snapshot and Ways Forward", 2015, <https://bit.ly/2NliqJJ>

⁴⁷ OECD, "Aid at a glance chart," 2019, <http://bit.ly/2PeJ63U>

⁴⁸ United Nations, "General Assembly: High-Level Dialogue on Financing for Development," September 26, 2019, <https://bit.ly/3sEOjAE>

⁴⁶ A country will qualify for graduation from least developed country status if it has met graduation thresholds under at least two of the three criteria in at least two consecutive triennial reviews of the list. However, if the three-year average per capita gross national income of a least developed country has risen to a level at least double the graduation threshold (i.e., US\$2,460), and if this performance is considered sustainable, the country will be deemed eligible for graduation regardless of its score under the other two criteria. Source: United Nations Conference on Trade and Development, The Least Developed Countries Report 2018 (New York and Geneva, 2018)

3.2.7. A Small Market and Restricted Economic Diversification Lead to Decreasing Foreign Direct Investment and a Limited Pipeline of Potential Projects

Although Saint Lucia's investment pipeline looked robust by 2018, it relied on projects from the tourism sector instead of projects that address the imperative need of modernizing the country's infrastructure for sustainable development (i.e., healthcare, education, infrastructure, sustainable energy, transport and agriculture). Saint Lucia's Medium-Term Development Strategy 2020-2023 managed by the Performance Management and Delivery Unit aims to address this issue. However, the current global economic crisis is causing a decline in foreign direct investment and private sector investment.

3.2.8. Government's Institutional Capacity to Identify, Develop and Manage Bankable Projects in Mitigation Sectors is Limited

The GoSL lacks the institutional capacity to advance the design, structuring and financing of energy efficiency and renewable energy projects. As highlighted by the IDB, government ministries can benefit from training in sustainable energy technologies across various aspects, including creating contracts with energy service companies, developing projects and finance facilities, and developing regulations.⁴⁹ Similarly, commercial and national development banks lack knowledge and confidence in energy efficiency and renewable energy interventions. They can also benefit from training their staff on lending for sustainable energy technologies, and ultimately increase their adoption.

3.2.9. Government's Capacity to Structure PPPs is Limited

According to the IMF,⁵⁰ the implementation of PPPs in the Caribbean region is limited by multiple barriers. The ones that resonate with Saint Lucia are:

- The limited size of PPP projects, which average less than US\$100 million in the region, makes it hard to attract private sector investors and develop a viable project that can cover transaction costs. In the case of Saint Lucia, this does not appear to be an insurmountable barrier as it obtained its first PPP investment in the LUCELEC Solar Farm Project valued at US\$20 million. However, the country continues to lack technical and financial resources to develop a set of attractive PPP projects with an identified market appetite and profitability potential. Saint Lucia needs to further implement and strengthen its screening process for identifying and selecting projects with PPP potential. Once potential projects are identified, the CDB suggests to further promote PPP projects to the international marketplace via trade shows, government delegations, conferences, etc.⁵¹
- Lack of technical capacity within the GoSL to support initial project development and ensure projects reach maturity – in terms of addressing uncertainties and risks – for launch in the market as PPPs. In the case of Saint Lucia, the country has previously received support from the World Bank Group as a transaction advisor and investor. Moreover, the 2015 PPP Policy calls for the establishment of a PPP Steering Committee. However, the country still lacks a dedicated PPP unit, relying only on a PPP focal person in the Ministry of Finance.
- Lack of a legal, institutional and policy framework for attracting private sector investors. Despite having a PPP Policy that prioritizes fiscal responsibility, and ensures transparency and the conduct of environmental impact assessments, Saint Lucia needs to take steps to develop a PPP law and PPP manuals to further strengthen its legal framework.
- Lack of funding for project advisors that can minimize risks and management/procurement costs by overseeing all transactions across the project.
- Insufficient risk assessments resulting in excessive fiscal risk allocation to the public sector.

A detailed assessment of Saint Lucia's PPP framework and recommendations for increased private sector participation and investment is provided in Section 6.

⁴⁹ IDB, Challenges and Opportunities for the Energy Sector in the Eastern Caribbean: Achieving an Unrealized Potential (2016), <https://bit.ly/2PhNduJ>

⁵⁰ IMF, Public-Private Partnerships in the Caribbean Region: Reaping the Benefits While Managing Fiscal Risks (Washington, DC, 2019)

⁵¹ Catherine Morris, "Funding Infrastructure Gaps," The Star, December 22, 2018, <https://stluciarstar.com/funding-infrastructure-gaps/>



4. Increase Access to International Public Climate Finance

International climate finance accounts for the majority of Saint Lucia's climate change adaptation and mitigation actions. The awareness of available funds and programs, as well as the alignment of these with the GoSL's pipeline of climate projects and climate priorities are crucial for leveraging financing opportunities and meeting NDC targets.

The GoSL has received financial resources from multiple international providers of climate finance, such as the United Arab Emirates-Caribbean Renewable Energy Fund (UAE-CREF), the United Kingdom Caribbean Infrastructure Fund (UK-CIF), the International Renewable Energy Agency and the Abu Dhabi Fund for Development Project Facility, and the NAMA Facility. However, the GoSL is yet to access funds from many other international funds, including the GCF, the CIF (i.e., Scaling Up Renewable Energy Program in Low Income Countries (SREP), Clean Technology Fund (CTF) and Forest Investment Program) and GEF. Annex B summarizes the mandate, characteristics and requirements of the main climate funds available to Saint Lucia.

In order to increase access to international public climate finance, the GoSL could consider the following actions:

- Prioritize funds and programs deploying blended finance structures that can lead to the leveraging of additional investments from the private sector, such as the Global Innovation Lab for Climate Finance, the MGM Sustainable Energy Fund II, the Private Sector Set-Asides part of the CIF and Partnership for Market. Annex C provides selected examples of potential concessional

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funding options for private sector projects within the Caribbean that can complement Saint Lucia's investment plans and offer blended finance options.

- Develop a methodology to match priority mitigation projects and actions with available funding opportunities based on the concessionality of funding, ticket size, risk appetite, time horizon, sector/technology and project stage, among others.
- Establish a short-term target for volume of finance to be leveraged by international climate funds, develop an actionable short-term strategy and

establish a focal point responsible for coordination among various agencies and departments. This is expected to increase the capacity of public actors in navigating the requirements of climate funds and accelerating the mobilization of international climate finance. Such strategy can be developed utilizing resources from the GCF Readiness Programme.

- Prioritize project preparatory work and pursue funding for project preparation and development of an enabling environment for private sector participation and investment.

4.1. The Green Climate Fund

Box 1. About GCF

The Green Climate Fund (GCF) is the world's largest dedicated fund helping developing countries reduce their greenhouse gas emissions and enhance their ability to respond to climate change. It was set up by the United Nations Framework Convention on Climate Change in 2010. GCF's activities are aligned with the priorities of developing countries through the principle of country ownership, and the GCF has established a direct access modality so that national and sub-national organizations can receive funding directly, rather than only via international intermediaries. The GCF pays particular attention to the needs of societies that are highly vulnerable to the effects of climate change, in particular Least Developed Countries (LDCs) and Small Island Developing States (SIDS). The GCF aims for a 50:50 balance between mitigation and adaptation investments over time. It also aims for a floor of 50% of the adaptation allocation for particularly vulnerable countries, including LDCs and SIDS.

Source: GCF, "About GCF," <https://www.greenclimate.fund/about>.

GCF technical and financial support caters to programs and projects in different stages of development and implementation (Table 7).

Table 7. Technical and financial support provided by the GCF

What	Funding Available	Who Can Access It	For What Purpose
Readiness and Preparatory Support Programme	US\$1 million/year (US\$257.8 million approved to date) ⁵²	Delivery Partners appointed by the NDA	Support related to institutional capacity building, coordination, policy and planning, and programming for investment. Readiness Programme resources can be used to develop national strategic frameworks and investment plans, and provide support for the identification and development of high-impact programming and pipeline development activities (e.g., pre-feasibility studies and concept notes).
Readiness and Preparatory Support Programme: NAPs	US\$3 million/country	Delivery Partners appointed by the NDA	Formulation of NAPs and/or other adaptation planning processes. This may include support for sub-national adaptation plans and/or sectoral adaptation planning processes.

⁵² GCF, "Country Readiness," <https://www.greenclimate.fund/readiness>

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What	Funding Available	Who Can Access It	For What Purpose
Project Preparation Facility	US\$1.5 million/application (US\$22.9 million approved to date) ⁵³	Accredited Entities	Accredited entities receive funding in the form of grants, repayable grants or equity to undertake project preparation activities by themselves. Accredited entities who request up to US\$300,000 from the GCF are eligible for the Simplified Project Preparation Facility Funding.
Funding Proposal	Depending on the accreditation status of accredited entities	Accredited Entities	Accredited entities develop funding proposals in close consultation with NDAs or focal points, based on the differing climate finance needs of individual developing countries. GCF investments can take the form of grants, equity, guarantees and loans.
Funding Proposal: Simplified Approval Process	Up to US\$10 million/project	Accredited Entities	There is a simplified approval process for projects with minimal environmental and social risks requiring a GCF contribution of up to US\$10 million.

Saint Lucia's GCF Country Programme outlines the country's priorities to be pursued with GCF funding and support. The priorities have been developed in alignment with the NDC, NETS, NAP and the sectoral adaptation strategies and action plans.

Table 8. Financing priorities for mitigation

Sector	Financing Priorities
Energy Efficiency	<ul style="list-style-type: none"> • Energy-efficient appliances • Energy efficiency in the public sector: 20% reduction in energy use in public buildings by 2020 • Energy efficiency in schools • Improved human capacity for energy audits, conservation and management
Electricity Generation	<ul style="list-style-type: none"> • 35% renewable energy penetration by 2025; 50% by 2030 • Improved grid distribution and transmission efficiency • Geothermal development • Decentralized financing for distributed renewable energy development • Distributed renewable energy in health centers, schools and areas that act as disaster shelters
Transport	<ul style="list-style-type: none"> • Efficient vehicles • Improved and expanded public transit • Improved public understanding and acceptance of electric vehicles • Improved infrastructure and service capacity for electric vehicles
Infrastructure and Spatial Planning	<ul style="list-style-type: none"> • Enhanced resilience of energy supply structure • Diversified electricity generation mix with a view to energy independence

Source: Saint Lucia's Country Programme for the GCF.

⁵³ GCF, "Project Preparation Facility," <https://www.greenclimate.fund/projects/ppf>

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Saint Lucia already benefits from GCF funding through its Readiness Programme. As of November 2020, Saint Lucia accessed Readiness Programme resources under two separate projects totaling US\$470,000, of which US\$357,400 has been disbursed.⁵⁴ The first project entitled, “Improving Eastern Caribbean Engagement with the Green Climate Fund,” aims to increase Saint Lucia’s capacity to identify and develop bankable projects related to adaptation and community resilience, generate data and manage information for those projects, increase public-private engagement and advance the accreditation process of the SLDB.⁵⁵ This project started in 2019 and will be finalized in 2020. The second project entitled, “Readiness to Support the Development of a Credit Risk Abatement Facility for the Caribbean Community (CARICOM) States,”⁵⁶ aims to strengthen and provide incentives for traditional and other types of financial institutions to provide additional lending to SMEs to finance energy efficiency and renewable energy projects. In addition to these two projects, Saint Lucia is included in a number of ongoing Readiness Programmes with regional scope.⁵⁷ Annex D shows Saint Lucia’s GCF Project Pipeline.

While Saint Lucia is not yet able to access GCF resources for project implementation due to the absence of a Direct Access Entity, the GoSL can still benefit from the resources and support made available under the GCF Readiness Programme in the following ways:

- Prioritizing the accreditation of the SLDB by: (1) earmarking sufficient financial resources from the Readiness Programme to the accreditation process; (2) organizing knowledge sharing sessions with other accredited entities in the region; and (3) appointing a delivery partner with track record in getting national development banks accredited to the GCF.
- Identifying and developing high-impact programming and pipeline development activities, including sectoral investment plans, pre-feasibility studies and concept notes.
- Marketing designed projects and concept notes to donors, impact investors, multilateral

development banks and other funds while waiting for SLDB to complete the accreditation process to the GCF.

- Exploring and advancing the design of innovative financing mechanisms set forth in this strategy, including green bonds, debt for climate swaps, green guarantees, green credit lines and national financing vehicles (NFVs).
- Developing and delivering awareness raising and capacity building materials on green and climate finance.
- Leveraging financial support from the Readiness Programme to ensure appropriate staffing of the NDA office to manage and coordinate climate change programs and projects.
- Accessing the full allocation of US\$1 million/year Readiness Programme budget.
- Conducting an in-depth review of delivery partners’ track records to ensure Readiness Programme resources are used efficiently and effectively.

⁵⁴ GCF, “Saint Lucia,” <https://www.greenclimate.fund/countries/saint-lucia>

⁵⁵ GCF, “Readiness Proposal: Improving Eastern Caribbean Engagement with the Green Climate Fund,” 2019, <https://bit.ly/2OanOUD>

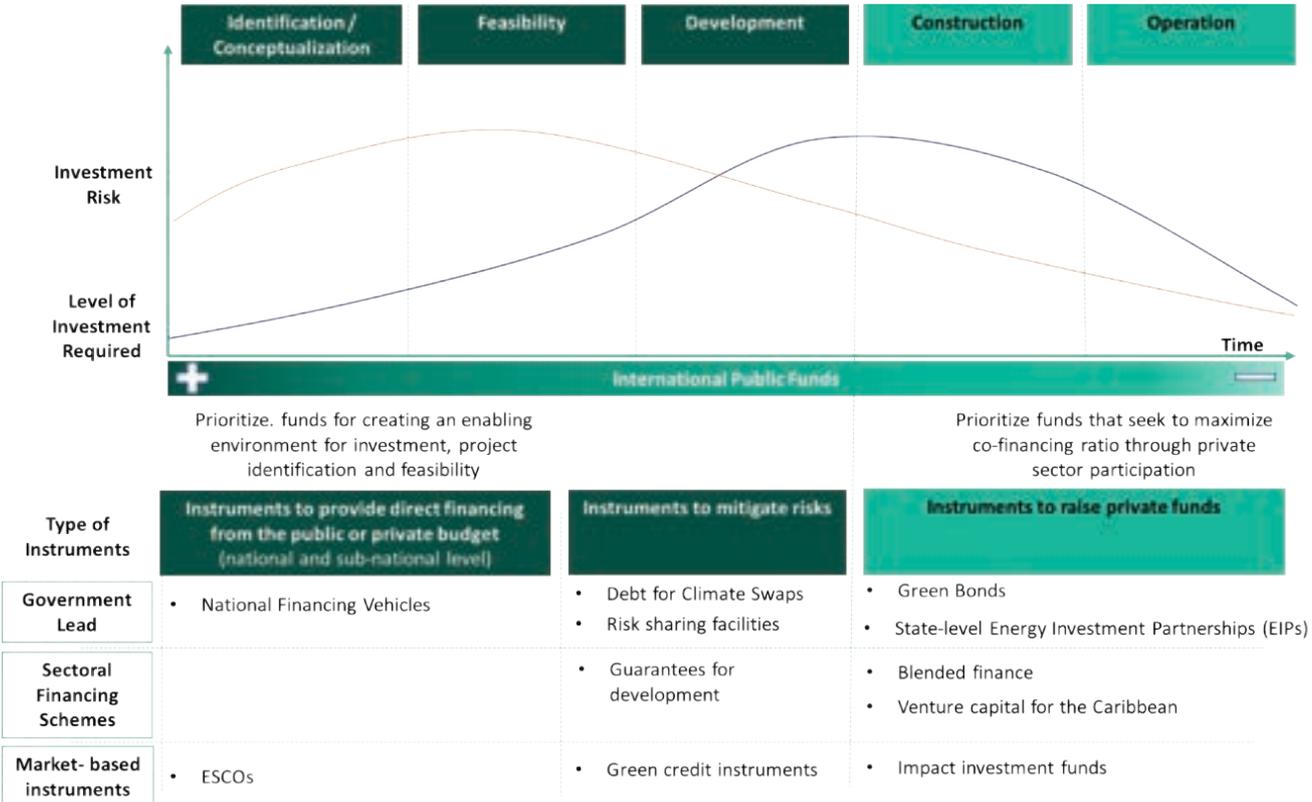
⁵⁶ GCF, “Readiness Proposal: Readiness to support the development of a Credit Risk Abatement Facility (CRAF) for CARICOM States,” 2019, <https://bit.ly/3q7D4yM>

⁵⁷ GCF, “Saint Lucia,” <https://www.greenclimate.fund/countries/saint-lucia>



5. Increase Private Sector Financing through Innovative Financing Instruments

Figure 7. Selected innovative financing instruments



Source: Developed by GGGI.

This section examines financing instruments that can assist the GoSL in raising private sector funds and/

or increase private sector investments in priority mitigation sectors. Selected instruments are outlined in Figure 7.

5.1. Green Bonds

Green bonds are regular bonds with one distinguishing feature – proceeds are earmarked for projects with environmental benefits. Green bonds often carry social co-benefits, such as access to clean energy and water, and poverty alleviation through better resilience to climate change and development of sustainable infrastructure.

The green bond market has seen strong growth in recent years. In 2019, global green bond issuance reached US\$257.7 billion, up by 51% from 2018. The European market accounts for 45% of the total, followed by Asia-Pacific and North American markets at 25% and 23%, respectively. The USA, China and France remain the largest issuers, accounting for 44% of global issuance. However, 2019 also marked new entrants in the green bond market, with Barbados, Ecuador, Greece, Kenya, Panama, Russia, Saudi Arabia and Ukraine. Overall, 2019 was a significant year for Latin America and the Caribbean with the first issuer from the Caribbean – Williams Caribbean Capital of the amount BBD\$3 million (US\$1.5 million) – and the region's first sovereign issuance by Chile in July 2019. Growth in the green bond market is fueled by the following benefits to the issuer:

- **Strategic coordination** – A green bond signals the government's commitment to its sustainable, low-carbon growth strategies. Internal collaboration between different departments (traditionally, Ministry of Finance and Ministry of Environment) is one of the positive spillovers of issuing a green bond. By going through the exercise of identifying eligible assets and projects to include in a green bond program, the government can improve its awareness of the alignment between its balance sheets and ambitions.
- **New and diverse investors** – Green bond issuers have reported a diversification of their investor base; the deal attracts new socially-responsible investors and asset managers with green investment mandates. For instance, 30% of Chile's Green Bond investors were first-time

investors in Chile's sovereign debt, leading to a demand 12.8 times the value offer.

- **Pricing advantages** – Driven by high demand and increasingly diversified investor base, several treasuries have reported better pricing of their green bonds compared to past issuances. Chile's Green Bond issuance resulted in the country's lowest ever interest rate on 30-year securities.
- **Visibility** – Reputational benefits is one of the gains issuers look for in a green bond issuance. Governments have used green bond issuances as a promotional tool to reinforce their sustainability agenda, or signal a policy shift to show their commitment to a more diversified economy and the future development of low-carbon sectors.
- **Capital mobilization** – It has been made clear that public funds will not be sufficient to cover the challenges posed by climate change and infrastructure demand over the next 15 years. Mobilizing private capital toward the "right" investments will be paramount. Growing green bond markets can contribute to mobilizing private capital toward infrastructure investments, connecting green projects with investor demand and raising awareness around green project pipelines.
- **International leadership** – Green bonds provide a unique way for the government to take action on green finance and engage in cross-border collaborations. Sharing experiences and encouraging cross-border capital flows are part of growing and connecting green bond markets. Green bond markets in developing countries can facilitate foreign investments into the development of local low-carbon industries by attracting demand for green financing, and yield from institutional investors in Europe and the United States. An active bond market can help reduce the cost of debt by enabling the refinancing of bank loans for infrastructure projects once the projects enter the operational phase and become less risky.

Prior to following the steps for green bond issuance defined in Box 2, the GoSL could consider pursuing the following short-term actions:

Figure 8. Eligible sectors for green bonds



Source: Green Bond Principles, 2020.

- Verify issuance pre-conditions, which include: (1) conducting a cost-benefit and market readiness analysis to verify if green bonds are the most appropriate instrument to raise funds for selected priority projects; (2) publicly committing to earmarked green bond proceeds for the financing and/or refinancing of eligible green projects aligned with the Green Bond Principles; and (3) verifying legal, regulatory and financial requirements to go to market
- Access technical assistance support from international organizations and multilateral development banks to increase the capacity of public institutions, actors and decision-makers in understanding and complying with green bond pre- and post-issuance requirements. Possible sources of technical assistance include the Green Finance for Latin America and the Caribbean Platform⁵⁸ and the GGGI Green Bond Support Program. Additionally, many multilateral

⁵⁸ Latin American and Caribbean Green Finance, <https://www.greenfinancelac.org>

Box 2. Seven steps for green bond issuance

1. Engage with Stakeholders

Collaboration between government and external stakeholders is key to the green bond issuance process. This step includes:

- ✓ Setting goals by involving the Ministry of Finance, Ministry of Economic Development, Ministry of Infrastructure, Ministry of Environment and other relevant government stakeholders;
- ✓ Setting roles and responsibilities, especially with the Ministry of Finance given its budgetary and debt management responsibilities;
- ✓ Engaging external stakeholders, including capital market players. Engagement can include roundtables, bilateral dialogues and/or the establishment of a Green Bond Advisory Council.

2. Establish a Green Bond Framework

This framework is a publicly available document providing interested parties with information on the processes and characteristics of the green bond. The framework should include:

- ✓ Use of proceeds that defines eligible sectors, projects and expenditures;
- ✓ Process for project evaluation and selection that communicates to investors the environmental sustainability objectives of the issuance, the project identification process, and relevant eligibility and exclusion criteria;
- ✓ Management of proceeds to ensure the proceeds are tracked and linked to investment operations, including the identification of the entity responsible and accountable for the management of proceeds;
- ✓ Reporting that describes the establishment of an internal process to monitor the allocation of proceeds and make relevant information readily available to investors until full allocation.

3. Identify Eligible Green Projects

This step involves key ministries identifying eligible assets.

- ✓ The assets size must be equal to or greater than the size of the bond to upsize the issuance and prepare for future issuances;
- ✓ Designated projects should provide environmental benefits and be aligned with Saint Lucia's NDCs.

4. Independent Review

A credible independent review of the green bond framework provides investors with assurance of the green credentials of the bond. Options include:

- ✓ Second-party opinion from a certified verifier to ensure alignment with the Green Bond Principles;
- ✓ Third-party certification against the science-based Climate Bonds Standard.

5. Issue the Green Bond

The steps for a conventional bond issuance are as follows:

- ✓ Selection of participants and structuring. This involves the issuer selecting the bond counsel and the financial advisor/underwriter;
- ✓ Preparation of supporting material, including a green bond prospectus, an investor presentation and a set of frequently asked questions on green bonds;
- ✓ Development of additional marketing material to promote the issuance, showcase the projects, and present the green bond framework and its alignment with the government strategy.

6. Monitoring and Reporting

This is typically done on an annual basis and includes a statement that the proceeds are being used for the projects and assets identified.

- ✓ Reporting should focus on what is stated in the green bond framework and, where possible, assess and quantify the environmental benefits achieved;
- ✓ Transparency requires tracking the use of proceeds and making information available to investors.

7. Repeat

Once the green bond framework is set up, issuers can return to market with reduced costs.

- ✓ Programmatic approach entails issuing green bonds on an ongoing basis leveraging an existing green bond framework. The approach allows the issuance of green bonds at a reduced cost and in a shorter timeframe.

development banks offer demand-driven green bond support assistance. The GCF Readiness Programme can also be utilized to create the market conditions and capacity for green bond issuance as demonstrated by the ongoing GCF-funded green bond support program in Jamaica⁵⁹

- Establish a platform for the Ministry of Finance, Ministry of Economic Development, Ministry of Infrastructure, Ministry of Environment and other relevant government stakeholders to set the environmental and social objectives and define the governance structure of the issuance, build a longlist of eligible green projects, and define a methodology for the prioritization of longlisted projects

5.2. National Financing Vehicles

The past decade has witnessed a substantial increase in the volume of climate finance available to governments and private enterprises, as well as increased complexity in the architecture of international climate funds. The emergence of numerous multilateral funds employing a variety of processes, requirements, fiduciary standards, environmental and social safeguards and application formats has resulted in less-than-expected volumes of finance flowing to high-priority projects in vulnerable countries.

It has become apparent that developing countries, as well as sub-national, local and private entities often lack the capacity to access international climate funds. This is clear when looking at the current status of the GCF portfolio.⁶⁰ In fact, while 56 of the 96 approved entities are direct access entities,⁶¹ as of March 2020, the amount of direct access funding that has been approved by the GCF Board is only 16% of the total. The remaining 84%, or US\$4.8 billion, has been disbursed to international access entities.⁶² To date, five international agencies – European Bank for Reconstruction and Development (EBRD), United Nations Development Programme (UNDP), World Bank, Asian Development Bank and Agence Française

de Développement – manage 53% of GCF-approved projects (US\$2.9 billion).

The NFVs are defined as public or public-private funds and facilities that have the function (as assigned by the national government) and the fiduciary management capacity to receive and hold international and national green and climate finance resources, and redistribute these funds toward national priorities. The funds are redistributed through eligible national and sub-national public and private entities in the form of grants, debt and equity financing, and risk reducing instruments to implement and monitor green and climate action projects.

In practice, an NFV can be considered a toolbox from which a multitude of instruments can flow, according to the needs of pipeline projects identified. The NFVs can help developing countries aggregate and enhance the skill sets needed to access international climate finance, establish appropriate financial management practices, and develop monitoring and reporting systems for climate finance flows. In 2019, the UNFCCC concluded that: “National climate funds contribute to building national capacity for the development and implementation of climate projects, and can benefit from sustainable, predictable and accessible financial and technical support. Challenges remain in meeting the criteria and requirements of resource providers in mobilizing financial resources to replenish national climate funds.”⁶³ The NFVs can target the financial barriers identified in Section 3 by:

- Building capacity to access climate finance for priority mitigation projects, including energy efficiency, renewable energy and transport projects.
- Accessing and channeling long-term affordable climate finance from international climate funds to priority mitigation projects.
- Providing concessional finance for energy efficiency, renewable energy and low-carbon investment projects. Concessional loans have lower interest rates and longer terms or grace periods to increase the financial attractiveness of mitigation projects. NFV’s instruments may include loan guarantees to de-risk mitigation projects for local financial institutions (LFIs). This

⁵⁹ GCF, “Readiness Proposal: Facilitating an enabling environment for a Caribbean Green Bond Listing on the Jamaica Stock Exchange,” 2019, <http://bit.ly/3sBCPOE>

⁶⁰ GCF, “Status of the GCF portfolio: Approved projects and fulfilment of conditions,” February 19, 2020. <https://bit.ly/3dUEDhf>

⁶¹ GCF Direct Access Entities are sub-national and national entities nominated by a country’s NDA to access GCF Funding.

⁶² International Access Entities are international and multilateral organizations accredited to work across various sectors and geographies. International Access Entities are not nominated by countries’ NDAs.

⁶³ UNFCCC, “Report on the 2018 Forum of the Standing Committee on Finance - Climate finance architecture: enhancing collaboration, seizing opportunities,” October 9, 2018, <https://bit.ly/3r6w9Yf>

also helps familiarize LFIs to sustainable energy technologies and their financing structures.

- Providing risk-sharing support via subordinated/mezzanine debt and junior equity. A risk-sharing facility provides a first-loss guarantee lowering barriers to entry for investors interested in mitigation projects.
- Providing technical assistance to structure contracts with low-carbon and climate service companies.
- Providing grants and contingent grants for mitigation projects to catalyze their development when there is no possibility of private financing. Grants can fund technical assistance, demonstration projects, public awareness and other areas that help reduce the barriers described above.

The establishment of an NFV can represent an appealing option for the GoSL to house and concentrate the country's capacity and systems to access climate finance from international sources of finance. The following short-term actions can contribute to the establishment, capitalization and operation of an NFV:

- Consider the establishment of an NFV, either from scratch or by upgrading the mandate of the SLDB or Saint Lucia National Conservation Fund, to access a variety of international sources of finance, including the GCF, CTF, GEF, SREP, Global Energy Efficiency and Renewable Energy Fund and the Sustainable Energy Facility for the Eastern Caribbean.
- Identify appropriate sources of technical assistance. Prior experience suggests that the establishment, capitalization and operationalization of an NFV can take up to two years and require substantial funding to develop the NFV's strategy, governance structure, fiduciary systems, operational manual, financial instruments, among others. These activities are eligible for funding under the GCF Readiness Programme (see Annex G). Several countries have already benefited from GCF funding for the establishment and operationalization of NFVs, including Mongolia, Morocco and Vanuatu. In 2020,

Dominica, with support from GGGI, developed a Readiness Programme for the establishment and operationalization of an NFV to support renewable energy, energy efficiency and blue economy projects in the country.

- Design the NFV fund structure based on its intended goal and an analysis of the pros and cons across key factors, including legal status/ownership, governance structure, potential sources of funding and long-term sustainability. A series of design options for the NFV along with an analysis of the strengths, weaknesses, opportunities and threats (SWOT) for each option is presented in Annex F.
- Engage early with potential providers of finance, including donors and investors interested in capitalizing the NFV. Their engagement is important throughout the concept and design stage to ensure that the final design structure of the facility matches their mandate and strategy.

5.3. Debt for Climate Swaps

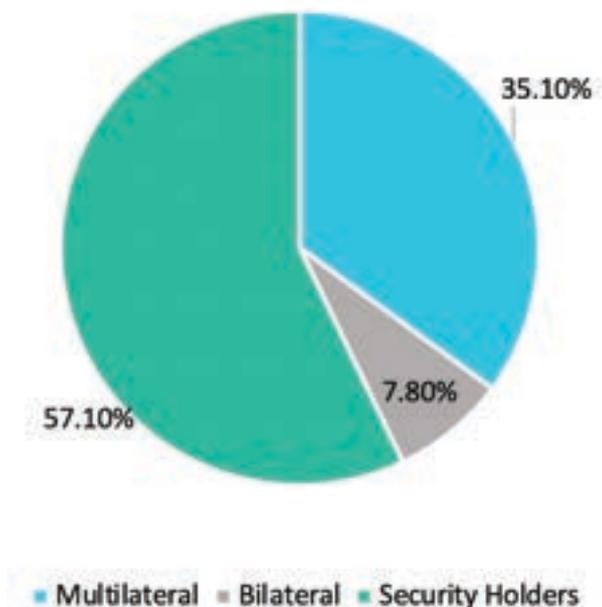
The Commonwealth Secretariat, World Bank and United Nations Economic Commission for Latin America and the Caribbean (ECLAC) have explored the potential for debt for climate swaps in the Caribbean. Climate Analytics contributed to this body of work with the publication of *Debt for Climate Swaps: Caribbean Outlook* in 2018.⁶⁴

The logic of debt for climate swaps rests on the same concept of debt for nature swaps that have been common practice since the 1980s. There is existing experience with debt for nature swaps in the Caribbean, with Antigua and Barbuda, Bermuda, Grenada, Haiti and Jamaica in different stages of negotiations of debt swaps.

In a debt swap transaction, the creditor writes-off debt owed to it in exchange for a commitment by the debtor to use the outstanding debt service payments for a specific investment. This transaction can be especially attractive for both parties if the creditor has already written off part of the debt due to the

⁶⁴ Climate Analytics, "Debt for Climate Swaps: Caribbean Outlook," April 2018, <http://bit.ly/3bRLeGp>

Figure 9. Distribution of public sector external debt by creditor category



Source: GoSL, Economic and Social Review 2019 (2019), <https://bit.ly/2NYNp3c>

deteriorating debt repayment capacity of the debtor. In exchange for the partial, or total, cancellation of the debt, the debtor government commits to invest the liberated resources on agreed terms. In the case of a debt for climate swap, the terms of the agreement will require the liberated resources to be committed for the implementation of climate change adaptation and mitigation measures.

There are five main requirements for a successful debt for climate swap transaction:

1. The creditor(s) must be willing to sell an existing debt at a price lower than face value;
2. The creditor(s) should hold a significant share of Saint Lucia's external debt in order for the transaction to have a significant impact on climate change mitigation and adaptation plans;
3. The creditor(s) must be publicly committed to climate change mitigation and adaptation measures;
4. The GoSL must be committed to use the funds for climate change mitigation and adaptation purposes;

5. The GoSL should put in place a strong governance and monitoring and reporting system to track the use of proceeds and provide creditors with the confidence that funding is used in the agreed way. This could be achieved by setting up a separate ring-fenced fund or account dedicated to the proceeds raised via the swap.

A look at Saint Lucia's outstanding external debt and risk indicators suggests that debt for climate swaps may represent a viable and attractive option for both the government and its multilateral creditors. At the end of 2019, the central government debt held by external creditors increased by 3.8% to EC\$1,640.5 million.⁶⁵ The largest share of external debt (57.1%) is held by government security holders (e.g., bondholders, banks, institutional investors). Multilateral banks, such as the CDB and World Bank, account for 35.1% of total external debt, followed by bilateral creditors, accounting for 7.8% of total external debt (Figure 9)

A debt for climate swap transaction could consider the following recommendations:

- Select appropriate counterparts for the transaction. Government security holders, which are represented by individuals and institutional investors, are not attractive counterparts for a debt to climate swaps due to their heterogeneity and disaggregated nature. Single bilateral creditors should also be excluded due to the limited share of outstanding debt they hold, which does not justify the transaction costs of a swap and is unlikely to have significant impact on Saint Lucia's mitigation and adaptation needs. Multilateral sources, on the other hand, appear to be the best positioned and the most capable counterparts for a possible transaction. The CDB and World Bank hold significant shares of Saint Lucia's external debt, are committed to the implementation of climate change mitigation and adaptation measures, and have prior experience with debt for nature swaps, making them the ideal counterparts for possible transactions.
- Given the common vulnerability affecting Caribbean countries, the GoSL could explore alternative approaches to bilateral engagement with multilateral creditors, such as the regional

⁶⁵ GoSL, Economic and Social Review 2019 (2019), <https://www.finance.gov.lc/resources/download/2095>

Table 9. Distribution of public sector external loans by creditor as at December 31, 2019 (EC\$)

	2016		2017		2018		2019	
CDB	320,082,993	23.1%	316,166,449	19.9%	318,460,066	19.2%	318,460,066	19.4%
E.I.B.	0	0%	0	0%	0	0%	0	0%
I.F.A.D.	0	0%	0	0%	0	0%	0	0%
IMF	27,516,756	2.0%	20,906,086	1.3%	12,365,653	0.8%	4,289,954	0.3%
IDA	194,789,507	14.0%	225,630,580	14.2%	229,127,656	14.5%	243,343,129	14.8%
IBRD	19,688,388	1.4%	15,249,481	1.0%	11,882,366	0.8%	9,428,359	0.6%
AGENCE FRANCAISE	12,673,576	0.9%	12,024,908	0.8%	9,205,433	0.6%	6,754,554	0.4%
KUWAIT FUND	25,092,965	1.8%	22,351,531	1.4%	19,513,959	1.2%	16,512,019	1.0%
CITIBANK	1,125,000	0.1%	0	0%	0	0%	0	0%
ROYAL MERCHANT BANK	0	0%	0	0%	0	0%	0	0%
GOVERNMENT OF TRINIDAD & TOBAGO 3	35,100,000	2.5%	32,400,000	2.0%	29,700,000	1.9%	27,000,000	1.6%
THE EXPORT-IMPORT BANK OF THE REPUBLIC OF CHINA	27,000,000	1.9%	27,000,000	1.7%	26,205,881	1.7%	79,205,288	4.8%
BONDS:								
RGSM, ECFH & FCIS 4	402,737,756	29.0%	555,984,939	34.9%	629,480,442	39.8%	686,796,591	41.9%
T&T Stock Exchange	86,785,714	6.3%	69,428,571	4.4%	52,071,429	3.3%	34,714,286	2.1%
Jamaica Bond	6,480,000	0.5%	2,160,000	0.1%	0	0%	0	0%
Government of St. Kitts	4,320,000	0.3%	3,780,000	0.2%	3,240,000	0.2%	2,700,000	0.2%
CIP	4,387,500	0.3%	7,492,500	0.5%	8,937,000	0.6%	8,937,000	0.5%
T.BILLS	220,077,241	15.9%	280,316,401	17.6%	246,002,538	15.6%	202,403,758	12.3%
SUB TOTAL	1,387,857,396	100%	1,590,891,446	100%	1,580,484,234	100%		100.0%

Source: GoSL, Economic and Social Review 2019 (2019), <https://www.finance.gov.lc/resources/download/2095>.

debt for climate swap scheme proposed by ECLAC (Annex J). This approach would be based on the Caribbean countries' common mitigation and adaptation needs and the threats that natural hazards pose to national budgets for mobilizing the means to improve resilience. Such an approach should focus on negotiating a regional debt for climate swap with the three largest multilateral creditors in the region, namely, the CDB, IDB and the World Bank.

5.4. Blended Finance

Blended finance refers to the use of concessional and / or philanthropic finance to adjust the risk/return profile of projects in order to crowd-in private sector investments. Saint Lucia already benefits from projects structured under blended finance schemes, including the Caribbean Regional Fund for Wastewater Management funded by GEF and the Climate Adaptation Financing Facility financed by SLDB.⁶⁶ In order to maximize climate change mitigation actions through the strategic use of

blended finance, the GoSL could consider and pursue the following short-term actions:

- The degree of concessionality of the blended finance solution should be equal to what is needed to overcome the identified barriers to implementation and make the program or project viable. Exceeding that, the scheme may create market distortions and result in the inefficient use of resources. Therefore, the development of blended finance solutions should be preceded by the identification, characterization and quantification of barriers to implementation.
- In order to effectively increase total finance for mitigation projects, the blended finance scheme must prioritize – (1) deployment where commercial finance is not available; (2) opportunities to crowd-in financing from commercial sources; and (3) business transactions and opportunities that can eventually become commercially sustainable.
- Given the context of limited available resources, when considering potential programs and projects to support with concessionality, the GoSL should

⁶⁶ SLDB, "SLDB's Special Grant & Loan Offer," <https://www.sldb.lc/sldbs-special-grant-loan-offer/>

prioritize programs and projects with the highest mitigation potential; the engagement judged to be most ambitious is also the most likely to receive concessional funding from development finance institutions and donors.

- While blended finance should be tailored to context-specific needs and barriers, the GoSL may seek opportunities for regional collaboration with other Caribbean governments to maximize scalability and replicability of solutions. Since Caribbean governments face common barriers to mitigation projects, they may consider collaborating on standardizing and harmonizing approaches and schemes to design and pilot innovative schemes, reduce transaction costs, and increase their scale and scalability across the region.
- Blended finance has become a priority for many providers of international climate finance. Opportunities exist for the GoSL to benefit from technical assistance from the GCF, GEF, IDB Invest and the CIF, among others, to support the development and capitalization of blended finance schemes.

5.5. Green Credit Instruments

The LFIs are in a unique position to direct finance and investments toward sustainable business models through their financial leverage and capital allocation decisions. In fact, the financial sector presides over a large pool of capital, more of which can be steered toward low-carbon and climate-resilient activities. Capital flows need to shift from high- to low-carbon activities. Mainstreaming sustainability into Saint Lucia's financial sector can increase the volume of finance flowing to climate change mitigation projects by endowing LFIs with the capacity and systems to develop green credit instruments. At present, the SLDB is the only financial institution offering green credit instruments and screening the environmental and social risks of its clients, investees and transactions. The Laborie Cooperative Credit Union is in the process of rolling out a Smart Climate loan facility.

- In order to promote the alignment of its financial sector with NDC targets, the GoSL, in collaboration with the Eastern Caribbean Central Bank (ECCB), the Saint Lucia's Financial Services Regulatory Authority (FSRA) and the Bankers Association of Saint Lucia, could pursue the following actions:
- Develop and deliver awareness material and workshops to increase LFIs' understanding on the materiality of environmental and social risks and benefits of ESG integration.
- Set information disclosure requirements for LFIs across four climate-related pillars⁶⁷ –
- Governance, referring to the processes for assessing and managing climate-related interventions, and the organizational structure for overseeing climate-related issues.
- Strategy to face climate risks and opportunities for the organization in the short, medium and long term.
- ESG risks identification and impact management over the organization's business strategy and its financial planning,
- Metrics and targets used to assess climate risks and opportunities in line with the organizational strategy.
- Establish a Sustainable Finance Roundtable to facilitate coordination among finance players, develop joint capacities, and create a network for capacity building and knowledge sharing on environmental and social risk screening and mitigation, and green credit instruments.
- Develop guidelines and recommendations for the development and implementation of environmental and social management systems by LFIs. These systems can provide LFIs with a systematic procedure to check, measure and mitigate transactions for potential adverse environmental and social impacts to assure that negative impacts are avoided while positive impacts are stimulated. This is achieved by developing a bank's environmental and social policy, procedures, documents, management commitment, and roles and responsibilities. In turn, they will help to screen and categorize transactions for environmental and social

⁶⁷ Climate Disclosure Standards Board, TCFD Implementation Guide: Using SASB Standards and the CDSB Framework to Enhance Climate-Related Financial Disclosures in Mainstream Reporting (2019), <https://bit.ly/3sGJLtE>

risks, conduct environmental and social due diligence, monitor borrowers' environmental and social performance, and manage investees' non-compliance with environmental and social standards. In doing so, LFI will be incentivized to prioritize funding for sustainable projects (including mitigation projects), and allocate additional resources to conduct the environmental and social impact assessment of high-risk transactions.

- Stimulate development of green credit instruments by LFIs. As Saint Lucia's citizens and enterprises become more aware of the impacts of climate change, the portfolio of LFIs can be expanded to meet the requests for credit instruments that address the financing needs of adaptation and mitigation projects. Moreover, the GoSL can consider stimulating the expansion of green financial products by rolling out targeted incentives like tax reductions, subsidies or guarantees for green financial products.
- Promote the roll out of green credit lines by microfinance institutions and credit unions targeting the purchase and installation of renewable energy and energy efficient solutions at the household level. This can be encouraged through a combination of awareness raising and capacity building efforts, as well as credit guarantees for eligible loans.

5.6. Impact Investment Fund with Private Capital

Impact investment refers to investment with the intention of generating a positive development impact (an environmental or social return), along with a financial return. Types of impact investments may include climate change mitigation projects that benefit low-income population by increasing income, or provide access to basic services for marginalized groups through education, jobs creation, financial inclusion and access to energy.⁶⁸

In recent years, private sector investors have joined traditional ODA providers, such as multilateral

development banks and development finance institutions, in the pursuit of investments with environmental and social returns. To date, the Caribbean has been underserved by global impact investments due to three main factors:

- 1. Small-scale of investment opportunities** – Impact investors have traditionally been attracted by investments with replicability and scale-up potential, which are difficult to achieve in the context of Caribbean islands.
- 2. Middle-income status** – Impact investing aims at having a direct impact on “base-of-the-pyramid” population. Given Saint Lucia's classification as a middle-income country, its base-of-the-pyramid population tends to be small relative to the size of communities in other regions.
- 3. Reliance on debt instruments** – Companies in the Caribbean have had little success (and interest) in accessing private equity, a common instrument employed by impact investors. This is due to local companies' reluctance to give up controlling shares, and the lack of companies with ticket size and returns aligned with investors' expectations.

To increase private sector impact investments, the (GOSL) could:

- Work closely with Invest Saint Lucia to engage with private sector developers and local entrepreneurs to identify and collect investment-ready opportunities aligned with impact investors' mandate to be marketed at national and international investor roadshows. Such projects can be showcased by Saint Lucia's representatives during the United Nations Climate Change Conference.
- Expand Invest Saint Lucia's Investment Map⁶⁹ to collect and disclose project opportunities to investors and donors, and facilitate interactions between local developers and international finance providers.
- Pool resources with other Caribbean governments to increase the number of regional investor roadshows taking place in Saint Lucia and in the region, as well as utilize existing forums

⁶⁸ IDB, Supply and Demand Side Assessment of Impact Investment within the Caribbean (2011), <https://bit.ly/3ulnU6B>

to engage with private sector impact investors already active in the Caribbean region, such as Root Capital, Calvert Foundation and Small Enterprise Assistance Funds.

- Conduct a mapping of impact investors who prioritize investments in SIDS.
- Link Saint Lucia's Citizenship by Investment with impact investment projects to attract sustainability-driven investors that may be willing to pay a premium to have their financial contribution be earmarked for environmental and social projects.

5.7. Green Guarantees

Green guarantees can encourage lenders to provide financing to green projects by sharing their credit risk. Green guarantees can also help leverage resources from public and private sector investors beyond the lending capacity of financial institutions, and at better terms than would be possible without the guarantee by: (1) transferring political and credit risks; (2) bringing investors in contact with public and private sector borrowers; and (3) helping to crowd-in private sector participation in high-risk sectors. Moreover, guarantee schemes can be a more efficient and sustainable use of public funds than other public interventions, such as lending programs.⁷⁰ Due to their ability to generate effective leverage, guarantee schemes can be an efficient way to scale up private sector investments. Some guarantee schemes have reached very effective leverage of up to a ratio of 10:1.⁷¹

Historically, the use of guarantees increases as development assistance declines. For example, in April 2020, the European Investment Bank (EIB) provided a EUR5 million loan to SLDB for boosting access to finance for micro, small and medium enterprises impacted by the COVID-19 crisis. The loan was accompanied by sovereign guarantee issued by the GoSL. The use of guarantee schemes may be particularly suitable as GoSL's fiscal balance is

impacted by the ongoing economic crisis. Given the present context, the GoSL could consider making use of guarantee schemes tailored to the needs of green projects. The following recommendations have emerged from a review of international best practices and local needs:

- Tailor to the needs and structure of the project, intervention or target group. The choice of the institutional model and set up, eligibility criteria, level and structure of the coverage ratio, guarantee fee, term, and built-in flexibility can be calibrated to achieve the objectives of increasing private sector investment in the sector while avoiding the creation of market distortions. In the context of Saint Lucia's mitigation targets, the GoSL could consider two green credit structures:
 - » Credit guarantees or partial credit guarantees, to encourage LFI lending to green projects in order to crowd-in private sector investments in sustainable infrastructure projects.
 - » Performance risk guarantees, covering uncertainty of cash flows, to reduce risks related to new technologies, services or practices employed in a project; thus, accelerating the development of pilot or scale-up projects of new low-carbon technologies.
- Promote a reliable image to ensure its widespread use. LFIs must be adequately trained to be confident that the guarantee scheme is well developed and managed with a transparent and accountable governance scheme. The procedures for claims, payments and recoveries should be validated with LFIs before being rolled out.
- Accompany roll out with technical assistance to providers of finance. Technical assistance should be offered to LFIs to enhance their institutional capacity to appraise and process green projects and loans. In fact, while the guarantee is needed for LFIs to offer green products in the short-term, technical assistance should aim to build LFIs' in-house capacity so that over time the perceived risks will decrease and the lenders may no longer require guarantees to engage in green lending.

⁶⁹ Invest Saint Lucia, "Investment Map," <http://bit.ly/3q1SHYN>

⁷⁰ Overseas Development Institute, *Guarantees for development: A review of multilateral development bank operations* (2014), <https://bit.ly/3q9EF7g>

⁷¹ IDB, *Guarantees for Green Markets Potential and Challenges* (2014), <https://bit.ly/2NTD8VZ>



6. Increase Private Sector Financing through PPPs

6.1. Saint Lucia's PPP Market

Saint Lucia has a significant need for rapid investments in climate change mitigation and adaptation. In order to overcome the fiscal challenges delaying the implementation of critical infrastructure projects, the GoSL formally adopted the PPP Policy in 2015. Following this important step, the GoSL received assistance from the Regional PPP Support Facility to draft the associated Regulations and Procedures Manuals.

The GoSL defines a PPP as a long-term contract between a private party and a government agency for providing or managing a public asset and associated services, where the private party bears significant risk and management responsibility.⁷² The public asset may be a new investment or may involve upgrading or expanding existing assets. The PPP may be used in a wide range of sectors, and for a wide range of assets and associated services, provided the public sector has an interest in having the asset managed and service provided. The nature of a PPP contract may vary, but generally, it involves:

- Transfer of management responsibility for a public asset to the private party over the duration of a long-term contract, typically 15-30 years.

This may involve financing, designing, building or rehabilitating, maintaining, and operating the public asset and associated services, or some subset of these functions.

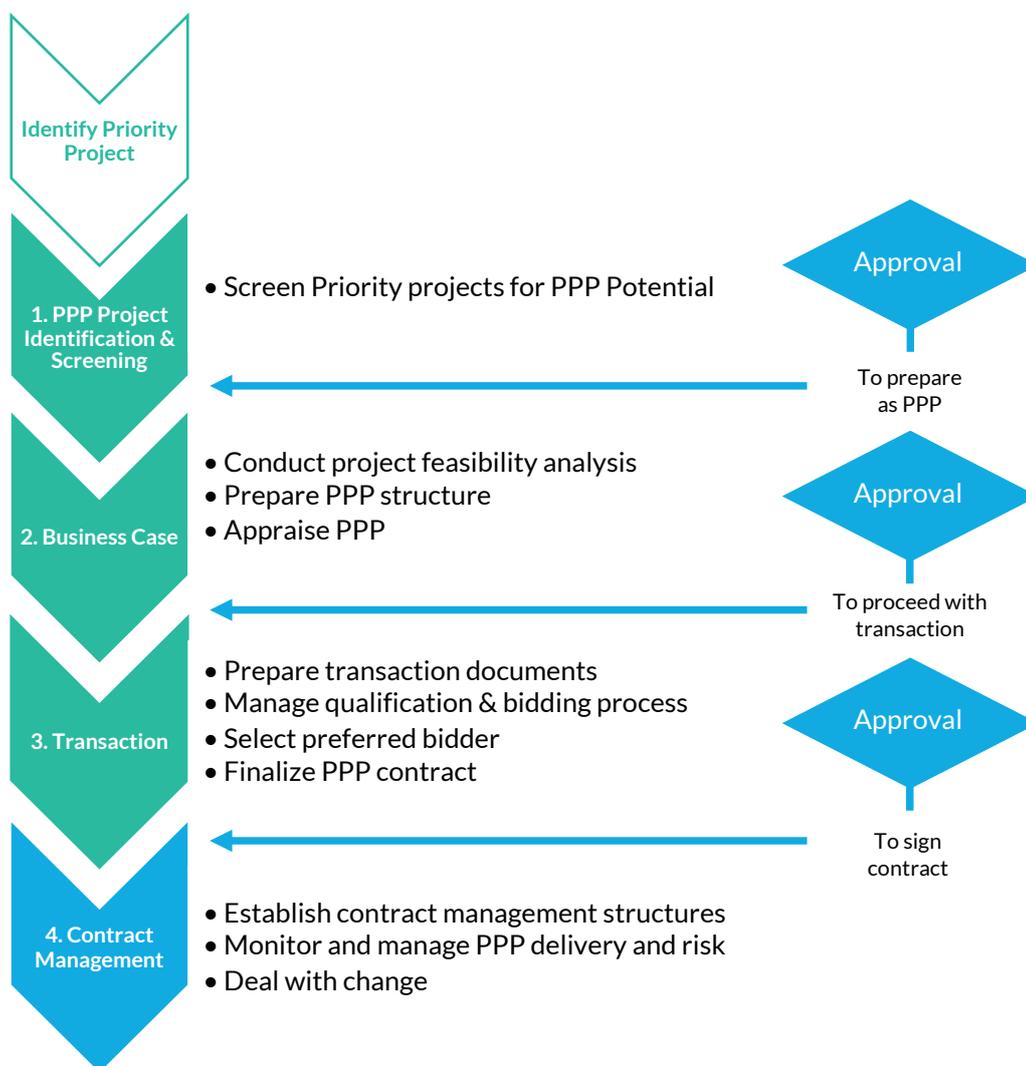
- Remuneration to the private party based on outputs delivered, such as the availability of the asset or the provision of services according to clearly-defined performance standards. Payments to the private party may be made by end users, government or a combination of the two. Penalties may also be imposed for failure to meet contractually-specified standards, and bonuses may be paid for service above specified minimum standards.
- Allocation of risk to the public and private parties in a way that achieves value for money and by ensuring each party bears the risks they are best suited to manage.

According to the *PPP Policy*, PPPs will be used to support many of the GoSL's key economic objectives, including:

- Overcoming fiscal constraints – In order to reduce Saint Lucia's debt-to-GDP ratio, the GoSL is seeking to attract private sector investment to achieve its infrastructure development goals
- Improving efficiency – The GoSL is seeking private sector expertise to improve the operations and management of its infrastructure and other public assets

⁷² GoSL, "PPP Policy," March 2015.

Figure 10. Three-stage approval process for PPPs in Saint Lucia



Source: GoSL, “PPP Policy,” March 2015.

- Achieving diversification – The GoSL is promoting new areas of growth, particularly through boosting exports, to expand employment opportunities, reduce vulnerability to shocks and build resilience.

Saint Lucia’s *PPP Policy* is structured around five guiding principles:

- 1. Value for money** – PPPs are selected and structured to achieve the optimal combination of benefits (i.e., quality, responsive, resilient and sustainable infrastructure and public services) and costs to government and service users, by capitalizing on the value drivers.
- 2. Fiscal responsibility** – The fiscal impact of PPP

projects is well-understood, expected costs are affordable and the level of fiscal risk is acceptable.

- 3. Transparency and probity** in how PPPs are identified, developed, procured and managed.
- 4. Environmental and social sustainability** – Environmental and social impacts of PPP projects are carefully assessed and appropriately managed.
- 5. Partnership and inclusiveness** – PPPs meet and balance the objectives of all interested parties – the government agency and its private sector partners, as well as end users, employees and other stakeholders – and are managed through a spirit of partnership and cooperation to achieve common goals of improved infrastructure services.

Saint Lucia's *PPP Policy* specifies that the PPP business case will be prepared by a PPP Project Team supported by external consultants, and revised by the PPP Core Team, the Steering Committee and other relevant agencies before being submitted to Cabinet.

The *PPP Policy* calls for the establishment of a PPP Steering Committee to provide direction to the PPP program, and oversee the development and implementation of PPP projects. While the PPP Steering Committee is yet to be established, its members are expected to include:

- Permanent Secretary, Department of Finance, Economic Affairs and Social Security (Chairperson)
- Permanent Secretary, Planning and National Development
- Permanent Secretary, Ministry of Infrastructure, Port Services and Transport
- Solicitor General
- Chief Executive Officer, Invest Saint Lucia
- Representatives from the private sector appointed by the Minister for Finance, Economic Affairs and Social Security.

The roles and responsibilities of the PPP Steering Committee will include the following:

- Guide the development of the *PPP Policy*, including adopting more detailed guidelines and regulations, and standard forms of key documents for mandatory use by all agencies implementing PPPs
- Select from among priority investment projects those to be developed as potential PPPs, based on initial screening by the PPP Core Team
- Hold PPP execution teams accountable for developing and implementing PPP projects, following an agreed project timeline
- Guide PPP development and implementation, including taking project scope and structuring decisions to inform the work of PPP Project Teams as needed. These decisions will also be subject to Cabinet approval at key project stages
- Evaluate and select preferred bidders for PPP projects, based on evaluation reports prepared by PPP Project Teams against pre-established clear, objective and quantifiable criteria
- Guide Contract Managers as needed to manage change during the lifetime of the PPP contract

- Periodically commission independent evaluations of PPP projects to assess whether PPPs have delivered the anticipated value for money.

Saint Lucia follows a three-stage approval process for PPPs (Figure 10).

The GoSL will accept unsolicited proposals (USPs) if they fall into the following two categories:

1. An innovative solution to a priority infrastructure or public asset management challenge – that is, a solution not already under consideration or development by the GoSL (and hence, not already included in the Public Sector Investment Programme); or
2. A solution to a public need that is unique to the private entity proposing it. For example, the proponent may own assets, land or technology that makes it uniquely able to provide a particular service.

The USPs for PPP projects in one of these categories may be submitted to the PPP Core Team. If accepted, USPs will be subject to the same review and approval requirements. Responsibilities for further project preparation work will be clearly allocated between the proponent and a designated Government Project Team.

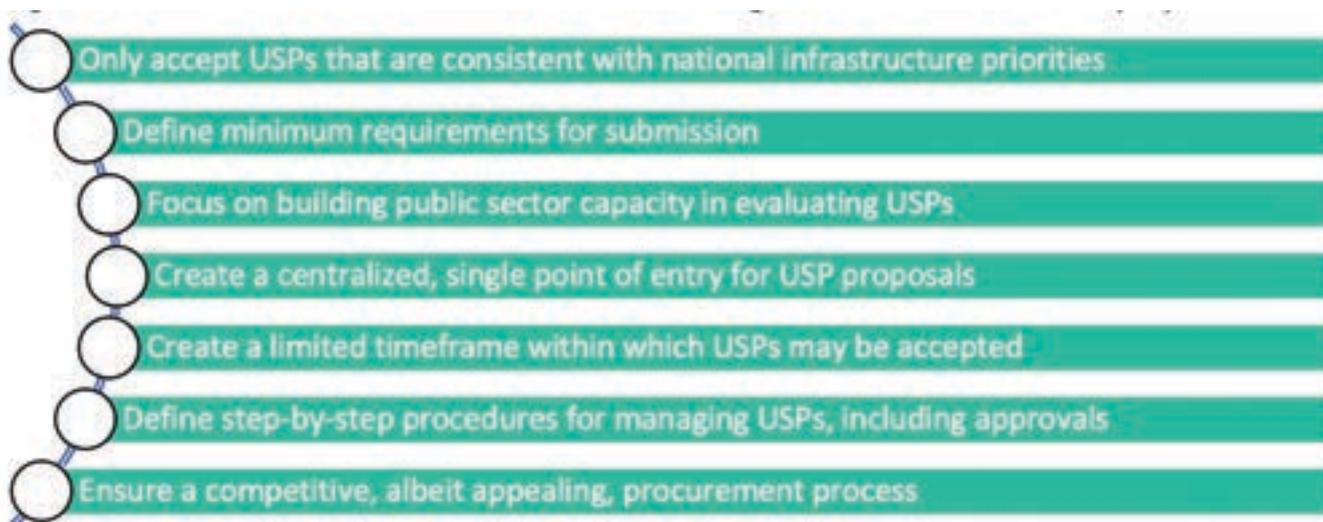
6.2. Recommendations for Developing PPPs

This section provides a number of recommendations to speed up the implementation of PPPs in the country.

While the 2015 PPP Policy allows the acceptance of USPs, it fails to provide a step-by-step procedure for managing USPs. An objective framework is required to ensure transparency and empower officials to formulate their decisions using a rule-based process. Such a step-by-step process should, at a minimum, be able to answer the following questions:

- Which department or agency is responsible for receiving and evaluating USPs?
- During which time of the year will the public agency accept USPs?

Figure 11. Recommended measures for effective management of unsolicited PPP proposals



Source: GoSL, “PPP Policy,” March 2015.

- Which department or agency is responsible for checking USPs against PPP screening or project appraisal criteria?
- At what stage do the USPs enter the regular PPP process in terms of procedures and approvals?
- Are any special approvals or processes required for USPs?

In Saint Lucia, approved USPs are subject to a competitive tender process. Should the original project proponent not be selected as the winning bidder, the winning party may be required to compensate the proponent for the project development costs already incurred. While this approach can promote competition, it has the following shortcomings:

- It may be difficult, or impossible, to create a level playing field as the project proponent has the sustained competitive advantage of having developed the initial proposal.
- Should the USP proponent lose the procurement process, it may be difficult to ensure an objective, fair and adequate compensation amount for the preparation costs incurred by the original proponent.

The above factors may limit the attractiveness of the USP process and reduce its appeal for private sector proponents. The GoSL may want to consider the adoption of common mechanisms, which include:

- **Right to match** – The government conducts an open tender. If the USP proponent does not win the tender, it has the right to match the winning bid to win the contract.
- **Bonus system** – The government conducts an open tender process. In the evaluation of the bids, the original proponent receives bonus points (generally up to 10% of the points), giving an advantage over other bidders.
- **Best and final offer** – The government conducts a multi-stage tender process. The USP proponent is automatically invited to the last stage.
- **Regular procurement with developer’s fee** – The government conducts an open tender. If the USP proponent is not the preferred bidder, the USP proponent is reimbursed a previously-agreed fee by the winning bidder.

The GoSL, like other Caribbean governments, faces multiple constraints at various stages of the PPP project cycle including project selection and planning, engineering, and legal and financial work. The GoSL could consider taking advantage of technical assistance programs offered by international organizations. Among these, the support provided by the Public-Private Infrastructure Advisory Facility (PPIAF) stands out as a low-hanging fruit.

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The PPIAF helps developing-country governments strengthen policy, regulations and institutions that enable sustainable infrastructure with private sector participation. As part of these efforts, PPIAF promotes knowledge transfer, builds capacity to scale infrastructure delivery and assists sub-national entities in accessing financing. The PPIAF is donor-supported and housed within the World Bank. More information on PPIAF services and how to apply is provided in Annex H. Saint Lucia’s PPP objectives

are broad and lack a direct link with the country’s policy objectives. The GoSL could consider linking the PPP objectives with the country’s infrastructure and growth strategy or climate change mitigation and adaptation strategy.

Saint Lucia’s PPP Policy mandates the establishment of a PPP Project Team and PPP Steering Committee. However, to date, only a focal point has been officially appointed. In order to meet the capacity needs and expertise required for successful PPP transactions,

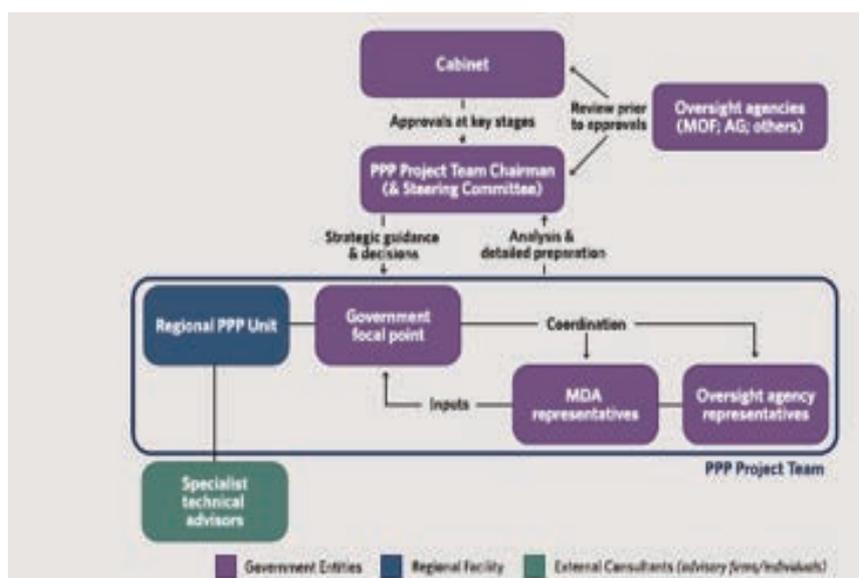
Box 3. How could a regional PPP unit work?

A regional PPP unit could provide support to national governments in implementing PPP transactions, including by engaging and managing specialist technical advisors to support the process. A revolving fund housed within such a unit could provide a sustainable source of funding for transactions and contracting advisors, by charging success fees to winning bidders.

Such a unit would partly mimic the role of PPP implementation units that are often established at the national level by countries looking to implement significant PPP pipelines. That said, a regional PPP unit could not replace the need for oversight of PPP project implementation at the national level – for example, the relevant government would need to determine the alignment of PPP projects with national- and sector-level strategies, identify fiscal priorities and constraints, and approve projects. The role of a regional unit could be to manage the day-to-day detailed transaction preparation and implementation, bringing to bear the specific skills and experience needed to do so successfully.

The activities of the regional PPP unit could also extend “upstream”, for example, by supporting governments in the implementation of PPP policies, building of capacity, and identification and screening of potential PPP pipeline projects based on national investment priorities. However, such activities would not be revenue-generating, and would therefore require additional funding.

Finally, a regional PPP unit could act as a channel for development partners seeking to support the development of PPPs in the region, both for funding and technical assistance. The CDB appears a natural home for such a unit, given its mandate and skill set of existing staff, although investment would be needed in building PPP-specific skills.



Source: PPIAF, Caribbean Infrastructure PPP Roadmap (2014).

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most governments designate a specific team to support and coordinate the development of PPP projects. At present, only three such units exist in the Caribbean, namely in Haiti, Jamaica, and Trinidad and Tobago.

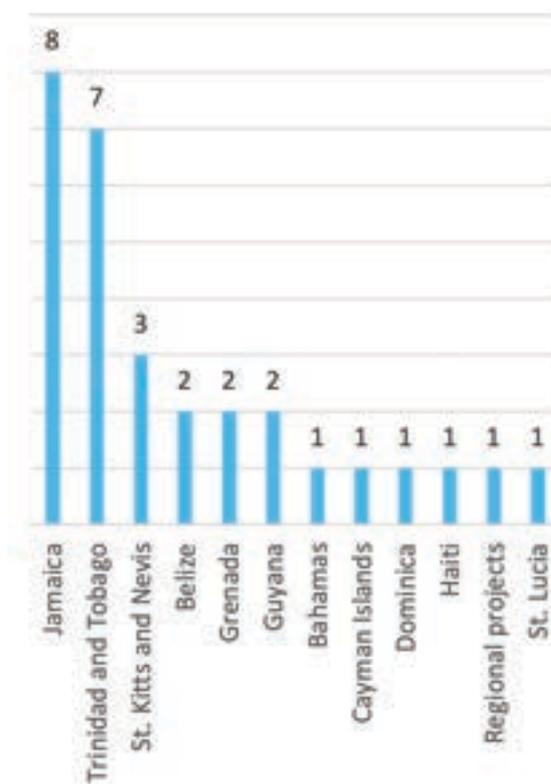
Saint Lucia's PPP Policy clearly demands the establishment of similar units to function as repository of experience and knowledge on PPPs. However, their establishment has been delayed due to the limited scale of PPP projects. Given Saint Lucia's slim PPP pipeline, it may not make sense for the government to designate a dedicated team with the full range of expertise – legal, economic and financial – typically found in full-fledged PPP units. On this basis, the GoSL's decision to assign responsibility for PPPs to a focal point, and rely more heavily on outsourcing of PPP advisors is a logical decision. Having said that, this raises the question of whether the lack of a PPP unit may be one of the reasons for the slim PPP pipeline.

In light of this, and considering that Caribbean governments face common challenges in implementing PPPs, it makes sense to consider building this capacity at the regional level and develop a regional PPP unit (Box 3). This idea was originally put forward by a representative of the CDB during a Caribbean PPP Forum convened in Barbados in November 2013.

As shown in Figure 12, Jamaica and Trinidad and Tobago are the only Caribbean countries with a PPP pipeline. Both countries have established a programmatic approach to PPP, which involves systematically screening potential PPP projects. As indicated above, Saint Lucia's PPP Policy does call for the screening of priority public investment projects for their potential to achieve better value for money if implemented as PPPs. However, while the process is clearly outlined, government agencies and their respective staff currently lack the capacity to conduct such screening. A review of international best practices suggests the need for the development of a step-by-step toolkit to guide government agencies through the screening process.

For instance, India's online PPP toolkit⁷³ includes a suitability filter that guides the user to consider a

Figure 12. Caribbean PPP pipeline, 2019



Source: CDB.

number of screening criteria, including scale, risk transfer, financial viability, readiness, market appetite and public sector capacity. It also considers potential barriers to project implementation and other factors, such as the expected effort and resources needed to develop PPPs (e.g., availability of standard contracts).⁷⁴ The Caribbean PPP Toolkit provides extensive guidance on PPP screening and pipeline development.⁷⁵ It should be noted that support is available from organizations, such as the GCF and PPIAF, to frame infrastructure development strategies, build government institutional capacity on PPP screening, and design and implement PPP projects. The combination of these actions promises to not only deliver a healthy pipeline of PPP projects, but also reduces political interferences that may originate around PPP flagship projects and contribute to increasing delays and idle time.

⁷³ Government of India, "PPP ToolKit," <https://www.pppinindia.gov.in/toolkit/>

⁷⁴ World Bank, Public-Private Partnerships Reference Guide: Version 3 (Washington, DC, 2017), 117, <http://bit.ly/301GUin>

⁷⁵ CDB, "Module 3: PPP Project Screening," 2017.



7. Accelerate the Achievement and Financing of the NDCs Using Carbon Finance

St. Lucia's NDC mentions its intention to use voluntary cooperation under Article 6 of the Paris Agreement, if applicable: "National level market-based instruments, such as cap-and-trade emission trading schemes and offsetting, are crucial to price carbon emissions and keep the costs of mitigation in Saint Lucia low"; thus, achieve its NDCs.⁷⁶

7.1. Carbon Tax

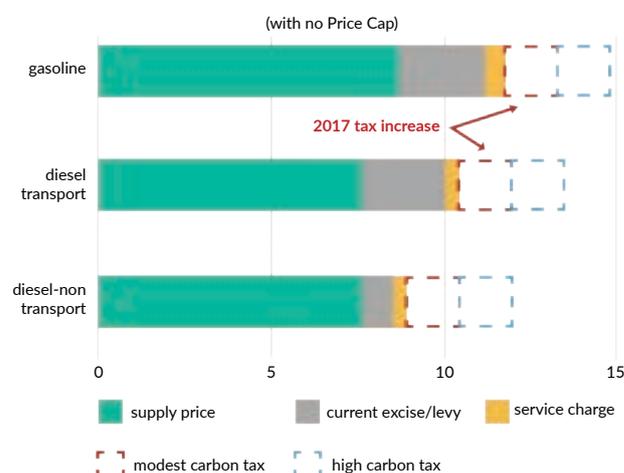
Currently, Saint Lucia taxes diesel for power generation, road transport, and household and industrial consumption. These taxes are kept flexible to meet the fuel price cap. However, despite Saint Lucia's recent increase in road fuel tax as a consequence of a substantial decrease in world oil prices, its carbon pricing strategy is still not optimal for inducing the emission reductions required by the NDC. Moreover, its current vehicle tax does not promote a change toward electric vehicles, rather it promotes a change toward smaller vehicles.

Carbon taxes can accelerate the achievement of Saint Lucia's NDC targets by reinforcing measures to boost renewables. These measures include raising the cost

of fossil fuel options and increasing the effectiveness of stand-alone policy measures, such as increasing energy efficiency for vehicles or equipment. As a result, the IMF has suggested a carbon tax strategy for the country focused on increasing the revenue for achieving its NDCs.

The IMF proposes to increase carbon tax and extend it across all fossil fuels – disregarding the price cap – in combination with renewable energy policies as a suitable strategy to reach Saint Lucia's mitigation targets. Figure 13 shows the proposed carbon tax augments designed by the IMF. This strategy is estimated to add new revenue equivalent to as much

Figure 13. Fuel price augmented by carbon taxes, with no price cap



Source: IMF, "St. Lucia Climate Change Policy Assessment," June 2018, <https://bit.ly/3qilvuW>

⁷⁶ GoSL, Updated Nationally Determined Contribution under the United Nations Framework Convention on Climate Change (UNFCCC) (2021), pg. 17, <https://bit.ly/3b5GNZD>

as 2.5% of the country's GDP. Additionally, a reform of the current vehicle tax system – changing it to a combination of ad valorem rate and feebate system – is proposed.

Due to the current economic crisis, a carbon tax increase today may not be feasible as it imposes an economic burden on both the bottom- and top-income households. The same applies to other potential green taxes. However, the possibility should be re-assessed later as it is considered the most effective carbon pricing strategy compared to others, such as emissions trading, which is less effective due to its application to larger industries, the requirements on monitoring capacity (currently non-existent in the country) and the volatility of prices that increases uncertainty on income flows.

7.2. Carbon Offsets

Saint Lucia's NAP suggests: "The implementation of easy or creative ways for tourists to "offset" their vacation carbon emissions developed and established (e.g., by donating money to fund renewable energy initiatives)." In line with this, the Caribbean hotel sector has proposed the operationalization of Carbon Offset Programs through hotels' participation in the voluntary carbon market.



8. Conclusions and Recommendations

The NDC Financing Strategy outlines 4 strategic measures to catalyse greater public and private finance for Saint Lucia to achieve its NDC mitigation targets.

First, Saint Lucia should redirect technical assistance and ODA to create an enabling environment needed to drive private sector financing. This would help the GoSL overcome non-financial barriers related to sectoral policies and institutional capacities hindering private sector investments.

Second, the country should plan investments to build the GoSL's capacity to access climate funds, generate high-quality funding proposals, navigate funds' requirements and the complex climate finance ecosystem. Implementing this could facilitate both access and scale-up of international public climate finance. Third, lowering entry barriers for private

sector investors and adjusting the risk/return profile of mitigation projects via the utilization of innovative climate finance mechanisms (e.g. blended finance, innovative financial instruments, plus streamlined public-private partnerships/PPPs), should be prioritized. This measure will increase opportunities for private sector investment. Finally, Saint Lucia's financial regulators should work towards embedding environmental, social and governance (ESG) standards into the country's financial sector to align financial flows with NDC targets. This would support a transformation of its financial sector towards a greener, more sustainable perspective.

Based on the research work and analysis performed for this report, the following table summarizes sectoral recommendations to eliminate financing barriers for achieving Saint Lucia's NDC mitigation targets.

Sector	Financial Policies & Regulations	Fiscal & Non-Fiscal Policy Levers	Public & International Finance	Information Instruments
Energy Generation	<p>For households and SMEs:</p> <ul style="list-style-type: none"> Raise LFIs' awareness and capacity to integrate environmental and social standards into their loan disbursement processes Encourage LFIs' development and roll out of green credit lines through training, green credit guarantees and establishment of a Sustainable Finance Roundtable Provide training to LFIs on how to assess and determine the bankability of renewable energy projects to reduce their perceived technical risk. 	<ul style="list-style-type: none"> Expand existing incentive scheme that supports renewable energy projects by providing subsidies, grants or rebates, adopting green procurement policies, developing interconnection standards and feed-in tariffs, or establishing renewable portfolio standards or quota.⁷⁷ Saint Lucia's credit unions and commercial banks can develop new lending instruments targeting household needs for renewable energy technologies, e.g., by establishing concessional credit lines for the purchase of solar home systems.⁷⁸ 	<p>Leverage multilateral financing to cover early-stage and high-risk project conceptualization, design and pre-feasibility work, e.g., utilize the Sustainable Energy Initiative organizations in the Caribbean and CARICOM Energy Programme.</p> <p>Redirect multilateral aid toward the creation of new financial instruments and financing tools for the energy sector.</p> <p>Provide capacity building for financiers on ESG metrics, risk evaluation, and energy efficiency and renewable energy financing.</p>	<p>Develop and deliver awareness raising and communication campaign targeting finance providers, citizens and private sector investors on the economic benefits of energy efficiency and renewable energy measures.</p> <p>Enhance technical education programs related to renewable energy, energy efficiency and project management directed at government officials and the banking sector.</p>

⁷⁷ National Renewable Energy Laboratory, "Energy Snapshot: Saint Lucia," February 2015, <https://www.nrel.gov/docs/fy15osti/62688.pdf>

⁷⁸ General Secretariat of the Organization of American States, The Financiers' Guide to Sustainable Energy Lending in the Caribbean (2013), <https://bit.ly/3bP5UPw>

Sector	Financial Policies and Regulations	Fiscal and Non-Fiscal Policy Levers	Public and International Finance	Information Instruments
Energy Generation	<p>For households and SMEs:</p> <ul style="list-style-type: none"> Raise LFI's awareness and capacity to integrate environmental and social standards into their loan disbursement processes Encourage LFI's development and roll out of green credit lines through training, green credit guarantees and establishment of a Sustainable Finance Roundtable Provide training to LFIs on how to assess and determine the bankability of renewable energy projects to reduce their perceived technical risk. 	<ul style="list-style-type: none"> Expand existing incentive scheme that supports renewable energy projects by providing subsidies, grants or rebates, adopting green procurement policies, developing interconnection standards and feed-in tariffs, or establishing renewable portfolio standards or quota.⁷⁷ Saint Lucia's credit unions and commercial banks can develop new lending instruments targeting household needs for renewable energy technologies, e.g., by establishing concessional credit lines for the purchase of solar home systems.⁷⁸ 	<p>Leverage multilateral financing to cover early-stage and high-risk project conceptualization, design and pre-feasibility work, e.g., utilize the Sustainable Energy Initiative organizations in the Caribbean and CARICOM Energy Programme.</p> <p>Redirect multilateral aid toward the creation of new financial instruments and financing tools for the energy sector.</p> <p>Provide capacity building for financiers on ESG metrics, risk evaluation, and energy efficiency and renewable energy financing.</p>	<p>Develop and deliver awareness raising and communication campaign targeting finance providers, citizens and private sector investors on the economic benefits of energy efficiency and renewable energy measures.</p> <p>Enhance technical education programs related to renewable energy, energy efficiency and project management directed at government officials and the banking sector.</p>
Energy Efficiency	<p>Develop policies and strengthen the regulatory framework through:</p> <p>Energy efficiency standards.</p> <p>Restrictions on certain technologies, e.g., incandescence bulbs.</p> <p>Implement appliance labeling standards, e.g., strengthening energy efficiency in the building code.</p>	<p>Explore tax credits for energy efficiency installation projects.</p> <p>Strengthen existing tax deductions for energy-efficient commercial buildings.</p> <p>Explore the potential of utilizing the areas of Vieux-Fort, Anse la Raye, Soufriere, Canaries and Dennery of the Special Development Areas to encourage investment and boost energy efficiency and renewable energy pilot projects.</p>	<p>Explore innovative sources of finance for energy-efficient lighting, e.g., energy efficiency bonds.</p> <p>Leverage technical assistance and concessional finance from international climate funds to support the design and implementation of energy efficiency projects.</p>	<p>Provide information on impacts of public demonstrations and current efforts on energy efficiency, e.g., in public buildings and the tourism sector.</p>

⁷⁹ Jeremiah Leslie Serieux, National energy efficiency monitoring report of Saint Lucia (Santiago: ECLAC, 2019), https://repositorio.cepal.org/bitstream/handle/11362/45056/1/S1900971_en.pdf

Sector	Financial Policies and Regulations	Fiscal and Non-Fiscal Policy Levers	Public and International Finance	Information Instruments
Sustainable Road Transport	<p>Establish policies to promote the development of public electric transport infrastructure.</p> <p>Establish service-oriented policies that promote an increase in public transport quality and affordability.</p> <p>Explore integrated transport policies, e.g., congestion pricing to finance public transport.</p> <p>Establish policies to curb private transport.</p> <p>Encourage the roll out of electric mobility credit lines by LFIs.</p>	<p>Establish preferential electric tariffs for charging electric and hybrid vehicles.</p> <p>Provide non-fiscal stimulus to private owners of electric vehicles, directed toward facilitating return on investment, e.g., by exempting them from toll charges.</p>	<p>Leverage technical assistance and concessional finance from international climate funds, donors and green cities coalitions to implement pilot projects for the electrification of public transport.</p>	<p>Prepare a government investment package focused on sustainable transport solutions to avoid multiple small, donor-driven projects. Instead, focus on bigger projects with higher impact and transformational change.</p> <p>Generate high-quality data that support analyses for policy guidance decisions in several areas, including the possible transition to electric vehicles.⁷⁹</p>
Cross cutting	<p>Seek regional integration to accelerate actions on NDC implementation through policy coordination, donor engagement and economies of scale.</p>		<p>Provide access to niche market investors and underutilized climate funds via innovative financing instruments.</p> <p>Develop results-based financing parameters to promote waste separation and recycling.</p> <p>Explore different financing schemes that are aligned with waste-to-energy production.</p>	<p>Promote regional integration to accelerate actions on NDC implementation through cross-border cooperation, e.g., the NDC Finance Initiative under the NDC Partnership that seeks to build a regional platform for learning and support on project preparation and access to finance for NDC implementation.</p> <p>Strengthen MRV capacity to track donor-funded projects and increase the efficiency of ODA by prioritizing funding for mitigation and adaptation projects.</p>

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Annexes

A. Saint Lucia's Mitigation Projects and its Financers

Sector	Year	Project	Description	Financing Agency	Amount
Energy Generation	2017-2019	Island Energy Program - Rocky Mountain Institute (RMI) and the Clinton Climate Initiative (CCI)	Solar PV (3 MW) in La Tourney View Fort (1st Utility-Scale Solar Farm)	Saint Lucia Electricity Services Limited (LUCELEC) Support from donors: United Nations Environment Programme, Global Environment Facility (GEF), Norwegian Agency for Development Cooperation ⁸⁰	US\$ 20M
Energy Generation	2016 – on hold	Anse Cannot, Dennerly Wind Farm	12 MW Wind Farm (Project on-hold due to land acquisition considerations and concessions) ⁸¹	LUCELEC (50% investment) Required local investment participation Developer – Wind Tex	US\$ 37M
Energy Generation	2020 – on-going	Solar PV Installation + Storage	10 MW Troumasse Solar Power Station, battery storage, and setting up solar energy systems ⁸²	A grant from the United Arab Emirates-Caribbean Renewable Energy Fund (UAE-CREF) via the Abu Dhabi Fund for Development (ADFD)	US\$ 15M
Energy Generation	2017-2020	Green Schools Initiative under the Nationally Appropriate Mitigation Action (NAMA)	Green Schools NAMA aims to replace approximately 13,500 lights with more efficient LED tubes. This is supplemented by the installation of solar PV systems for power generation in primary and secondary schools. The financial savings related to the energy efficiency measures will be re-diverted into the maintenance funds for the schools, thus supporting the long-term continuity of the project	United Nations Development Programme Japan-Caribbean Climate Change Partnership (J-CCCP)	US\$ 2.1M

⁸⁰ Rocky Mountain Institute, "Saint Lucia Solar Park Opens," 2018, <https://rmi.org/our-work/global-energy-transitions/islands-energy-program/saint-lucia-solar-park-opens/>

⁸¹ Saint Lucia New Online, "Advancing the Wind Farm Project in Dennerly," Press Release, November 4, 2016, <https://www.stlucianewsonline.com/advancing-the-wind-farm-project-in-dennerly/>

⁸² International Renewable Energy Agency, "Record USD105 Million of Funding Approved by ADFD Under the IRENA/ADFD Project Facility," Press Release, January 12, 2020, <https://www.irena.org/newsroom/pressreleases/2020/Jan/Record-USD105-Million-of-Funding-Approved-by-ADFD-Under-the-IRENA-ADFD-Project-Facility>

Sector	Year	Project	Description	Financing Agency	Amount
Energy Generation	2020 – on-going	Solar PV for two schools	N/A	A grant from UAE-CREF	Approx. US\$ 4.92M (Total for 3 projects in the country)
Energy Generation	2017-2025	Financing commercial Geothermal Energy (GE) projects while strengthening legal and regulatory frameworks	Regional finance facility to reduce financial, technical and institutional barriers for GE development through the provision of a financing package – including concessional loans and reimbursable grants to mitigate exploration and other underlying risks – and unlocking investments in GE by the private sector ⁸³	IDB, GCF, and CDB- Sustainable Energy Facility for the Eastern Caribbean – Expanded (SEF EXPANDED)	US\$ 27.4M
Energy Generation	2020- 2024	Renewable Energy Sector Development (RESD) Project	30 MW geothermal project Involves the execution of exploration (slim hole) drilling to seek to identify a commercially viable geothermal resource ⁸⁴	Finance and risk management through the support of the World Bank Incentivizing development through innovative financing options to de-risk the upstream development stage Project Stage I (Completed): Early Prep & Reconnaissance: World Bank Project Management & Advisory Support, NZ technical support, Grant funding support Project Stage II: Exploration (GoSL) – World Bank Project Management and Advisory Support, Grant funding support, Financing toward risk capital Project Stage III: Development (IPP) – Potential private financing	US \$22.5M
Energy Generation	2019-2020	Owen King Hospital PV Plant	Operationalize a 200 kW PV plant owned by the Government of Saint Lucia (GoSL) for the OKEU	World Bank and the GoSL	US\$ 700 K

⁸³ GCF, "Projects & Programmes: FP020 – Sustainable Energy Facility for the Eastern Caribbean," <https://www.greenclimate.fund/project/fp020>.

⁸⁴ World Bank, Renewable Energy Sector Development Project (2018), <http://pubdocs.worldbank.org/en/900781531831128366/5272-XCTFLC620A-St-Lucia-Project-Document.pdf>.

Sector	Year	Project	Description	Financing Agency	Amount
Energy Generation	To be developed (NDCPP) 2020	Saint Lucia Bureau of Standards PV Plant	Install and operationalize a 25 kW PV plant to reduce energy consumption and electricity bill at Saint Lucia's Bureau of Standards	GoSL	US\$ 100 K
Energy Generation	To be developed (NDCPP) 2020-2021	LUCELEC PV Development	Under Saint Lucia's NDC Partnership Plan, operationalize PV parks in the range of 10 MW owned by LUCELEC with backup by large battery capacity	To be secured	US\$ 50 M
Energy Generation	2019-2020	Public awareness of sustainable energy	Provision of national resources to selected projects and enabling activities focused on increasing public awareness on sustainable energy practices and technologies	GoSL	US\$ 100
Energy Efficiency	2019 - 2020	Solar-powered street lighting at the Hewanorra International Airport and "Solar carport for electric vehicles at the Hewanorra International Airport" ⁸⁵	Design, plan produce, install and commission a PV plant as the roof of the public car park at the International Airport with charging stations for electric vehicles and LED lighting for selected areas	A grant from UAE-CREF	US\$ 2.3M
Energy Efficiency	2018-2022	"Eco Micro Program Facility- Green Finance for Renewable Energy and Energy Efficiency for SMEs and Low-Income Households"	Demonstrate how commercial banks can support SMEs and low-income households to mitigate the impacts of climate change through market-based green finance solutions ⁸⁶	Government of Canada (70%) and local counterpart funds Executed by the IDB and the 1st National Ban Saint Luca Limited	Total of US\$ 4.92M for 3 projects in the country donated by UAE
Energy Efficiency	2015-2020	SMART hospitals program	Retrofitted 15/34 wellness centers, making them more efficient and resilient	United Kingdom (Department for International Development) Executed by the Pan American Health Organization (PAHO/WHO)	US\$ 400K

⁸⁵ Ministry of Infrastructure, GoSL, "Saint Lucia secures UAE funding for renewable energy projects," January 15, 2019, <http://health.govt.lc/news/saint-lucia-secures-uae-funding-for-renewable-energy-projects>.

⁸⁶ IDB, "Saint Lucia: Ecomicro - 1st National Bank - Green Finance for Renewable Energy and Energy Efficiency for SMEs and Low-Income Households," <https://ewsdata.rightsindevelopment.org/files/documents/01/IADB-RG-T3401.pdf>.

Sector	Year	Project	Description	Financing Agency	Amount
Energy Efficiency	2012-2016	Eastern Caribbean Energy Labelling Project (ECEL P)	Assist in the removal of barriers for the rapid and widespread use of energy-efficient domestic appliances in low-income households, as well as in the service sector in the OECS member countries	EU-ACP Energy Facility, the German Federal Ministry for Economic Cooperation and Development (BMZ) and the OECS Secretariat	US\$ 12.6M
Energy Efficiency	To be developed (NETS)	Energy storage to ensure reliability and integrate renewables	Develop or adapt energy efficiency standards and labeling schemes and, where necessary, quality norms for selected electrical appliances and equipment		US\$ 10 million to US\$ 12 million
Energy Efficiency	2019-2020	Energy efficiency program targeting lighting, refrigeration, air-conditioning, and water heating (to save 0.5% per year, growing to 11% of annual sales by 2024) ⁸⁷	Under Saint Lucia's NDC Partnership Plan, lighting on highways and public places will be replaced with LED installations	A loan from CDB, and the private sector. The GoSL will provide in-kind support	US\$ 50,000
Energy Efficiency	In Pipeline (NETS)	Adoption/ Enforcement of Regional Energy Efficiency Building Codes (REEBC)	Ensure that Saint Lucia's energy efficiency norms and standards are in line with REEBC Promote the application of REEBC via training to architects, project planners and builders	TBD	US\$ 25,000
Energy Efficiency	To be developed (NDCPPP)	Renewable and Energy Efficiency Incentives Repository	Under Saint Lucia's NDC Partnership Plan, raise public awareness and knowledge on existing regulations and incentives on renewable energy plants and energy-efficient equipment	TBD	US\$ 25,000
Energy Efficiency	To be developed (NDCPPP) 2019-2020	Retrofitting of Forensic Lab (EE)	Equip Saint Lucia Forensic Laboratory with energy-efficient electricity appliances	TBD	US\$ 96,110

⁸⁷ Renewable Energy Caribbean, "Recent Initiatives on Saint Lucia," August 7, 2017, <https://renewableenergycaribbean.com/2017/08/07/recent-initiatives-on-saint-lucia/>.

Sector	Year	Project	Description	Financing Agency	Amount
Sustainable Transport	2021	"Global Programme to Support Countries with the Shift to Electric Mobility"	Support the shift to electric mobility in Saint Lucia and accelerate the market introduction of electric vehicles through a combination of technical assistance and investment into electric mobility demonstration of electric vehicles of various types including cars, small commercial vehicles, and/or smaller 30-seater buses and their respective chargers ⁸⁸	GEF grant (23%) Executed by Asian Development Bank; International Energy Agency; Center Mario Molina	US\$ 3.5 million (US\$ 785, 688)
Sustainable Transport	2021	"Implementation of transport and energy contributions in the Caribbean (ITEEC) –transforming the energy and transport sectors towards a low-carbon and climate-resilient future"	Implement the Government Fleet Transition Strategy by providing the financing necessary for the purchasing of electric vehicles to replace the government vehicles that have arrived at the end-of-use in the government fleet	German International Climate Initiative and CARICOM (Implementer GIZ/ECLAC)	N/A
Sustainable Transport	2019-2020	Solar Carport Facility	54kW solar PV electric vehicle port system with electric vehicle charging stations in the parking lot of the Department of Infrastructure Ports and Energy ⁸⁹	Government of Italy under CARICOM MoU (Implementer Gearing Up Ltd.)	US\$ 500 K
Sustainable Transport	2018 - On hold	Eastern Caribbean Regional Climate Change Implementation Plan	Improved and expanded public transport	United Kingdom's Foreign and Commonwealth Office	
Sustainable Transport	To be developed (NDCPPP)	Training of Auto Mechanics and Electricians for Electromobility	Capacity building for auto mechanics on new electric vehicles and older vehicles with emission reduction devices	TBD	US\$ 500 K
Waste	2011 – On hold	Waste to energy project at the Deglos sanitary landfill (switch to electric incineration)	Uses 40k tonnes of municipal waste annually to generate 15 MW	Island Green Energy (IGE)	US\$ 50 M

⁸⁸ GEF, "Global Programme to Support Countries with the Shift to Electric Mobility: Child Projects Annex," 2018, https://www.thegef.org/sites/default/files/web-documents/10114_PFD_Electric_Mobility_Annex_ChildProjects.pdf.

⁸⁹ New Energy, "St. Lucia starts construction of first solar electric vehicle charging facility," March 25, 2019, <https://newenergyevents.com/st-lucia-starts-construction-of-first-solar-electric-vehicle-charging-facility/>.

Sector	Year	Project	Description	Financing Agency	Amount
Water	To be developed (NDCPPP) 2019-2020	Introduction of Renewable Energy to the Water and Sewerage Company Inc. (WASCO) operations	Introduce the use of renewable energy technologies into WASCO's operation to reduce operational costs	TBD with the GoSL's in-kind support	US\$ 600 K
Water	To be developed (NDCPPP) 2018-2019	Improving Energy Efficiency of WASCO's operation	Introduce the use of energy-efficient technologies into WASCO's operation to reduce operational costs	TBD with the GoSL's in-kind support	US\$ 200 K
Water	2019	Replacement of pumps in Ciceron and Vanard pumping stations	Improve the energy efficiency of WASCO's operation thus contributing to the reduction of GHG emissions and achieving the NDC targets	BMZ, Germany	US\$ 130 K
Agriculture & Forestry		Integrating water, land and ecosystems management in Caribbean Small Island Developing States (IWECO)	Adaptation project with mitigation co-benefits	GEF/GoSL	US\$ 2.2 M
Agriculture & Forestry	2014-2020	Climate Change Adaptation (CCA) and Sustainable Land Management (SLM) in the Eastern Caribbean	Adaptation project with mitigation co-benefits	European Union GCCA/OECS	US\$ 0.15 M
Agriculture & Forestry	2013-2014	Enhancing Management of the Water Network and Capacity in the use of GIS Related Technologies to Build Resilience to Climate Change and Climate Variability: Reducing the Risks to Human and Natural Assets Resulting from Climate Change (RRACC)	Adaptation project with mitigation co-benefits	GEF	US\$ 0.080 M

Sector	Year	Project	Description	Financing Agency	Amount
Agriculture & Forestry	In Pipeline (NAP)	Climate Resilient Agriculture Demonstration Centre (CRADE): Enabling the transformation of vulnerable groups in 3 subsistence farming communities into competitive national agri-business leaders under a changing climate ⁹⁰	Adaptation project with mitigation co-benefits This project will have a duration of 5 years and will establish the Saint Lucia CRADE so that small-scale farmers can adopt, promote and expand the use of climate resilient agriculture best practices and businesses	N/A	US\$ 1 M
Agriculture & Forestry	2019	Building Climate Resilience in the Agriculture Sector	Adaptation project with mitigation co-benefits	Adaptation Fund	US\$ 9.85 M
Cross-Sectoral	2018-2020	Transforming Tourism Value Chains	Reducing GHG emissions in the major economic sector for the country by improving the energy efficiency in its multiple value chains	Government of Germany	US\$ 400 K

⁹⁰ GoSL, Saint Lucia's Sectoral Adaptation Strategy and Action Plan for the Agriculture Sector (Agriculture SASAP) 2018-2028 (2018), <https://www4.unfccc.int/sites/NAPC/Documents/Parties/Saint%20Lucia's%20Sectoral%20Strategy%20and%20Action%20Plan%20for%20Agriculture.pdf>.

B. Climate Funds that Can be Utilized by Saint Lucia for Financing Mitigation Projects

Fund or Program	Description	Purpose of Support	Financial Instruments	Priority Sectors	Co-Financing Required	Application Timeframe
Energy Sector Management Assistance Program (ESMAP)	The ESMAP is a global knowledge and technical assistance program administered by the World Bank. It provides analytical and advisory services to low- and middle-income countries to increase their know-how and institutional capacity to achieve environmentally sustainable energy solutions for poverty reduction and economic growth.	Creating enabling environments and building institutional capacity	Grants	Energy efficiency, renewable energy	N/A	N/A
Sustainable Energy and Climate Change Initiative (SECCI) Multi-Donor Fund	The SECCI Multi-Donor Fund is targeted to help countries reduce institutional, policy, financial and technological barriers that are constraining the adoption of renewable energy, energy efficiency, biofuel investments and activities, and also barriers that are limiting their participation in the carbon markets.	Creating enabling environments and building institutional capacity	Grants	Energy efficiency, renewable energy	No	N/A
European Union's Technical Assistance Facility (TAF) for the Sustainable Energy for All (SE4ALL)	The European Union has launched a TAF to assist partner countries in fine-tuning their energy policies and regulatory frameworks to allow for increased investments in the energy sector.	Creating enabling environments and building institutional capacity	Grants	Energy efficiency, industry and infrastructure, renewable energy	Yes	N/A
NAMA Facility	The NAMA Facility was launched by the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMU), and the United Kingdom's Department of Business, Energy and Industrial Strategy (formerly Department of Energy and Climate Change) in December 2012.	Creating enabling environments and building institutional capacity, project and program implementation	Grants, concessional loans, guarantees	Agriculture, ecosystem adaptation, education, energy efficiency, industry and infrastructure, renewable energy, rural, transportation, urban, waste management, oceans and coastal Resources, disaster risk reduction, health, gender, jobs and livelihoods, poverty, water	Yes	N/A

Fund or Program	Description	Purpose of Support	Financial Instruments	Priority Sectors	Co-Financing Required	Application Timeframe
Climate Investment Funds (CIF) – Clean Technology Fund (CTF)	The CTF is one of the two multi-donor trust funds within the wider CIF. The CTF was established in 2008 to provide emerging economies with scaled-up financing for the demonstration, deployment and transfer of low-carbon technologies with a significant potential for long-term greenhouse gas mitigation.	Project and program implementation	Grants, contingent grants, concessional loans, equity, guarantees	Energy efficiency, renewable energy, transportation	Yes	Approval may take up to 2 years
CIF – Forest Investment Program (FIP)	The FIP is one of three targeted programs that make up the Strategic Climate Fund of the CIF. The FIP addresses the drivers of deforestation and forest degradation by supporting developing countries' efforts to reduce deforestation and forest degradation (REDD) while promoting sustainable development.	Project and program implementation	Grants, contingent grants, concessional loans, market-rate loans, equity, guarantees	Forestry and land use, gender	Yes	Approval may take up to 2 years
CIF – Scaling Up Renewable Energy Program in Low Income Countries (SREP)	The SREP is one of three targeted programs that make up the Strategic Climate Fund of the CIF. The SREP empowers transformation in developing countries by demonstrating the economic, social and environmental viability of renewable energy.	Project and program implementation	Grants, contingent grants, concessional loans, equity, guarantees	Energy efficiency, renewable energy, gender	Yes	Approval may take up to 2 years
Global Climate Change Alliance (GCCA+)	The GCCA+ is a flagship initiative from the European Union to help the world's most vulnerable countries address climate change. The GCCA+ initiative contributes toward achieving the overall target of at least 20% of the European Union budget spent on climate action by 2020.	Project and program implementation	Grants	Oceans and coastal resources, disaster risk reduction, gender, jobs and livelihoods, poverty	Yes	N/A
Global Environment Facility (GEF) Trust Fund	The GEF Trust Fund aims to help developing countries and economies in transition contribute to the overall objective of the Rio Conventions including the United Nations Framework Convention on Climate Change (UNFCCC) to mitigate climate change while enabling sustainable economic development.	Project and program implementation	Grants, concessional loans, equity, guarantees	Agriculture, ecosystem adaptation, education, energy efficiency, forestry and land use, industry and infrastructure, renewable energy, rural, transportation, urban, waste management, oceans and coastal resources, disaster risk reduction, health, gender, jobs and livelihoods, poverty, water	Yes	On a rolling basis

Fund or Program	Description	Purpose of Support	Financial Instruments	Priority Sectors	Co-Financing Required	Application Timeframe
Green Climate Fund (GCF)	The GCF was set up in 2010 and aims to promote the paradigm shift toward low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change.	Project and program implementation	Grants, contingent grants, concessional loans, equity, guarantees, results-based finance	Agriculture, ecosystem adaptation, energy efficiency, forestry and land use, industry and infrastructure, renewable energy, rural, transportation, urban, waste management, oceans and coastal resources, disaster risk reduction, health, gender, jobs and livelihoods, poverty, water	No	On a rolling basis
International Renewable Energy Agency (IRENA) and Abu Dhabi Fund for Development (ADFD) Project Facility	The IRENA and ADFD have created a joint program for accelerating the energy transition.	Project and program implementation	Concessional loans, market-rate loans	Energy efficiency, renewable energy	Yes	Approval may take up to 2 years
Le Fonds Français pour l'Environnement Mondial or French Facility for Global Environment (FFEM)	The FFEM has been working to promote the protection of the global environment in developing countries since it was established by the French government in 1994. FFEM's findings have historically been divided into areas of intervention: climate, biodiversity, international waters, land degradation, pollutants and the ozone.	Project and program implementation	Grants	Agriculture, energy efficiency, forestry and land use, renewable energy, urban, waste management, oceans and coastal resources	Yes	The final cycle has closed (2020)

Fund or Program	Description	Purpose of Support	Financial Instruments	Priority Sectors	Co-Financing Required	Application Timeframe
Special Climate Change Fund (SCCF)	In 2001, Parties to the UNFCCC established the SCCF to support adaptation and technology transfer projects and programs that are country-driven and cost-effective.	Project and program implementation	Grants	Agriculture, ecosystem adaptation, industry and infrastructure, renewable energy, rural, waste management, oceans and coastal resources, disaster risk reduction, health, jobs and livelihoods, water	No	N/A
The Carbon Fund – The Carbon Initiative for Development (Ci-Dev)	The Ci-Dev builds capacity to access carbon finance, mainly surrounding energy access in developing countries. Ci-Dev uses performance payments based on reduced emissions to support projects that use clean and efficient technologies in low-income countries. The Carbon Fund provides performance-based payments to energy access programs.	Project and program implementation	Results-based finance	Energy efficiency, renewable energy		N/A
Climate Change Technical Assistance Facility (CCTAF)	The CCTAF provides advanced conditional funding for activities associated with the development of project-based carbon assets (credits) under the Clean Development Mechanism and Joint Implementation instruments of the Kyoto Protocol.	Scoping and project preparation	Contingent grants	Agriculture, energy efficiency, renewable energy, waste management	No	N/A
Green Climate Fund (GCF)	The GCF was set up in 2010 and aims to promote the paradigm shift toward low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change.	Scoping and project preparation	Grants, contingent grants, equity	Agriculture, ecosystem adaptation, education, energy efficiency, industry and infrastructure, renewable energy, transportation, oceans and coastal resources, disaster risk reduction, health, gender, jobs and livelihoods, poverty, water	No	N/A

Fund or Program	Description	Purpose of Support	Financial Instruments	Priority Sectors	Co-Financing Required	Application Timeframe
Green Climate Fund (GCF) – Readiness Programme	The GCF Readiness Programme provides resources for strengthening the institutional capacities of National Designated Authorities or focal points and Direct Access Entities to efficiently engage with the Fund.	Scoping and project preparation, creating enabling environments, and building institutional capacity	Grants, in-kind contributions	Agriculture, ecosystem adaptation, energy efficiency, forestry and land use, industry and infrastructure, renewable energy, rural, transportation, urban, waste management, oceans and coastal resources, disaster risk reduction, health, gender, jobs and livelihoods, poverty, water	No	On a rolling basis
Dutch Fund for Climate and Development (DFCD)	The DFCD focuses on several high-impact investment themes, including climate-resilient water systems, water management and freshwater ecosystems, forestry, climate-smart agriculture, and restoration of ecosystems to protect the environment.	Scoping and project preparation, project and program implementation	Grants, contingent grants, equity, in-kind contributions	agriculture, ecosystem adaptation, forestry and land use, industry and infrastructure, rural, waste management, oceans and coastal resources, disaster risk reduction, gender, jobs and livelihoods, poverty, water		Proposals can be submitted at any time
United Arab Emirates-Caribbean Renewable Energy Fund (UAE-CREF)	The UAE-CREF is committed to assisting Small Island Developing States to achieve their national priorities and Sustainable Development Goals, in particular, ensuring access to affordable, reliable, sustainable and modern energy for all.	Project and program implementation	Grants	Energy efficiency, renewable energy	No	N/A

Fund or Program	Description	Purpose of Support	Financial Instruments	Priority Sectors	Co-Financing Required	Application Timeframe
Government of Italy under the MoU with CARICOM member states: Cooperation on climate change vulnerability, adaptation and mitigation	The MoU is renewable.	Project and program implementation		Energy efficiency, renewable energy		N/A
UK Caribbean Infrastructure Fund (UK-CIF)	The UK-CIF, financed by the Department for International Development, supports projects designed to provide the critical infrastructure that lays the foundations for growth and prosperity, poverty reduction and increased resilience to climate change in the Caribbean.	Project and program implementation	Grants	Roads, bridges, sea defenses, seaports; airports, water/sanitation/ wastewater, and irrigation	Yes but UK-CIF will always constitute the majority financing	N/A
Public-Private Infrastructure Advisory Facility (PPIAF)	The PPIAF helps developing-country governments strengthen policies, regulations and institutions that enable sustainable infrastructure with private sector participation.	Project and program implementation	Grants	Digital development, transport, water and sanitation, energy	No	N/A
City Climate Finance Gap Fund	The City Climate Finance Gap Fund is the first global fund dedicated to supporting cities in the very early stages of project development. It strengthens projects to the point where they are likely to receive further support from project preparation facilities and attract the interest of public and private financiers.	Project and program implementation	Grants	Sustainable development for cities	Sustainable urban infrastructure projects in cities	Proposals can be submitted anytime

C. Climate Funds that Focus on Financing Private Sector Mitigation Projects

Fund or Program	Description	Purpose of Support	Financial Instruments	Priority Sectors	Co-Financing Required	Application Timeframe
eco.business Fund	In December 2014, the German Development Bank (KfW), Conservation International and Finance in Motion set up the eco.business Fund. The Fund's mission is to promote business and consumption practices that contribute to biodiversity conservation, sustainable use of natural resources, and mitigate climate change and adapt to its effects.	Project and program implementation	Market-rate loans	Agriculture, ecosystem adaptation, forestry and land use, waste management, water	N/A	N/A
Global Climate Partnership Fund (GCPF)	The GCPF is an innovative financing instrument that facilitates broad-based investments in climate-relevant projects in selected countries. To this end, it provides local financial institutions with credit lines, which these institutions then use to offer loans for investments in renewable energies, energy efficiency and the reduction of emissions.	Project and program implementation	Market-rate loans	Energy efficiency, renewable energy	Yes	N/A
Green Building EDGE Program	An innovation of IFC, a member of the World Bank Group, EDGE makes it faster, easier and more affordable to build and brand green. EDGE reveals the systems and solutions that work best for the climate, bringing international caché to a certified project.	Scoping and project preparation, creating enabling environments, and building institutional capacity	In-kind contributions	Energy efficiency, renewable energy, urban	No	N/A
Pilot Auction Facility for Methane and Climate Change Mitigation (PAF)	The PAF is an innovative climate finance mechanism designed to stimulate private sector investment in projects that reduce greenhouse gas emissions.	Project and program implementation	Equity	Forestry and land use, waste management	No	Annual auctions
Private Sector Set-Asides part of the CIF	A fund designed to provide risk-appropriate capital needed to drive private sector investment in some of the world's most challenging markets. Applicable through the different programs of the CIF.	Project and program implementation	Concessional loans	Forestry (FIP), climate resilience (PPCR) and energy access through renewable energy in low-income countries (SREP)	Yes	N/A

Fund or Program	Description	Purpose of Support	Financial Instruments	Priority Sectors	Co-Financing Required	Application Timeframe
MGM Sustainable Energy Fund II	Supported by the Global Energy Efficiency and Renewable Energy Fund, this private equity fund provides equity and mezzanine financing to projects in the demand-side energy efficiency and renewable energy sectors in Latin America and the Caribbean region.	Project and program implementation	Concessional loans, market-rate loans	Invest 65% of its committed capital in energy efficiency projects (residential sector: consumer financing for green appliances; commercial sector: hotels, hospitals, other large buildings; municipal sector: street lighting); and 35% in renewable energy projects (proven technologies including hydro expansion/rehabilitation, solar and wind)	N/A	N/A
The Global Innovation Lab for Climate Finance	The Global Innovation Lab for Climate Finance is a public-private initiative that aims to drive billions of dollars of private sector investment into climate change mitigation and adaptation in developing countries by fast-tracking the development of promising ideas to implementation-ready projects through identifying, developing and piloting transformative climate finance.	Project and program implementation	Concessional loans, market-rate loans	Agriculture, energy efficiency, industry and infrastructure, renewable energy, transportation, urban, oceans and coastal resources, disaster risk reduction	Yes	N/A
JICA's Private-Sector Investment Finance Scheme & Preparatory Survey for Public-Private Partnership	JICA's Private-Sector Investment Finance Scheme supports private enterprises that conduct business with positive impacts in climate change fields through equity and credits. Moreover, JICA assists in formulating infrastructure projects through public-private partnerships, from which Saint Lucia can profit.	Scoping and project preparation, creating enabling environments, and building institutional capacity	Grants	JICA invests in climate change mitigation and adaptation technologies, as prioritized in the country's Nationally Appropriate Mitigation Actions (NAMAs) and National Adaptation Plans (NAPs). For Saint Lucia, activities related to waste management (the promotion of the management of waste disposal and 3Rs), increasing the ratio of renewable energy in the country's energy mix, and promoting energy efficiency will be supported	No	

D. Saint Lucia's GCF Mitigation Project Pipeline

Project Title	Project Scope	Theme	Financing Required
Enhancing the Climate Resilience of the Water Sector in Saint Lucia	National	<p>This project aims to improve resilience and energy efficiency in the water sector. It is comprised of four components:</p> <ol style="list-style-type: none"> 1. Enhanced resilience to drought conditions (increased storage and scaled up rainwater harvesting); 2. Sustainable land management in critical water catchments; 3. Energy efficiency measures in the water network (upgrading management systems, motor management, control optimization and pump right sizing); 4. Increased capacity to adapt to climate change in the water sector (communications, education and awareness, capacity building for staff, emergency management plan review, and improved seasonal forecasting). 	<p>GCF – US\$ 9.8M</p> <p>Co- financing – US\$ 550K</p>
Creating a Greener and more resilient Health Sector in Saint Lucia	National	<p>This project aims to build climate resilience in the health sector by: (1) promoting and adopting energy-efficient and low-carbon energy generation technologies in public health facilities; (2) enhancing the climate resilience of health sector infrastructure; and (3) strengthening public health capacity to address climate sensitive health conditions.</p>	To be defined

Project Title	Project Scope	Theme	Financing Required
Green Affordable Housing for All	National	This project aims to use best practices in developing climate-resilient and energy-efficient housing for relocation of vulnerable population living in high-risk areas of the island.	To be defined
Castries Vision 2030 – low-carbon, resilient Castries downtown	National	<p>This project aims to operationalize several of the objectives for the capital region that have been laid out in the Castries Vision 2030 document. The interventions supported through the GCF will be those focused on making Castries' downtown a low-carbon zone, and carry with it additional co-benefits related to human health and safety, and urban redevelopment.</p> <p>The interventions envisioned as part of this effort include:</p> <ul style="list-style-type: none"> • Pedestrianization and Greening Program – This intervention would improve sidewalks and pedestrianize certain streets in the downtown areas. Circulation of private vehicles would be significantly limited, and most downtown mobility would be replaced by a variety of innovative mobility services, including shared bikes, scooters and rickshaw taxis. This would reduce vehicle emissions, as well as enhance ground permeability and promote smart urban development. • Castries T-Esplanade – Drawing inspiration from Barcelona's "Las Ramblas", a redevelopment is proposed to create an open corridor between the Cathedral and the Harbor to support the pedestrianization of downtown Castries, promote mode shift, and reduce vehicle congestion and emissions. • Water Bus and Taxi Terminals – Complementing efforts to reduce vehicle traffic (and emissions) in the capital, this intervention would take advantage of Castries' harbor and use water-based transportation modes as an entry into the city. 	To be defined
Electric Mobility	National	Saint Lucia seeks to expand electric mobility beyond the public sector and support a broader transition to sustainability. This will incorporate the build-out of infrastructure, building of sectoral capacity to service and maintain alternative energy vehicles, and potentially support to address the price differential with internal combustion vehicles.	To be defined
Green Schools NAMA	National	<p>The Green Schools Nationally Appropriate Mitigation Action (NAMA) involves renewable energy and energy efficiency solutions and technologies in school buildings in Saint Lucia. The targets include a reduction in energy consumption of 20% by 2025 and emissions reduction of 35% by 2025.</p> <p>It is constituted by three interventions:</p> <ol style="list-style-type: none"> 1. Energy efficiency 2. Renewable energy 3. Training and capacity building <p>An initial pilot is being undertaken. The anticipated finance request is to scale up the project.</p>	<p>GCF – US\$ 28M</p> <p>Cofinancing – US\$ 12 M</p>

E. The Green Bond Issuance Process

This section explores the steps to be taken by the Government of Saint Lucia (GoSL) to assess the viability of an issuance and the pre- and post-emission steps and requirements.

PRE-ISSUANCE PHASE

- Step 1. Meeting relevant preconditions: The preliminary internal decision to issue a green bond requires that three preconditions are in place:
 - o Bonds have been identified as the most suitable instrument to raise funding for the respective projects or assets.
 - o Proceeds are intended to be used to finance or refinance green projects or activities that align with a set of defined green criteria.
 - o The Ministry of Finance must be able to meet the legal, regulatory and financial prerequisites required to issue a bond.

Having ensured these preconditions are met, the GoSL in the form of its Ministry of Finance could approach one or more investment banks to serve as advisors in the bond issuance process (regular and green aspects). The government should mandate one or several lead managers, i.e., investment banks with expertise in the green bond market, to prepare and conduct the deal, in effect acting as an intermediary between the issuer and the investing public.

2019/2020 Financing (EC\$ Millions)

DEBT INSTRUMENT	APPROVED BUDGET	ACTUAL (March 2020)
New Financing	332.3	305.00
Bonds	213.1	117.70
Treasury Bills	0.00	74.10
Loans	119.2	113.20
Rollovers	597.60	539.20
Bonds/Treasury Notes	302.00	259.50
Treasury Bills	295.60	279.70
GRAND TOTAL	929.90	844.20

- Step 2. Assessment of Saint Lucia's funding alternatives: Before committing to a green bond issuance, Saint Lucia should assess available funding alternatives in line with public finance plans. According to the 2019 Saint Lucia Economic and Social Review, the approved 2019/2020 government financing plan consists of new financing of EC\$332.30 million and rollover of existing debt of EC\$597.60 million. Bonds represent 64.1% of new debt and 50% of debt being extended. The analysis suggests ample space for green bonds as a mean of acquiring new debt or refinancing existing obligations.

Saint Lucia's weighted average cost of debt was 5.16% in 2019. As expected, bonds appear to be the most expensive source of debt for the government

2019/2020 Financing (EC\$ Millions)

	2015	2016	2017	2018	2019
Bonds	7.08	7.16	7.12	7.07	6.36
Notes	5.84	5.86	5.65	5.3	5.15
Loans	3.18	2.97	3.09	3.33	3.32
Treasury Bills	4.39	4.29	4.42	4.25	3.66
WACD	5.26	5.31	5.26	5.32	5.16

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with an average coupon rate of 6.36%. This is due to the longer maturity of bonds compared to other instruments; longer maturity periods translate into higher default risk, hence higher interest rates. Treasury Bills mature in a year, Treasury Notes have maturities from two to ten years, while Treasury Bonds have maturities of greater than 10 years.

In the context of Saint Lucia, bonds have the significant advantage of reducing debt repayment – by postponing principal repayment until maturity – and of having a longer maturity period. This would help the government improve the average time to maturity and average time to refixing its debt portfolio. Committing to a green bond issuance would bring additional benefits, namely, diversification of investor base, improved pricing, international leadership and visibility.

- Step 3. Designing a Green Bond Framework: After formalizing its intention to proceed with a green bond issuance, the Ministry of Finance with support from relevant line ministries should develop a Green Bond Framework. This is a key document that provides investors, underwriters, placement agents and other interested parties with a clear understanding of the processes and characteristics of the issuance and the underlying green eligible projects. The framework is developed in the interest of transparency, disclosure, integrity and quality and to demonstrate the green features of the programs and projects financed with the proceeds. It should be concise and transparent.

The Green Bond Principles (GBP) published by the International Capital Market Association provide a set of voluntary guidelines to promote transparency and integrity throughout the green bond issuance process. According to the GBP, a Green Bond Framework should consist of four components:

- o Use of Proceeds – The cornerstone of a green bond is the utilization of the proceeds of the bond for green projects, which should be appropriately described in the legal documentation for the security. All green projects designated by the GoSL should provide clear environmental benefits, which would be assessed and, where feasible, quantified.

- o Process for Identification, Evaluation and Selection of Eligible Projects – The

Green Bond Framework should communicate to investors: (1) the environmental sustainability objectives of the issuance; (2) the process by which the Ministry of Finance determines how the projects fit within the eligible green project categories; and (3) the related eligibility criteria.

- o Management of Proceeds – It is important to illustrate how the Ministry of Finance plans to manage the net proceeds of the green bond. Proceeds should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the Ministry of Finance in an appropriate manner, and attested in a formal internal process linked to the issuer's lending and investment operations for green projects.

- o Reporting – The Ministry of Finance should clarify how it intends to make, and keep, readily available up-to-date information on the use of proceeds to be renewed annually until full allocation.

- Step 4. Obtaining a second party opinion: External reviews, assessments or verification of green bonds or associated frameworks play a critical role in assessing relevant information on the bond's green credentials. The GBP distinguishes four types of external review the GoSL may choose from:

- o Consultant review and second opinion – The Ministry of Finance could seek advisory support from a consultant or consulting firm with recognized environmental climate finance expertise, which revises and assesses the Saint Lucia Green Bond Framework, typically in the form of a second opinion prior to the issuance.

- o Verification or auditing – The GoSL could have its green bond, the associated framework or individual parts independently verified or assured by qualified third parties (usually audit firms) against certain internal or external reference criteria.

- o Certification – The GoSL could have its green bond, the associated framework or individual parts certified by a qualified third party (usually an accredited certifier) against an external standard.

- o Rating – The GoSL could have its green bond or associated framework rated by qualified third parties, usually rating agencies or specialized consulting firms.

- Step 5. Developing a sales strategy: Based on the

various features of the bond and market conditions, the book runners together with the Ministry of Finance should develop a sales strategy including pricing, marketing and syndication plans. The risk and new issuance premium (or spread) is determined by the group of lead managers in consultation with the Ministry of Finance based on Saint Lucia's rating and bond type, expected liquidity and overall market conditions. Unless the green feature of the bond has a tangible effect on the financial risk and return profile (i.e., if it is a project bond or equivalent), a green bond is typically priced according to the same criteria as a regular bond. The bond is priced according to either outstanding bonds with a similar maturity and/or a base rate plus a risk and new issue premium.

- Step 6. Preparing relevant legal documents and due diligence: The respective roles for preparation and launch of the bond, i.e., coordination of legal requirements and term sheet, trade documentation, marketing and press coverage, as well as booking and delivery, could be assigned by the Ministry of Finance to the lead manager to take care of the respective tasks. With regards to the legal framework, the documentation is subject to due diligence, which is carried out by both the Ministry of Finance's and the lead manager's legal advisors. Issuing a green bond does not require any additional legal documents compared to issuing a regular bond.
- Step 7. Identifying suitable bond terms, market conditions and target markets: Depending on the nature of the bond transaction, the group of lead managing banks would advise the Ministry of Finance during the pre-issuance phase on numerous topics in order to realize the best funding conditions, such as the maturity of the bond, as well as the target investor group of some of the aspects the government needs to determine in order to identify the respective target market for issuance. This assessment is made by taking into account expected returns and risks (such as credit and liquidity risks, as well as macroeconomic risks such as interest rate environment and inflation). Additionally, the green label of the bond represents another relevant feature to specify the investor types most likely to invest in the bond.
- Step 8. Registering the green bond issue: Prior to the launch, the green bond issuance is subject to the same regulatory requirements as a regular bond, which may include registration at the responsible supervisory

authority. For registration, relevant documents such as the preliminary prospectus, financial records and statements from the Ministry of Finance must be submitted and approved by the supervisory authority.

ISSUANCE PHASE

- Step 9. Rating analysis and documentation preparation: In order to issue a bond on the market, it is recommended that the GoSL seeks an official rating from a rating agency. In 2019, CariCRIS assigned the country a credit rating of XXX. The legal documentation accompanying the bond issuance is prepared in parallel to the rating exercise in order to ensure that it is ready at the time of the operation. This includes the underwriting agreement establishing the conditions for the issuer and the underwriting banks.
- Step 10. Presentations to investors – the roadshow: Presenting the operation to investors is a key point in the process for new issuers, what is known in the industry as a roadshow. This involves meetings with investors in the biggest financial hubs where a presentation is given, and any questions are addressed. It is also key to find out what the market looks like and how much appetite there is for Saint Lucia's risk profile. If the response is not positive, the government may decide to postpone the operation. The purpose of the roadshow is to involve investors and gauge the price range and maturity. Following the marketing period, the lead managers make a public announcement of the upcoming transaction, solicit orders from investors and "build a book" for the issue within spread parameters. Other issue details, such as size and maturity, could change as a result of investor feedback received during the marketing campaign.

An alternative to a public offering is to issue the bond through a private placement in which case one or a few investors, via the lead managing bank(s) agree(s) on the terms of the transaction with the issuer. This could be on the initiative of either party involved. While potentially convenient and efficient, this process limits the publicity and branding effect for the government, something that often is an aspiration of the issuer, especially in connection to the issuance of the inaugural green bond.

- Step 11. The bond PLACEMENT and BOOK BUILDING: Once it has been decided that the bond would be issued because sufficient interest exists, the bank and the Ministry of Finance look for a window of opportunity and establish a tentative date, which would greatly depend on market conditions. When that day arrives, there is an initial call with the team that would carry out the transaction and the treasury itself first thing in the morning. It is the “go-no go” call – a key moment in which, based on the market conditions that day, it is confirmed whether to go ahead with the issuing or postpone it if the circumstances have greatly varied. If no significant changes have taken place in the market that could put the operation at risk, the bank advises the Ministry of Finance on the price, they agree on the premium for the operation and coordinate a strategy. Now is the time when the issuance is announced to the market and the “book” is opened – a digital archive where the different orders from investors are noted. After several hours, there is another call to see how the book is doing. At that time the Ministry of Finance could decide whether or not to adjust the price, based on the behavior of the market and investors. If there is a change in price, it is announced to the market. There may be investors who decide not to participate. Finally, there is a third call to complete the operation with the agreement from those involved, the Ministry of Finance and banks.

- Step 12. Allocating process and bond pricing: When the book has been refined and closed, a decision is made to determine how much to give to each investor. This is based on the quality of the investor and the objectives of the issuing. Banks would give the Ministry of Finance a list with this distribution for their approval, and the investors are informed of exactly how much they were allocated. Then, the price is established by taking the indexes into account. Finally, the sales team informs the market of the coupon and the next day the bond is listed on the secondary market.

- Step 13. Conducting the transaction: At the moment of the bond issuance, the Ministry of Finance would sign a subscription agreement and the listing authority or relevant stock exchanges approve the prospectus if the bond is to be listed. At the closing of the deal, the remaining documents are signed, and the bond is delivered to the bondholders, while

the payment is (simultaneously) made to the issuer through a national depository or a clearing system.

POST ISSUANCE

- Step 14. Managing proceeds: After the deal has been settled and an amount equal to the net proceeds of the issue has been transferred to the earmarked (sub-) account, the GoSL could start to allocate the proceeds. The earmarked account would be managed by the Ministry of Finance according to the regular liquidity management practices and the defined commitment regarding the management of unallocated proceeds as described in the Green Bond Framework. With respect to the bondholder, the Ministry of Finance needs to ensure the timely payment of the coupon on a regular, usually semi-annual or annual basis, and of the principal at maturity.

- Step 15. Monitoring and reporting the use of proceeds and environmental impact: In order to maintain transparency toward investors and the public regarding the compliance of the terms of the issue, the Ministry of Finance would be expected to monitor and regularly report the allocation of proceeds, including a list of financed projects with a brief project description, amounts allocated and use of unallocated proceeds. Potential channels to publicly disclose this information include a dedicated green bond investor letter, the annual report or sustainability report

F. Options for the Design of an NFV

Model 1: The National Financing Vehicle (NFV) is under full control of the Government of Saint Lucia (GoSL) and is embedded within an existing structure of the GoSL (e.g., Saint Lucia Development Bank). Under this model the NFV's governance and operations are managed similarly to the way ongoing donor programs are. The NFV's ownership may belong to the Ministry of Finance, Ministry of Environment or Saint Lucia Development Bank. This is the least cost and fastest option to implement an NFV since it fully utilizes existing government infrastructure and processes, including staff, and could be executed by standard resolution/decreed of government. The NFV may tap into multiple sources of international climate finance. However, some of the structure may have limited attractiveness for donors due to possible political interference, vulnerability to political changes, competing priorities of government actors, lack of transparency, and limited government track record in developing and implementing successful climate change mitigation programs and projects. Nevertheless, the model could be used as a starting point in the process with the goal of having the NFV evolve into a more independent entity at a later stage.

NFV Model 1: Key Factors & SWOT Analysis

<p>Status / Ownership</p> <ul style="list-style-type: none"> Entity embedded within the structure of the Government Ownership options: Ministry of Finance, Ministry of Environment, St. Lucia Development Bank 	<p>Governance</p> <ul style="list-style-type: none"> Government governance rules Governance options: New Body / St. Lucia Development Bank / Ministry of Finance
<p>Funding</p> <ul style="list-style-type: none"> Article 6 Fund GCF CTF GEF GEEREF Next SREP MDBs 	<p>Sustainability</p> <ul style="list-style-type: none"> Government Budget Ministry of Finance / Ministry of Environment / St. Lucia Development Bank staffing
<p>Strengths</p> <ul style="list-style-type: none"> Build on existing resources / funds / banks Quick implementation Low costs 	<p>Weaknesses</p> <ul style="list-style-type: none"> Limited Government capacity Limited room for innovation Uncertain access to external funding
<p>Opportunities</p> <ul style="list-style-type: none"> Government capacity building and strengthening Focus on Government priorities 	<p>Threats</p> <ul style="list-style-type: none"> Political interference Government budget dependent Vulnerable to political changes Competing priorities of Government actors

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Model 2: The NFV is established as an independent/semi-autonomous entity (“agency”) fully owned by the GoSL. The model is an option the GoSL should choose if it intends for the NFV to pursue a specific issue of national priority (i.e., climate change mitigation). While this model shares almost all advantages of Model 1 in its utilization of existing structures and procedures, the major difference is the Fund’s clear independent legal status, budget and staffing, which may provide room for greater transparency and strategic focus and in turn bring more assurance to potential donors.

Major challenges include a possible lack of political consensus in establishing such agency (especially given the lack of precedence in the country), allocation of necessary financial and human resources for the Fund’s establishment and operationalization, and possibly the need and long lead time for new/amended legislation to be introduced. The initial costs incurred by setting up the NFV this way could potentially be offset by tapping into the Green Climate Fund readiness and preparatory support resources and by the fundraising capacity of the Fund arising from access to external sources of funding.

Model 3: NFV is established as a separate public entity representing the interests of the GoSL. This model is another step toward structuring the Fund as a more independent entity. It has traditionally been used as a way to legally structure utilities. This step is more common in the financial services industry, where there are numerous examples of “development” banks or funds. The closest example in Saint Lucia is the Saint Lucia Development Bank. Among the advantages of setting up the NFV this way could be the existing precedent of this structure and the respective policy/legislation governing this. Similarly to previous cases, the model is vulnerable to changing political priorities and regulatory environment. Potential donors should be engaged during the conceptualization of the facility to ensure alignment with donor’s objectives and preferences.

NFV Model 2: Key Factors & SWOT Analysis

<p>Status / Ownership</p> <ul style="list-style-type: none"> Entity established by Government decree / law More autonomous structure Government full ownership 	<p>Governance</p> <ul style="list-style-type: none"> Agency charter and by-laws 	<p>Strengths</p> <ul style="list-style-type: none"> Exclusive focus on mitigation priorities Dedicated staff Dedicated budget External visibility and transparency 	<p>Weaknesses</p> <ul style="list-style-type: none"> No precedence No track record Budget and staffing challenges New legislation might be required May take time to implement
<ul style="list-style-type: none"> Article 6 Fund GCF CTF GEF GEEREF Next SREP MOBs Government budget <p>Funding</p>	<ul style="list-style-type: none"> Agency budget Agency staffing <p>Sustainability</p>	<ul style="list-style-type: none"> Leverage international best practices Access external funding Access GCF Readiness and Preparatory Support for NFV’s establishment and operationalization <p>Opportunities</p>	<ul style="list-style-type: none"> Uncertain political consensus Uncertain donor support Limited budget/staffing resources at inception stage <p>Threats</p>

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Model 4: NFV is established as a public-private partnership (PPP) representing the interest of the GoSL and the private sector. This model aims to combine the advantages of an institution backed by the government while utilizing the (often superior) capacity and resources of the private sector. The key advantage of this structure is its potential to attract private sector/donor funding with limited or no direct funding from the government. The major challenges of a PPP arrangement are the lack of PPP regulation/legislation and its relatively sophisticated structure and operation, as well as the likely changes in related legislation that it requires. Past PPP efforts by the GoSL have not been successful, which may suggest the need for experienced external support to set up the NFV under a PPP scheme.

Model 5: NFV is established as a private entity. This case represents the most extreme case in which the NFV is fully independent from the government but could in certain circumstances play a key role in implementing public/governmental priorities. This option could be an attractive target for certain donors preferring non-governmental recipients. Another advantage to this model is its ability to avoid certain conflicts of interest (e.g., under PPP structure). While such institution could be established within the existing legislative framework, its mode of operation – especially if public resources are utilized – would be challenging. For new institutions of this type, a credible track record is likely the biggest hurdle to overcome.

NFV Model 4: Key Factors & SWOT Analysis

<p>Status / Ownership</p> <ul style="list-style-type: none"> Entity established by Government Decree / PPP law Joint public and private ownership 	<p>Governance</p> <ul style="list-style-type: none"> As specified by respective PPP law Representing specific public and private interest 	<p>Strengths</p> <ul style="list-style-type: none"> Exclusive focus on mitigation priorities Dedicated staff Dedicated budget Private sector capacity Public sector control and transparency 	<p>Weaknesses</p> <ul style="list-style-type: none"> Lack of specific PPP legislation/regulation Different objectives and capacity of PPP parties Lack of PPP track record Limited capacity to structure complex PPP models
<p>Funding</p> <ul style="list-style-type: none"> PPP entity budget revenues GCF CTF GEF GEEREF Next SREP MDBs Government budget 	<p>Sustainability</p> <ul style="list-style-type: none"> PPP entity budget PPP entity staffing 	<p>Opportunities</p> <ul style="list-style-type: none"> Leverage public resources with private know-how and funding Access to external funding 	<p>Threats</p> <ul style="list-style-type: none"> Disputes of PPP partners Unbalanced PPP terms Unbalanced distribution of risk Vulnerable to changes in regulation

NFV Model 5: Key Factors & SWOT Analysis

<p>Status / Ownership</p> <ul style="list-style-type: none"> Private entity For-profit or not-for-profit private entity Private ownership 	<p>Governance</p> <ul style="list-style-type: none"> Defined by private entity founding documents and by-laws Representing private interests 	<p>Strengths</p> <ul style="list-style-type: none"> Exclusive focus on mitigation priorities Dedicated staff Dedicated budget Private sector capacity Private sector delivery efficiency 	<p>Weaknesses</p> <ul style="list-style-type: none"> Priorities set by private shareholders Limited endorsement from Government Focus on commercial projects Focus on financial returns
<p>Funding</p> <ul style="list-style-type: none"> Private entity budget revenues GCF CTF GEF GEEREF Next SREP MDBs 	<p>Sustainability</p> <ul style="list-style-type: none"> Private entity staffing Private entity budget 	<p>Opportunities</p> <ul style="list-style-type: none"> Access to private sector resources Access to external funding Room for innovation Independent from Government's own budget 	<p>Threats</p> <ul style="list-style-type: none"> Uncertain commercial viability Vulnerable to changes in the regulatory environment Uncertain donor support Lack of transparency

G. NFV Establishment via GCF Readiness and Preparatory Support

The table below provides a brief outline of a Green Climate Fund (GCF) Readiness and Preparatory Support Programme for the establishment and operationalization of a National Financing Vehicle (NFV) in Saint Lucia.

Proposal Title	Establishment and Operationalization of National Financing Vehicle in Saint Lucia		
Country	Saint Lucia	Total amount requested	US\$ 350,000 – 500,000
Type of readiness support sought	II. Strategic frameworks IV. Pipeline development	Implementation period	18 months

<p>Brief summary of the request</p>	<p>The proposed readiness entails the development of an operational framework, including organization structure, design, operational manual, deal documents, financing strategy, credit instruments, capitalization strategy and outreach material of an NFV in Saint Lucia and to deliver demand-led capacity building training to state and non-state actors to ensure the effective management of the NFV. The NFV mission is to increase private sector investment in priority mitigation projects, including energy efficiency and renewable energy technology by adjusting the risk/return profile of investment opportunities by offering concessional finance to interested domestic and regional investors.</p> <p>The objectives of the NFV are to increase:</p> <ul style="list-style-type: none"> • The use of viable energy efficiency and renewable energy technologies in Saint Lucia, in order to decrease energy costs of the population; • The country's energy security by reducing its dependency on imported fossil fuels; • Climate change mitigation by reducing greenhouse gas emissions; • Climate resilience by providing a pathway toward financing distributed energy generation projects; • Capacity to originate, design, structure and bring to finance sustainable energy efficiency, renewable energy and transport projects. <p>The NFV targets financial barriers to the development of energy efficiency, renewable energy and low-carbon projects by:</p> <ul style="list-style-type: none"> • Building capacity and capability to originate, design, structure and bring to finance sustainable projects; • Providing concessional financing to sustainable projects and initiatives, including – <ul style="list-style-type: none"> o Loans, grants and contingent grants for sustainable projects & initiatives o Loan guarantees for energy efficiency, renewable energy and low-carbon investment projects o Risk-sharing support via subordinated/mezzanine debt and junior equity o Technical assistance structuring contracts with low-carbon and climate service companies o Grants and contingent grants for feasibility studies and sustainable projects and initiatives <p>The beneficiaries of the proposed Readiness Programme include:</p> <ul style="list-style-type: none"> • The Government of Saint Lucia – The proposed action plan strengthens the capacity of state and non-state actors to access climate finance enabling the country to meet its nationally determined contribution targets and raise its ambitions. • The National Designated Authority (NDA) – The successful delivery of the program will increase the capacity of the NDA to deliver and accomplish its mission and raise its ambitions. • Private sector actors – The proposed NFV will facilitate access to long-term affordable finance opening up investment opportunities for private sector developers and project owners. • Saint Lucia's citizens – The successful operationalization of the NFV will enable the development of climate change mitigation projects benefiting society at large, including increased resilience of essential services, improved air quality and more affordable electricity tariffs. • Regional and international investors – Once operational, the NFV will improve the risk/return profile of key sustainable investment projects thus providing regional and international investors the opportunity to invest in risk adjusted projects. Risk reduction will be achieved through the strategic use of blended finance, i.e., the NFV will leverage development and concessional finance to attract private capital in priority projects.
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Nationally Determined Contribution Finance Strategy – Saint Lucia

Logical Framework			
Outcomes	Outputs	Activities (brief description)	Deliverables
Outcome 2.4 Strategies for transforming and attracting private sector investment for mitigation and cross sectoral projects	Output 2.4.1 Framework for the establishment, operationalization and capitalization of a National Financing Vehicle (NFV) supporting priority mitigation projects – including energy efficiency, renewable energy, industrial and transport projects – developed and submitted to the GoSL	Activity 2.4.1 a Defining the NFV's strategic goals and objectives in consultation with key country stakeholders. Note: The activity will be carried out in a stakeholder inclusive manner including multiple focus group discussions (FGDs) with key government stakeholders, donors, international financial institutions and representatives from the private sector. The FGDs will inform, validate and endorse the development of the NFV Strategic Goals and Objective document	Deliverable 2.4.1a <ul style="list-style-type: none"> • FGD report presentation material, participants list, feedback, next steps • NFV Strategic Goals and Objectives document
		Activity 2.4.1b Defining the capitalization strategy of the NFV based on predefined objectives (deliverable 2.4.1a) and country needs. Note: The activity will be carried out in a stakeholder-inclusive manner including multiple FGDs with key government stakeholders, donors, international financial institutions and representatives from the private sector. The FGDs will inform, validate and endorse the development of an NFV Capitalization Strategy	G Deliverable 2.4.1b <ul style="list-style-type: none"> • FGD report presentation material, participants list, feedback, next steps • NFV Capitalization Strategy
		Activity 2.4.1c Consolidating and collecting findings of past and ongoing support initiatives to inform the development of the NFV	Deliverable 2.4.1c Comprehensive report of findings from past and ongoing support programs
		Activity 2.4.1d Defining the NFV's optimal governance system and fund design structure based on the NFV objectives (activity 2.4.1a) and capitalization strategy (activity 2.4.1b). The governance system will establish governing bodies, decision-making processes and oversight responsibilities to ensure efficient management of the fund	Deliverable 2.4.1d <ul style="list-style-type: none"> • NFV Governance System • NFV design validated with key government counterparts and potential providers of capital (IOs, MDBs, IFIs, LFI)
		Activity 2.4.1e Developing the NFV Operational Manual defining the fiduciary arrangements to accommodate standards, project cycles, scale of risks of climate change projects, as well as defining the relationships between different actors in the NFV structure. The operational manual will define the fiduciary management arrangements, including but not limited to identifying a trustee	Deliverable 2.4.1e <ul style="list-style-type: none"> • NFV Operational Manual • Identification of trustee
		Activity 2.4.1f Defining the implementation arrangements of the NFV, i.e., definition and development of the NFV's financial instruments, identification of implementation organizations/partners, organization structure, the flow of funds and data, the beneficiaries of program activities	Deliverable 2.4.1f Implementation Arrangements document, map and instructions

Nationally Determined Contribution Finance Strategy – Saint Lucia

Logical Framework			
Outcomes	Outputs	Activities (brief description)	Deliverables
Outcome 2.4 Strategies for transforming and attracting private sector investment for mitigation and cross sectoral projects	Output 2.4.1 Framework for the establishment, operationalization and capitalization of a National Financing Vehicle (NFV) supporting priority mitigation projects – including energy efficiency, renewable energy, industrial and transport projects – developed and submitted to the GoSL	Activity 2.4.1g Development of monitoring, reporting and verification (MRV) framework – including Excel-based investment tracking tool –to track budget and investments, collect lessons learned and improve NFV operations. The MRV system will define the type of programmatic and financial information to be reported, reporting responsibilities and how often such information should be reported	Deliverable 2.4.1g <ul style="list-style-type: none"> MRV Framework Excel-based budget and investment tracking tool
		Activity 2.4.1h Delivering demand-led capacity building training to state and non-state actors to ensure the effective management of the NFV. Capacity building workshops will target capacity gaps of government stakeholders, trustee and NFV implementation partners. Capacity gaps will be identified throughout program implementation	Deliverable 2.4.1h <ul style="list-style-type: none"> Capacity gap reports compiled throughout program implementation Workshop report: presentation material, participants list (disaggregated by gender), feedback, next steps Capacity building modules
		Activity 2.4.1i Delivering capacity building and on-the-job training to ensure the effective implementation of the MRV framework	Deliverable 2.4.1i <ul style="list-style-type: none"> Workshop report: presentation material, participants list (disaggregated by gender), feedback, next steps Capacity building modules
		Activity 2.4.1j Participating in 1 international event to showcase and market the NFV to potential investors and providers of finance	Deliverable 2.4.1j Roadshows material: presentation material, participants list, feedback, next steps. MOUs with 3 potential investors
		Activity 2.4.1k Delivering investors roadshows (2 regional, 1 national) to market the NFV to potential investors and providers of finance and to collect expressions of interest	Deliverable 2.4.1k Roadshows material: presentation material, participants list, feedback, next steps. MOUs with 3 potential investors
Outcome 4.3 An increase in the number of quality project concept notes developed and submitted that target SIDS, LDCs and African States	Output 4.3.1 Quality concept notes for the capitalization of the NFV developed and submitted to the GCF and other providers of climate finance	Activity 4.3.1a Developing the NFV's concept note for capitalization by GCF, EIB, CIF, CTF, MDBs, IOs, local banks and financial institutions and conducting bilateral early engagement meetings to market the NFV	Deliverable 4.3.1a Concept note

H. Public-Private Infrastructure Advisory Facility

The Public-Private Infrastructure Advisory Facility (PPIAF) accepts grant proposals that are in line with its mandate to support governments in creating and strengthening a sound enabling environment for private sector participation in infrastructure through the following types of activities:⁹¹

- Framing infrastructure development strategies
- Designing and implementing policy, regulatory and institutional reforms
- Organizing stakeholder consultation workshops
- Building government institutional capacity
- Designing and implementing pioneering projects

Jamaica benefited from PPIAF support in 2013 under the framework of “JAMAICA: Support to the PP Program”.⁹² PPIAF supported the conceptualization, development, assessment and prioritization of “first-mover” PPP projects in the context of the Government of Jamaica’s overall priorities for improving infrastructure services and enabling growth. This activity also built the capacity of the PPP Unit to manage the PPP program, and of other key ministries and agencies to engage with the PPP program by identifying and initiating promising PPP projects in the course of developing their sector plans.

PPIAF support – How to apply for it?

Step 1. Consultation with PPIAF

The Government of Saint Lucia checks PPIAF’s website to review its current priorities, and read previous activity reports and lessons learned. The first stage is to contact the relevant PPIAF team member(s) to assess whether it is eligible and offers a good strategic fit.

Step 2. Concept Review

The Government of Saint Lucia submits a brief concept note that outlines the activity’s objectives, scope, budget, implementation plan and timeframe. On the second week of every month, PPIAF reviews concept notes and selects the ones that will proceed to the next stage considering the above-mentioned criteria and constraints, such as funding envelope for the period. If successful, the concept proposal will be sent to PPIAF’s donors to flag potential issues affecting a go/no go decision. Meritorious concepts that are not selected only because of funding limitations can be re-considered in the next review period.

Step 3. Application

For all types of grants, a detailed application package is then prepared and reviewed, usually following the month after approval of concept note. It comprises an application form, a detailed budget, terms of reference for any procurement, an official government request letter and a clearance note from the World Bank country director/manager. It must include details about implementation, risk mitigation, procurement and dissemination.

A revised package will be submitted for clearance to the PPIAF program manager, who approves requests of US\$100,000 or less and sends those above US\$100,000 to the PPIAF donors. After 10 business days and the provision of clarifications to donor enquiries, provided there are no objections, the application will proceed to the award stage.

Step 4. Award and Implementation

Grant processing is usually completed within two to three weeks after the award letter is sent. PPIAF will then monitor grant implementation through regular exchanges between the relevant PPIAF team member(s) and the Task Team Leader, plus via quarterly status updates.

⁹¹ PPIAF, “Apply for Funds,” <https://ppiaf.org/apply-funds>.

⁹² PPIAF, “Jamaica,” <https://ppiaf.org/countries/jamaica>.

I. Carbon Credits and Emissions Trading

The Government of Saint Lucia has publicly announced the desire to participate in international cap-and-trade emission trading schemes and offsetting schemes.⁹³

However, to date, Saint Lucia has not formally explored carbon financing options because of multiple barriers. They include: the poor suitability of carbon credits to address the capital investment needs of the country; the limitations on the size of the projects; the high transaction costs of designing and implementing projects financed through carbon options; the lack of government expertise; the difficulty of operationalizing and/or replicating those projects (e.g., the processes required for the project to comply with the eligibility criteria under the existing regulatory frameworks of Certified Emission Reductions or CERs to be issued); the lack of knowledge and clarity on the carbon pricing options under Article 6 of the Paris Agreement; the high perceived residual investment risk from investing in carbon financed projects; and the absence of a robust and liquid carbon market.

Currently, under the World Bank’s “Carbon Initiative for Development (Ci-DEV)”, Saint Lucia can access resources from the Readiness Fund to promote innovative carbon finance mechanisms for funding early-stage projects related to energy access. Saint Lucia can also access resources from the Carbon Fund to finance, through performance-based payments, low-carbon investments in the form of CER purchases.

By combining available international funds with technical support from international organizations, Saint Lucia can explore carbon finance options blended with other innovative financing mechanisms, to further address some of the current limitations of carbon-financed projects.

Some examples are:

- **Carbon-linked green bonds** – “These products use the capital raised by selling the bond to either invest in the development of projects generating carbon credits or purchase call options for carbon credits in different projects. The interest rate to be paid to bondholders (i.e., coupon of the bond) could come from the upside of future carbon prices until the bond matures, and would be shared between the issuer and the buyers of the bonds.”⁹⁴
- **Project finance with carbon credits** – Offer monetization of future cash flows from sales of carbon credit as a mechanism to reduce the risk and access loans use for capital investments. For example, the repayment schedule of a loan can be structured to mirror the expected proceeds from the sale of carbon credits.
- **Bundling mitigation projects** – Create economies of scale to reduce the costs of implementing and operationalizing projects financed by carbon credits through bundling multiple mitigation projects either in the same country or region.
- **Utilization of energy service companies (ESCOs)** – The ESCOs are companies that ensure energy savings to a client. The savings in energy costs are typically used to pay the ESCOs fees. ESCOs can help their clients and investors sell CERs on the international carbon market or can receive its payment in the form of carbon and/or tax credits.

⁹³ GoSL, Intended Nationally Determined Contribution under the United Nations Framework Convention on Climate Change (UNFCCC) (2015), <https://bit.ly/3b5GNZD>

⁹⁴ World Bank, Integrating Carbon Finance in Traditional Financing: Key Barriers and Existing Experiences (2020), <https://bit.ly/2PjxkoY>

J. ECLAC’s Debt Swap Task Force

ECLAC’s Debt Swap Task Force and other international initiatives⁹⁵

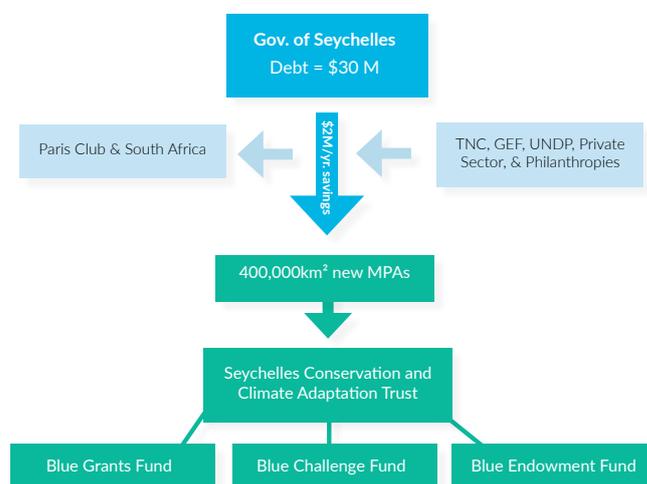
After years of work on the issue within the region, in 2017 the sub-regional headquarters of the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) established a task force to advance ECLAC’s Debt for Climate Adaptation Swap Initiative and on November 24, 2017, the task force held their first meeting in Port of Spain, Trinidad and Tobago. Many key stakeholders from the region attended the meeting, including the CARICOM Secretariat, the Organization of Eastern Caribbean States, the CARICOM Development Fund, the Eastern Caribbean Central Bank, as well as representatives from national institutions like the Planning Institute of Jamaica.

While many Caribbean countries have been proponents of debt swaps since the 1990s with varying levels of success, they have rarely resulted in contributing to debt sustainability or a significant reduction in debt across the region. For example in 2012, Antigua and Barbuda negotiated a “debt for climate adaptation with coastal zone management swap” with Brazil for US\$18 million. This however did not come to fruition due to delays within the Brazilian Parliament.

While there is still a significant amount of work and negotiations to be done regarding the relationship between debt for climate swaps and international climate finance commitments, there already are some examples to draw from that occurred over the fast-start climate finance period. Over the period of 2010 to 2012, we have the examples of debt swaps

by two developed countries toward the fulfillment of their fast-start climate finance commitment. The US provided US\$32 million via a debt for nature swap under its Tropical Forest Conservation Act (c). Further, Italy fulfilled EUR38 million of its fast-start finance commitments via debt for nature swaps in Vietnam, Ecuador and the Philippines. Compared to the overall size of the fast-start finance commitment of US\$30 billion, the volumes delivered through debt swaps have been relatively small, but nonetheless the move was significant.

One of the most recently successful and innovative approaches to debt swap in a Small Island Developing State is taking place with the Seychelles. In 2017, the Seychelles announced the successful conclusion of negotiations for a debt for adaptation swap under the tripartite model. After the conclusion of the Seychelles’ debt swap, TNC has announced that they expect to replicate this model in Grenada for a US\$60 million debt swap and then other Caribbean islands in the coming years.



Source: Climate Analytics, “Debt for Climate Swaps: Caribbean Outlook,” April 2018

⁹⁵ Climate Analytics, “Debt for Climate Swaps: Caribbean Outlook,” April 2018, <https://climateanalytics.org/publications/2018/debt-for-climate-swaps-caribbean-outlook/>.





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