Centre for Resilience and Sustainable Development
UNIVERSITY OF CAMBRIDGE

The Commonwealth

THEIR FUTURE OUR ACTION

An action-research project to improve climate finance attractiveness for Small Island Developing Countries of the Commonwealth

INTERIM REPORT 2021-2022

Prepared for the Commonwealth Secretariat
by the Centre for Resilience and Sustainable Development (CSRD), University of Cambridge, UK

Centre for Resilience and Sustainable Development
UNIVERSITY OF CAMBRIDGE

The Commonwealth

THEIR FUTURE

OUR ACTION

An action-research project to improve climate finance attractiveness for Small Island Developing Countries of the Commonwealth

Interim Action-Research Report
(2021-2022)

Prepared for the Commonwealth Secretariat by the Centre for Resilience and Sustainable Development, University of Cambridge

Principal Investigator: Dr Nazia M Habib, FRSA
Associate Professor and the Head
The Centre for Resilience and Sustainable Development
the University of Cambridge, UK

Submission Date: 31 Aug, 2022
This interim report concludes year 1 of the research

Acknowledgements

This action-research is designed, led and authored by Dr Nazia Mintz-Habib, Associate Professor and the Head of the Centre for Resilience and Sustainable Development at the University of Cambridge, UK. Substantial contributions to this work were made by the Centre's Research Associates Dr Ramin Takin, Dr Hannah Parris, Dr Nicky Athanassopoulou, Dr Qinyi Xu, Dr Imoh Ilevbare, Dr Diana Khripko, and Terry Nicklin, in partnership with the Administrative team Susan Black, Mick Carr, Laura Cave and Lena Yang. Further contributions were made by Centre Fellows Professor David Howarth, Professor Steve Evans, Mr Steve McCauley, Mr Andrew Mitchell MP, and Mr Robbie Stamp.

The action-research also benefited from the critical contribution of the Commonwealth Secretariat Officers Deborah Jamieson, OBE (Direct and Head of Secretary General's Office, Commonwealth Secretariat), Suresh Yadav (Deputy Head of Secretary General's Office, Commonwealth Secretariat), and Natasha Muhoza (Research Assistant, Secretary General's Office). The Senior Management Committee and other colleagues from Communication the commonwealth Secretariat also deserve our gratitude for their help in organising workshops in the small states.

Reviewers and Experts

We are also grateful to our external **Panel of Experts** who have been in the background guiding us on the overarching plan for the research. We are grateful to Mr David Pitt-Watson, Fellow Cambridge Judge Business School, UK; Mr James Mnyupe, Presidential Economic Advisor, Government of Namibia, Namibia; Ms Angelique Pouponneau, Deputy Fellowship Director and Policy Adviser, Alliance of Small Island States, Seychelles; Mr Sean Kidney, CEO, Climate Bonds Initiative, UK; Mr. Rashitha Delapola, Consultant, Orient Academy Limited, Sri Lanka; Professor Ameena Gurib-Farim, Former President of Mauritius, Mauritius and H.E. Aminath Shauna, Minister of Environment, Climate Change and Technology, Maldives.

We are indebted to the following four **Peer Reviewers** who made valuable comments and suggestions: Deborah Jamieson, OBE, Director and Head of Secretary General's Office, Commonwealth Secretariat; Suresh Yadav, Deputy Head of Secretary General's Office, Commonwealth Secretariat; Dr Supriyo De, Reserve Bank of India Chair Professor at the National Institute of Public Finance and Policy, New Delhi, Former Senior Economist in the World Bank's Migration & Remittances team and Elizabeth Anne Carriere, OBE, Former Governor of Montserrat.

Please cite this Report as follows:

Habib, N.M., Takin, R. and Parris, H. (2022). *Their Future, Our Action: An action-research to improve climate finance attractiveness for Small Island Developing Countries of the Commonwealth*. London: Commonwealth Secretariat, CRSD Working Series

About the Centre for Resilience and Sustainable Development, University of Cambridge, UK

The overarching mission of the Centre for Resilience and Sustainable Development is to offer valuable and actionable insights that will help leaders to cope and thrive; to drive policy innovations and institutional development in a changing world. Through a blend of system dynamics, political and economic analysis and rigorously developed business cases, we have helped over 1,000 leaders from the public and private sector, scientists, policy makers and researchers to share research and learn new analytical methods across our core areas of sustainable investment, good governance and responsible innovation.

Disclaimer

The authors of this report have made every attempt to ensure that the information contained in this report is accurate at the time of completion. This has included working in close collaboration with the Commonwealth Secretariat and stakeholders right across the Commonwealth. However, any errors that remain are with the authors.

Photo Credits

Maldives: Ahmed Yaaniu on Unsplash

Turtle: Cédric Frixon on Unsplash

African Child: Annie Spratt on Unsplash

Mauritius: Xavier Coiffic on Unsplash

Samoan Boys: Mareko Tamaleaa on Unsplash

The remaining photos are credited to the Commonwealth Secretariat

THEIR FUTURE, OUR ACTION

Centre for Resilience and Sustainable Development
UNIVERSITY OF CAMBRIDGE

The Commonwealth

BRIEFING NOTE

SUMMARY OF ISSUES AND STRATEGIC FIT

- *Their Time, Our Action* is a two year multi-stakeholder research collaboration between the Commonwealth Secretariat and University of Cambridge.[1] The partnership uses a "whole of system"[2] perspective, through the application of the CRSD[3] action-research approach[4] (see Appendix 1), to accelerate Small Islands Developing States (SIDS) access to sustainable finance,[5] particularly in support of improving socio-economic resilience in the post-COVID 19 recovery phase. The focus is on the strategic question: *How can we transform the capacity of governments in SIDS to attract sustainable finance to contribute to resilient economies?*

- There are three phases of this collaboration, Phase one and Phase two have been delivered on time and within budget. In addition, two country consultation events have taken place in Spring 2022 at no additional cost. This was to ensure that the needs of the member states underpin this collaboration.

- A key outcome is the proposal for an innovative collaborative approach to accessing international finance flows called the 'Common Pool Investment' approach'[6]. Our

[1] This research is led by Dr Nazia Mintz Habib, FRSA at the Centre for Resilience and Sustainable Development https://www.crsd.landecon.cam.ac.uk/
[2] For a broader discussion see Commonwealth (2022) Implementation Guidelines: The Whole System Approach in Addressing Violence Against Women and Girls in the Commonwealth. June, 2022.
[3] Centre for Resilience and Sustainable Development at the University of Cambridge developed an unique model of whole systems based inquiry to improve decision making process.
[4] Action-research tests theories and engages in activities that are geared towards planning and conducting the research process with those people whose life-world and meaningful actions are being studied.
[5] Climate Finance is a subset of 'Sustainable Finance' which we define as investment opportunities that are both environmentally and socially rewarding while minimising negative unintended consequences by integrating good governance and responsible innovation.
[6]Our approach is inspired by the success of global pool investment approaches that leverage public/private partnerships to diversify funding - for example the Global Environment Fund (GEF) https://www.thegef.org/who-we-are

proposed approach applies different investment theories to identify and collate evidence, and unconventional data, to improve the economic viability for investors and political commitment to collaborative investment in the contexts of uncertainty, data limitations and growing inequality.

  - In this approach, SIDS may wish to enhance sustainable finance by collaboratively developing investable projects that address common challenges. Once finance is secured, projects are simultaneously rolled out in multiple countries – increasing economies of scale, boosting opportunities for sharing experiences, knowledge and skills, and reducing transaction costs and risks of unintended consequences (Appendix 2).

  - Based on this research, several million US dollars have already been committed to investments in preventive digital health across the Caribbean[7], which will lead to new youth employment opportunities as well as improved health outcomes.

- Using the CRSD action-research approach and the principles of co-creation and partnership, this collaboration worked with stakeholders across the Commonwealth to co-design features and present the evidence for improving attractiveness for sustainable investment. Key interim outcomes across three phases include (Appendix 2):

  - **Phase 1** – Collaborative Localised Vision Building with Cambridge Policy Boot Camp. Using a tried and tested Cambridge Policy Boot Camp (CPBC) methodology, stakeholders identified 'nature'[8] and 'youth' (redrawn age boundary at age of 35)[9] as common *untapped-assets*[10] across all SIDS, representing key areas to attract investments. Investments in shared *knowledge systems* and shared *institutional capacity* in decision making are also key to unlocking untapped values, and to build trust and transparency among the diversity of stakeholders. Over 150 young people participated from across the Commonwealth, with global experts and multilaterals participating in proposals for policy solutions.

  - **Phase 2** – Building Institutional Consensus with Cambridge Country/Expert Consultation. Using insights from Phase 1, several investment concepts proposed by stakeholders were further analysed by the Cambridge CRSD research team together with the Commonwealth Secretariat team, country level experts and global experts by applying Cambridge Country Consultation Methods.

[7] A preliminary announcement can be found here.
[8] This includes biodiversity, ocean, and forests. This research is going beyond areas of 'natural capital' that have been explored elsewhere - for example looking at the development of royalties from indigenous knowledge about nature (One-third of the world's indigenous people live in the Commonwealth).
[9] There is no internationally accepted definition for 'youth'. In this research the definition was raised to 35 so that the investment benefits capture approximately 65% of the SIDS population.
[10] An untapped-asset is defined as an asset that has unused or unaccounted value (see Appendix 2).

- Two Country consultations took place in (northern hemisphere) Spring 2022 (no additional cost) to ensure that the needs of SIDS underpinned this collaboration.

- Over 90 representatives from country nominated experts[11] and industry stakeholders together with policy experts evaluated the system level impacts of proposals to better understand the scope of the proposals, system level linkages and leverage points in potential investment concepts. To support the valuation of 'youth' and nature as assets, new measurement tools – the Political Economic Resilience Index (PERI) (Appendix 1) - have been developed to capture and track these assets.

- Phase 3 – Policy Stress Testing with Cambridge Policy Simulation Labs – using a policy simulation lab methodology, stakeholders stress test the government's institutional capacity to support projects to build up to a self-supporting scale. In the next round of Cambridge Policy Simulation Labs, participants will explore risk within a 'common pool investment approach' from the perspective of investors, to identify policy gaps that need addressing in order to attract sustainable investment.

- All collaboration phases are designed to be inclusive and responsive to SIDS needs. So far, the collaboration has engaged directly with over 400 young people, global and national experts, and national policy makers from across the Commonwealth, multilateral agencies, regional development banks and civil societies.
  - All of the activities were delivered online and were designed to ensure socio-cultural and demographic diversity. This included interactive evaluation and monitoring by subject matter experts to improve research outcomes.
  - Collaboration activities also provided leadership and technical training to improve participants' capacity for policy systems and resilience thinking in policy making.

- *Their Time, Our Action* was developed as part of the urgent response needed to support SIDS following the economic impact of the COVID-19 response and contributes substantially to:
  - CHOGM Mandate 2022 - on declaring 2023 as a year dedicated to youth-led action for sustainable and inclusive development and strengthening commitment to youth engagement and empowerment.[12]

---

[11] The participating countries are Mauritius (Africa), Kiribati(Pacific), Guyana (Caribbean), Fiji (Pacific), Vanuatu (Pacific), Maldives (Asia), Barbados (Caribbean), Dominica (Caribbean). While the detailed analysis in Phase 2 focussed on these eight countries, the research team was in constant contact with other countries and drew on their experiences. Other countries will be invited to participate in Phase 3 activities.

[12] See Communique Of The Commonwealth Heads Of Government Meeting "Delivering A Common Future: Connecting, Innovating, Transforming" and Commonwealth Heads declare 2023 the Year of the Youth

    - CHOGM mandate 2018 on SIDS - promoting financial inclusion of SIDS in the global economy. The initial research focus is on SIDS, however it is anticipated that the learning outcomes of the research has the potential to benefit all Commonwealth members.
    - To produce action-oriented solutions that will benefit SIDS urgently.
    - Contribute to the ongoing CHOGM dialogues between Heads of Government and youth representatives.
- This investment represents a near 50-fold return on investment for the collaboration, which has more than a year remaining until the research is complete[13].

This Report presents the interim results of this project. The second part of this research will focus on exploring the regulatory framework that is required to generate (institutional) investor support for the Common Pool Investment Approach. This will include, *inter alia*, generating the data required to:

- Undertake additional analysis on the research concepts to examine their viability.
- Recognise tensions and potential challenges to overcome.
- To identify specific investable proposals under 'youth' and 'nature'.
- Undertake a survey of the sustainable investment market to map potential opportunities.
- Conduct interviews and work with potential investors through workshops to test the Common Pool Investment approach with the investor community, and to familiarise them with the concept, through, for example, working with members of the Conservation Finance Alliance[14] to identify potential projects and potential investors.
- Conduct a second Cambridge Policy Simulation Lab to co-create a risk management system for accessing capital.
- Create a derisking framework that can be used to develop evidence and data that is systematically collected and documented (institutionalise), through use of technology solutions, and to support the development of national regulatory frameworks for the investor and investee countries.

This research will complete its work programme in early 2023 and will submit a final research report by Dec 2023.

[13] Look up more on this project see here

[14] The Conservation Finance Alliance is a global network of conservation finance experts, practitioners and organisations to promote awareness, best practice and innovation in conservation finance.

KEY QUESTIONS INSPIRING THE BACKGROUND

Why is it difficult to access sustainable finance?

Research by the Commonwealth Secretariat shows that Commonwealth Small Island Developing States (SIDS)[15] are losing out on an estimated $4.1 billion of aid opportunities because governments do not have the capacity to deal with the complex process of negotiating, receiving and managing development assistance.[16] Similarly, while the private capital (investment) markets have re-bounded rapidly following the COVID-19 pandemic[17], due to issues of scale, isolation, cost and risk management, SIDS have not been able to adequately tap into this source of finance.[18] Further, just 5% of global climate funding is dedicated to climate adaption[19] – a key priority for SIDS.

Despite innovative financing approaches such as blue and green bonds, sustainability linked loans, debt swaps or debt restructuring led by the climate finance market ecosystem, the inequality between SIDS and potential investors is deepening. The current climate finance model relies on multilateral agencies (e.g. World Bank) to identify, vet and manage projects and (expensive) external verification to certify and report on impacts – drawing decision making power and agency away from SIDS and from the projects direct beneficiaries.[20,21,22]

Recognising and challenging such structural and systematic barriers to accessing public and private finance, in the context of COVID recovery strategies, are the key motivations for this research.

Why is addressing 'youth' and 'nature' as an untapped-asset important?

In financial systems, 'asset' refers to something that returns value over time, and mechanisms that specify and protect asset ownership/stewardship, institutionalised within

---

[15] Formally, the Commonwealth defines small states as sovereign countries with a population of 1.5 million or less. The Commonwealth also designates some of its larger member countries – Botswana, Jamaica, Lesotho, Namibia and Papua New Guinea – as small states because they share many of their characteristics. This project focuses on a subset of these small countries - SIDS who are defined as small island states with low or middle income status. In this project they are Antigua and Barbuda, Barbados, Belize, Botswana, Brunei Darussalam, Cyprus, Eswatini, Fiji, Guyana, Jamaica, Lesotho, Maldives, Malta, Mauritius, Namibia, Papua New Guinea, Saint Lucia, Saint Vincent and the Grenadines, Sao Tome and Principe, Singapore, Solomon Islands, Tonga, Trinidad and Tobago and Vanuatu.

[16] See The Commonwealth and Climate Change

[17] See for example McKinsey Global Private Markets Review (2022)

[18] See for example: External Financing to Small Island Developing States Where do we stand?

[19] See for example The broken $100-billion promise of climate finance — and how to fix it

[20] https://www.un.org/ohrlls/news/fostering-private-sector-partnerships-small-island-developing-states

[21] https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/SIDS-factsheet.pdf

[22] OECD Policy Responses to Coronavirus (COVID-19): COVID-19 pandemic: Towards a blue recovery in small island developing states

national governance systems, are a necessary precursor to generating investment opportunities. *Untapped-assets* refers to an undiscovered asset, or one whose value is not recognised, and hence stewardship/ownership has not been identified - leading to under (or no) investment.

Conventional financial thinking focuses on the limited investment opportunities in SIDS and the lack of scale. This research flips this thinking on its head to consider what assets SIDS already have in abundance which can be used to build value creating opportunities. Research participants identified 'youth' and 'nature' as two critical abundant assets that are common across all SIDS (see Appendix 2).

Developing investment initiatives for 'nature' and 'youth' is important because Commonwealth SIDS:

- Manage 11.5% of the world's Exclusive Economic Zones (EEZs[23]). including 7 out of 10 coral hotspots, and are stewards for about 20% of all land based bird, plant and reptile species, many of which are endemic. By comparison SIDS land mass is just 3% of the total global. These resources underpin valuable economic activity (e.g. tourism and fisheries)[24] within SIDS and are also a major global resource in addressing climate change and biodiversity loss, particularly in the context of the indigenous knowledge held by island communities. Investing in nature to safeguard existing industries, and ensuring that SIDS are appropriately recognised and rewarded for nature stewardship is a key strategy to underpin sustainable development.
- Are facing a so called 'youth bulge' with 65% of the population under 35[25] with an average of 28% of these people not engaged in education or employment. This represents a significant risk of creating social deprivation, inequality and political exclusion of youth, and is also a significant underutilization of human potential that could be harnessed for sustainability development.

Why use a Common Pool Investment Approach to improve accessing sustainable finance?

The Post-COVID recovery period represents a unique opportunity to explore innovation in public sector governance and many governments now are currently undergoing changes in operational practices to adjust to reduced capacity and the disproportionate shocks/impacts from the COVID-19 crisis (e.g. loss of tourism, economic shocks and disruptions in public welfare services and health care) as well as the ongoing challenge of climate change.

---

[23] Data obtained from The Sea Around US project
[24] OHRLLS Small Island Developing States in Numbers: Oceans and Biodiversity.
[25] Calculated using data from United Nations, Department of Economic and Social Affairs, Population Division except for Dominica, St Kitts and Nevis and Nauru, whose data is sourced from: UN Statistics Division Demographic Yearbook System

Against this context, this collaboration seeks to complement and build upon the success of Climate Finance Action Hub by extending its principle of knowledge and skill sharing to developing a finance model that develops common pool investment proposals.

While each SIDS is unique, there are common systemic challenges and opportunities across the Commonwealth – for example in education, public health or climate change. Using this insight, this collaboration has worked with stakeholders to identify commonalities across economic and social systems which represent opportunities for investment projects that could be rolled out simultaneously across multiple countries. Going to market with a common investment project across multiple countries will increase project scale, reduce risk profiles and transactions/management costs – making them more attractive to investors and politically more attractive for SIDS by reducing the risk of falling into a 'debt trap'. We develop a framework for collective risk profiling, risk sharing and risk governance to manage risk-related attitudes and thinking that to guide investments.

A key output for this collaboration is to develop the evidence and data to support this approach, and to identify potential investment concepts that could be developed into a collective investment proposal. So far, some proposed investment concepts include:

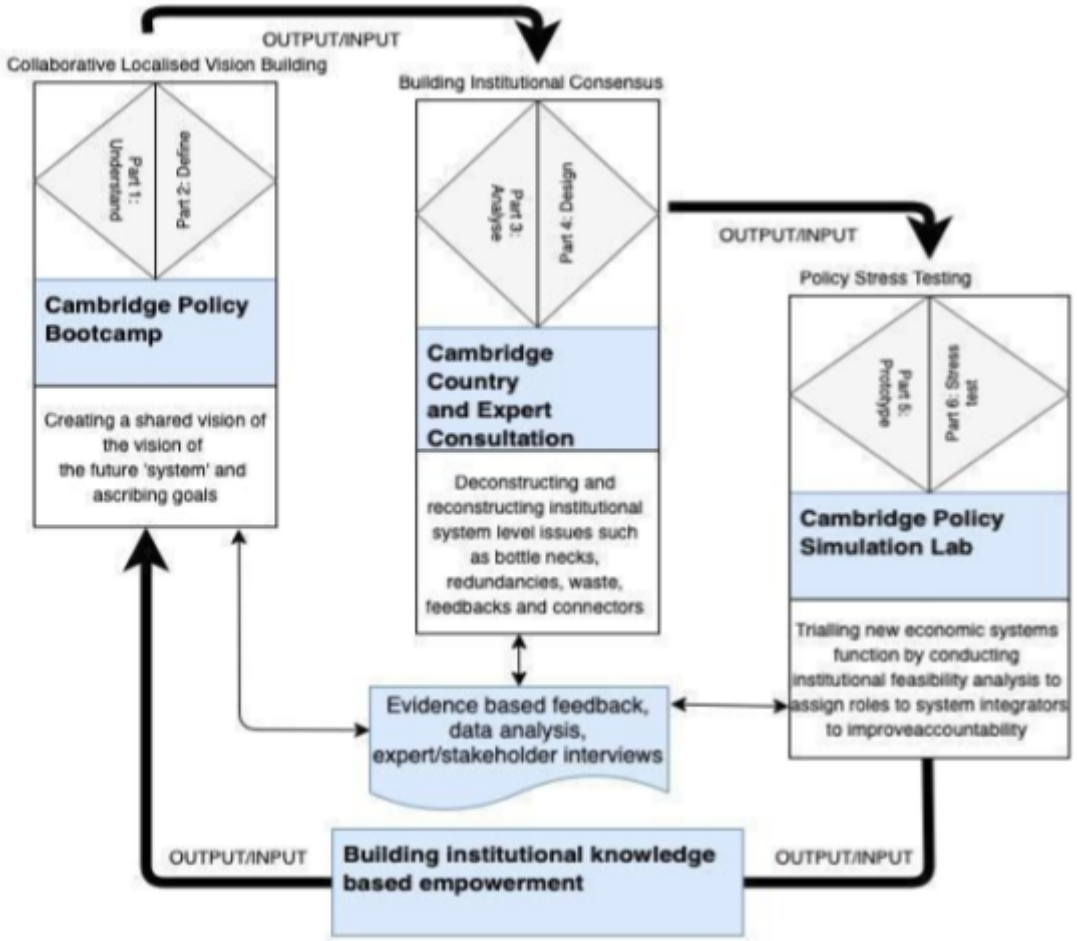
- Information tools to support investments in untapped-assets like 'nature' and 'youth', to help generate and gather the evidence required for investors. Some of these are under development, including the development of the Political Economic Resilience Index (PERI) to define and benchmark natural and human capital. If PERI, EPI and Untapped Youth indices are institutionalised and tracked regularly, it can capture and track the ability of a government to invest in these untapped-assets.
- Capitalise on the movement towards remote working to engage skilled workers to use SIDS as a remote working/retirement opportunity and engage in knowledge sharing.
- Implement a Technical and Vocational Skills Training Programme for environmentally conscious and climate resilient industries.
- Facilitate knowledge exchange between SIDS diaspora, international networks and national citizens and intergenerational knowledge exchange between older and/or indigenous citizens and youth.

An example of attracting investment in a pooled approach is Fly Pop airline's recent commitment that Caribbean Udan will promote regional connectivity and employment opportunities for the youth in the Caribbean region as a result of the research applied to Cambridge Collaboration Investment templates.

CAMBRIDGE ACTION-RESEARCH APPROACH

Using a 'whole of system' perspective, *Their Future and Our Action* uses a non-linear and transdisciplinary research methodology that combines political economic theories, systems based thinking, and a leadership training approach to better understand challenges both from the perspective of the state and the potential private sector investors. The Cambridge Centre for Resilience and Sustainable Development (CRSD) methods were used to develop the evidence base required for the proposed new investment approach, while also providing training for policy makers and experts in applying resilience thinking techniques and, through this, familiarising them with the proposed approach. Using a combination of primary and secondary data collection, surveys, interviews and four types of experiential laboratory workshops, over 400 primary beneficiaries, decision makers and experts, from across the Commonwealth were brought together to identify and test key concepts and ideas for collaborative investment in SIDS. An overview of the research process is set out in Figure E1.

Figure E1: Cambridge Action-Research Approach



COMMON POOL INVESTMENT APPROACH

The proposed investment approach has two components: a set of indices to support the development and use of untapped-assets of 'youth' and 'nature' and a conceptualised model for accessing finance.

Data Indices

A key challenge in developing a common pool investment approach is collecting and analysing relevant data that will support the conceptualisation of 'youth' and 'nature' as investable assets, alongside other forms of data required by investors.

The research developed two new indices and utilised two other existing indices to fulfil this role. The two existing indices used in this research are:

The Environmental Performance Index published annually by Yale University[26]. The EPI quantitatively assesses the sustainability performance of countries against 40 indicators across 11 issues categories including climate change, environmental health and ecosystem vitality and assess how close countries are to achieving established environmental targets.

An Internal Stability Index, which is based on the "Internal Violence Index - Lack of Structural Resilience Index" (IVI-LSRI) component of the Commonwealth Universal Vulnerability Index.[27] The IVI-LSRI is a measure of the structural vulnerability SIDS face to internal political violence that would undermine the attractiveness of a country to investors.

In addition, two new indices were developed for this research. They are:

The Untapped Youth index which is composed of SDG indicator 8.6.1 which is the proportion of youth aged 15-24 not in education, employment or training multiplied by the percentage of the population that is aged 15-34 years old (published by UN DESA).

The Political Economic Resilience Index (PERI) is composed of the arithmetic average of policy strength which is derived from the Commonwealth UVI (Lack of non-structural resilience index - LNSRI) and Financial Resilience from UN MVI - and measures the level of exposure (risk) of a country to funds from Tourism, Foreign Direct Investment (FDI).

The four sets of indices can be combined and visualised (Figure E2) to identify commonalities and differences between SIDS - not to determine correlations but to identify clusters and outliers as part of a broader discussion on common investment proposals. Examining the data, in Figure E2, there are two potential interpretations:

[26] For more information see Environmental Performance Index hosted by Yale University.
[27] See The Commonwealth Universal Vulnerability Index.

1. Countries with higher PERI and EPI may be seen as less risky to invest in. Such countries would have a stronger starting point with political-economic resilience and existing natural assets to leverage when engaging untapped resources among the youth. In other words, where there is some pre-existing institutional capacity, so the opportunity to make a faster difference is greater.
2. Countries with lower PERI and EPI may be seen as more risky to invest in. But systemic interlinkages between these underperforming factors may be hidden opportunities to be discovered in the process of Phase 2 and 3 to provide much greater value for money investments in 'youth' and 'nature'. In other words, where there is more room for improvement, so the opportunity to make a difference is greater.

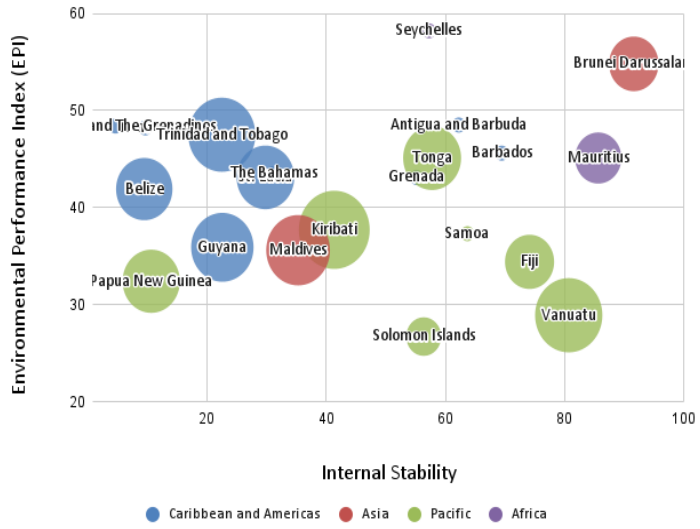
Additional research is required for several countries to collate and verify data in order to accurately incorporate them into the indices. To avoid misrepresentation, these countries have been excluded from the preliminary calculations of the indices until further research is undertaken in the second phase of this project. These are:

1. **Internal Stability -** Dominica and Nauru
2. **EPI -** Nauru, St. Kitts and Nevis and Tuvalu
3. **PERI -** Brunei Darussalam, Dominica, Nauru and The Bahamas

Figure E2: Asset-like characteristics across countries.

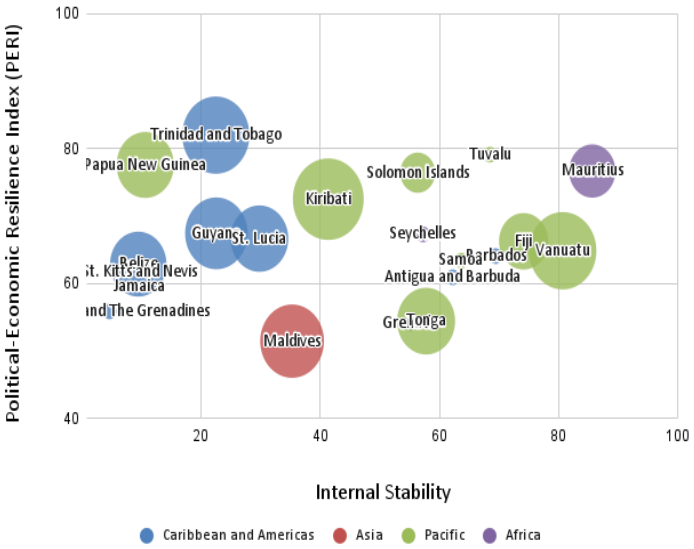
1. Environmental Performance vs Internal Stability

Bubble Size = Youth Untapped Resource. No Data is smallest bubble. Note: Bubbles placed ON an axis



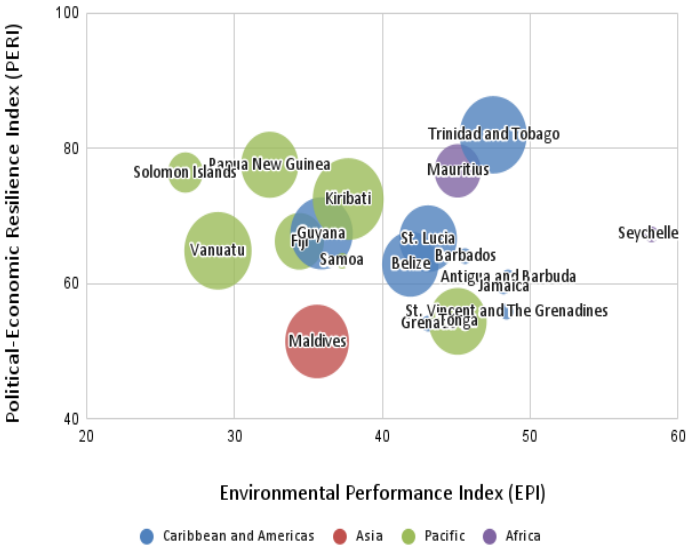
2. Political-Economic Resilience vs Internal Stability

Bubble Size = Youth Untapped Resource. No Data is smallest bubble. Note: Bubbles placed ON an axis



3. Environmental Performance vs Political-Economic Resilience

Bubble Size = Youth Untapped Resource. No Data is smallest bubble. Note: Bubbles placed ON an axis

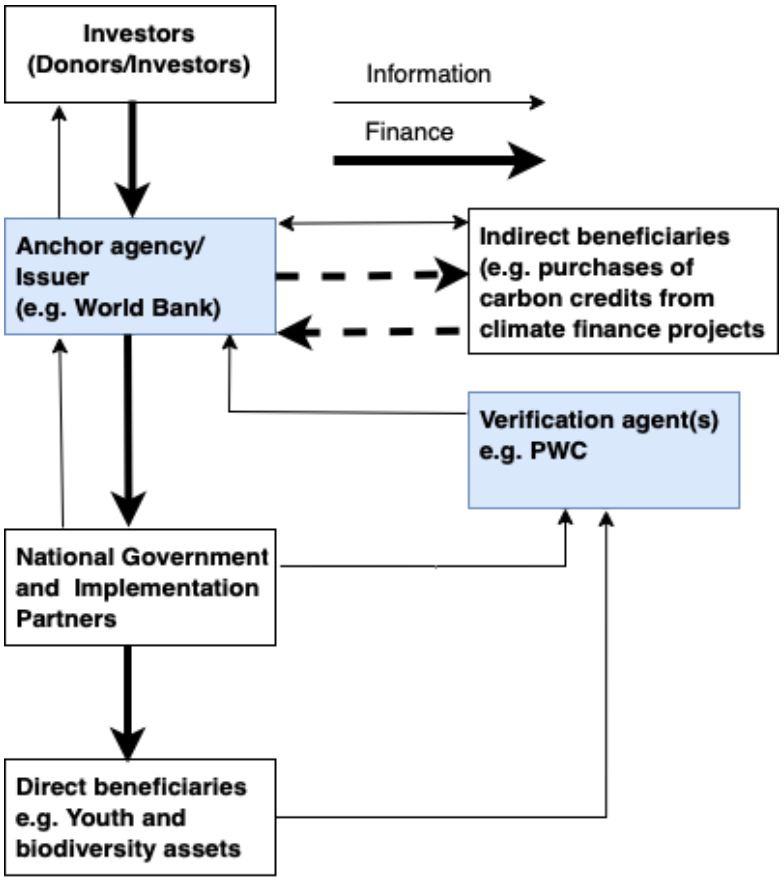


Common Pool Investment Model - conceptualisation

The current funding model for climate finance relies on the use of a multilateral agency (e.g. World Bank) to identify, vet and manage projects and an (expensive) external verification

agent to certify and report on impacts. This draws decision making power and agency away from SIDS and the direct beneficiaries of climate financed projects (Figure E3).

Figure E3: Current Model of SIDS Climate Finance



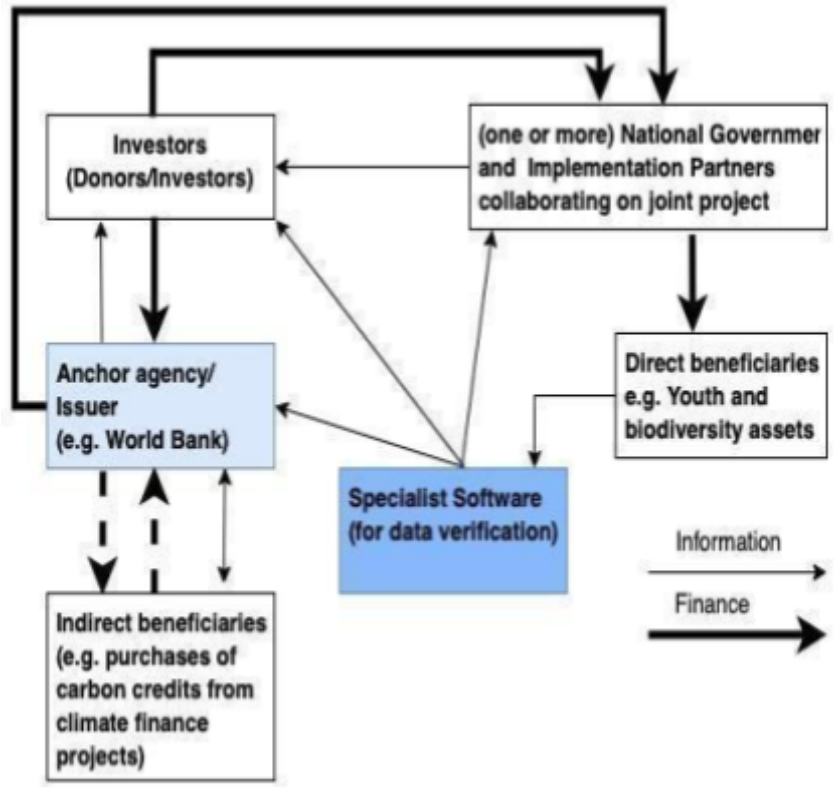
To address these limitations in existing climate finance models, the research complements and builds upon the Climate Finance Action Hub (CFAH) by extending its principles of shared knowledge and skills exchange to develop a common pool investment approach.

In the new proposed approach (Figure E4), Investors engage directly with finance advisers working on behalf of national governments or, regionally, collaborate with implementation partners who coordinate between project beneficiaries. The investment relationship is facilitated through open dialogue and through the use of accessible, transparent and robust data sets made available via a dedicated software platform that is co-designed by the Commonwealth SIDS and meets the information and data needs of SIDS, investors, and beneficiaries. Further consideration of the software platform format will be undertaken in the second phase of this project, taking into account, for example, the different data verification processes used by different types of investors.The multilateral agent undertakes the role of administrator, and facilitator. The software reduces the use of certification agencies.

To achieve a cost-effective scale, investments should focus on elements of specific systems that are common across all SIDS. In this way, investment projects and activities can be initiated simultaneously across multiple SIDS allowing for pooling of resources, reducing transactions and facilitating mutual learning and support. The critical finding from this one year of research offered demonstrable insights that individually each SIDS has numerous untapped-assets, but ‘youth’ and ‘nature’ are two important untapped-assets. Without a significant shift in leadership mindset and support of verifiable evidence, these resources will remain untapped to unlock additional funding opportunities into SIDS.

This research also provided the rationale for the Commonwealth to exercise its Multilateral Development Agency power to expand the definition of 'youth' from under 30 to under 35. This was done in the recognition that 31-35 year old citizens are experienced, economically productive who contribute extensively to the political and social life of the community. Incorporating them into the youth category ensures that investments under our proposed model are also incorporating a cohort of economically active people who may also become investors themselves.

Figure E4: A New Model of SIDS Finance



CHAPTER 1: INTRODUCTION

Their Time, Our Action is a two year multi-stakeholder action-research collaboration between the Commonwealth Secretariat and the Centre for Resilience and Sustainable Development (CRSD) at the University of Cambridge. The research embeds a "whole of system" perspective by applying an action based research methodology (see Box 1) developed by Dr Nazia Mintz-Habib at the CRSD to challenge theories, test solutions and engage in co-creation activities with stakeholders to support them to make better decisions in complex policy contexts. The purpose of this report is to document the methods and activities undertaken in the first phase of this collaboration and to provide the Commonwealth Secretariat with interim results from the research as the basis for on-going discussions about the project's second phase.

Box 1: Understanding Action-Research

In this project, action-research as applied to this research is *….a family of practices of living inquiry that aims…. to link practice and ideas in the service of human flourishing. It is not so much a methodology as an orientation to inquiry that seeks to create participative communities of inquiry in which qualities of engagement, curiosity and question posing are brought to bear on significant practical issues and [creativity]…. It is a practice of participation….*(Reason and Bradbury, 2001, p1).

Many different social sciences disciplines have adopted some form of action-research practice over time (Brydon-Miller *et al,* 2003). What links these disparate traditions is a robust methodology that directly focuses on the well-being of individuals, communities and for the promotion of larger scale democratic social change.

Key features of this approach are:

- The aim is to produce research that delivers a positive outcome for society – not just knowledge production. Outputs include academic journals, but also other formats are delivered (e.g. reports).
- Participation by research 'subjects'. Subjects and researchers are both doers of research and subject to research. Working with others and not just researching others.
- Iterative cycles of action, reflection learning practices – research is a social learning process for all involved.
- Recognises the localised, place based and experiential knowledge as part of the research process.

Action-research can be thought of producing 'usable' knowledge that can be subsequently employed in solving a tangible social problem in a timely manner (Clark *et al*, 2016). In this sense, time is often of the essence in such research, in order to employ the knowledge and learn further from that. Using an action-research approach has benefits from an ethical perspective and has practical benefits.

Following on from initial discussion with the Commonwealth Secretariat, the objective of this research project, *Their Time, Our Action* was narrowed to a focus on the strategic question: ***How can we transform the capacity of governments in SIDS to attract sustainable finance to contribute to resilient economies by 2030?***

Formally, the Commonwealth defines small states as sovereign countries with a population of 1.5 million or less. The Commonwealth also designates some of its larger member countries – Botswana, Jamaica, Lesotho, Namibia and Papua New Guinea – as small states because they share many of their characteristics. In considering this question, this project focuses on a subset of these small countries - SIDS who are defined as small island states with low or middle income status. In this project they are Antigua and Barbuda, Barbados, Belize,, Dominica, Fiji, Guyana, Jamaica, Maldives, Mauritius, Papua New Guinea, Saint Lucia, Saint Vincent and the Grenadines, Solomon Islands, Tonga, Trinidad and Tobago and Vanuatu. Further, a selection of eight countries, reflecting the geographical and economic diversity of the Commonwealth were selected for additional analysis in partnership with country experts. These countries are 1. Mauritius (Africa), 2. Maldives (Asia), 3. Guyana (Caribbean and Americas), 4. Barbados (Caribbean and Americas); 5. Fiji (Pacific), 6. Kiribati (Pacific), 7. Vanuatu (Pacific) and 8. Dominica (Caribbean and Americas).

The project research question is driven by the diverse range of challenges small islands face in strengthening their resilience, improving their investment attractiveness, while also addressing the long term failures of the international financial sector to meet the basic investments needed for the SIDS within the Commonwealth (Chapter 2). Most importantly the mission of the research is to accelerate SIDS' access to sustainable finance in support of improving socio-economic resilience in the post-COVID 19 recovery phase. As part of this research, two areas of public policy were identified as key to building SIDS' resilience and developing investable projects: engaging youth and recognising the vital role of nature (Box 2).

Box 2: Why is it important to engage youth and recognise the importance of nature in building SIDS resilience?

Young People in Commonwealth SIDS

- Sixty-five percent of the SIDS population is under 35. Of this, approximately one-third are not in some form of education or employment – leading to social deprivation, political exclusion and economic inequality. Conventionally 'youth' is defined as under 35 years of age. In this report, we raised this to 35 years, to capture income potential and political participation from SIDS young population.
- Climate change continues to grow as a threat to the livelihoods and viability of SIDS' youthful populations, particularly in low lying islands.
- The Commonwealth Charter is explicit on the importance of placing young people at the heart of decisions affecting their future, including on climate change and sustainable development. Currently, the participation by young people in decision making and policy making is limited or non-existent.

- Lack of access to quality education and training and to good quality jobs limits the human resource – and human flourishing – potential of this group.

Biodiversity in Commonwealth SIDS

- In this research, natural stewardship is understood through the lens of natural endowments to the SIDS and the role that SIDS play in biodiversity management.
- SIDS manage 11.5% of the world's Exclusive Economic Zones (EEZs[28]). including 7 out of 10 coral hotspots,
- SIDS are stewards for about 20% of all land based bird, plant and reptile species, many of which are endemic. By comparison SIDS land mass is just 3% of the total global.
- These resources underpin valuable economic activity (e.g. tourism and fisheries)[29] within SIDS and are also a major global resource in addressing climate change and biodiversity loss, particularly in the context of the indigenous knowledge held by island communities.

This research is designed as a co-creation research project to support the Commonwealth Secretariat and SIDS Governments to co-create solutions in addressing these challenges through the identification of strategic institutional reform. The approach starts by outlining a well defined question that is bounded by a set of conditions (for example being time bound) to ensure the research is focussed on delivery of impact that is meaningful to participants (Chapter 3).

The results from this research (Chapter 4) are crafted to be tailored to meet the specific needs and challenges of Commonwealth SIDS in seeking finance (Box 3) and, unless indicated in the text, are not easily generalisable to other contexts. However, it is anticipated that the lessons learnt from reforming access to international investment flows for SIDS will provide follow-on benefits to other Commonwealth states through, for example, new models of development investment.

This research has already led to two significant investments at the systems level. For example, in July 2022, the Commonwealth Secretariat secured $10 million, $5 million of which will be provided by Simplilearn across Africa, the Caribbean and the Pacific to provide 10,000 young people with digital training. The remaining investment will come from GOQii as part of their effort to promote healthy lifestyles among young people, and from Pop India who will invest in youth connectivity and jobs in the Caribbean region (Commonwealth, 2022). This investment represents a near 50-fold return on investment for the collaboration, which has more than a year remaining until the research is complete[30].

A key research outcome is the proposal for an innovative collaborative approach to accessing international finance flows called the 'Common Pool Investment' approach'

[28] Data obtained from The Sea Around US project
[29] OHRLLS Small Island Developing States in Numbers: Oceans and Biodiversity.
[30] For more information on this project see here

(Chapter 4). Our proposed approach applies different investment theories to identify and collate evidence and unconventional data to improve the economic viability for investors and political commitment for governments in the contexts of uncertainty, missing data and growing inequality. The approach was created to address four key challenges (Box 3) of the existing global financial ecosystem and the structural limitations of the SIDS as they struggle to compete for large scale investments.

Box 3: Key System Level Challenges in Attracting Finance

1. Failure to create financial products and investment projects that work with the structural challenges of many SIDS – in particular small size of SIDS. This is exacerbated by the practice of organising and executing investment on an individual country basis. Further, financial products are not designed to mitigate the specific investment risks associated with SIDS.
2. Adding more to the debt burden carried by SIDS as the majority of the formal overseas development assistance (ODA) and climate finance, take the form of (concessional) loans
3. Downstream saving is missing in many of the new or creative financial instruments such as debt swap because increased investments in SIDS are not creating new sources of wealth for them, but rather new forms of indebtedness.
4. Many financial instruments require complex and lengthy application processes and impose complex administration and reporting requirements which overwhelm the capacity of SIDS government departments.

In this approach (Figure 1), SIDS shift from making individual applications for finance, to collaboratively developing investable projects that address common challenges. Once finance is secured, projects are simultaneously rolled out in multiple countries – increasing economies of scale, boosting opportunities for sharing experiences, knowledge and skills, and reducing transaction costs and risks of unintended consequences (Chapter 4).

Investors engage directly with finance advisers working on behalf of national governments or, regionally, collaborate with implementation partners who coordinate between project beneficiaries. The investment relationship is facilitated through open dialogue and through the use of accessible, transparent and robust data sets made available via a dedicated software platform that is co-designed by the Commonwealth SIDS and meets the information and data needs of SIDS, investors, and beneficiaries. Further consideration of the software platform format will be undertaken in the second phase of this project, taking into account, for example, the different data verification processes used by different types of investors.

To explore potential areas of investment, this project worked with stakeholders to identify commonalities across economic and social systems. Two kinds of untapped-assets that may be available for SIDS to develop 'investable' projects that were previously under or un-utilised were identified as 'youth' and 'nature' (Chapter 4). The project then explored how these untapped-assets may be developed into investable projects through strategies to improve institutional decision making and knowledge sharing.

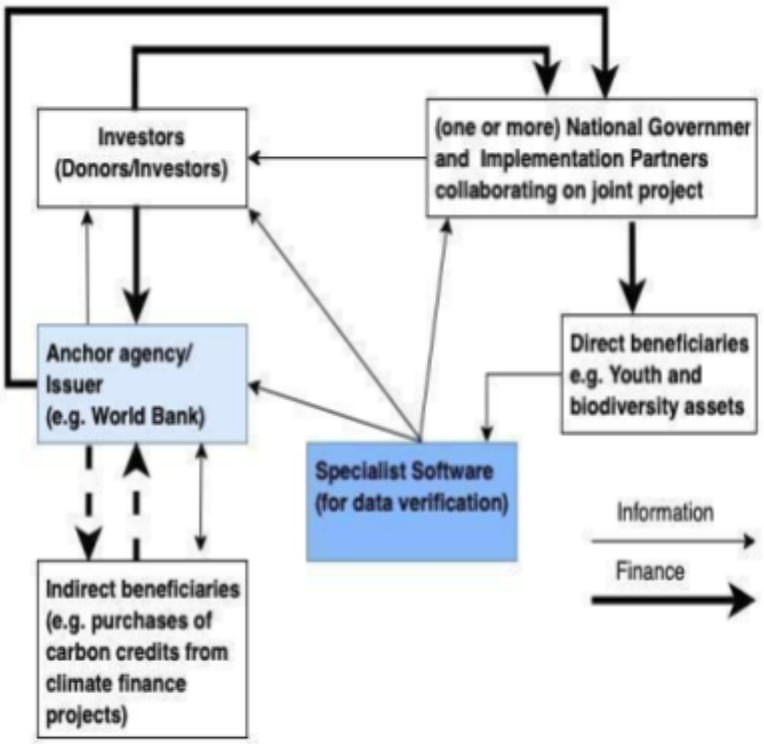


Figure 1: A New Model of SIDS Finance

RESEARCH OUTLINE

This research methodology broadly combines 'action-research' with political economics theories, systems based thinking, and leadership training approaches to better understand challenges both from the perspective of the participants who are subject matter experts, citizens of the Commonwealth SIDS and the potential private sector investors. To achieve diversity of voices, a 'human centred design' approach (Box 4) was applied using non-directive inquiry techniques (Armstrong 2002). Application of the non-directive inquiry techniques infused additional inquiry techniques from systems design and leadership coaching schools. These two similar approaches enable the research team to fuse a variety of research methods to understand and define problems, undertake analysis and design and prototype and test policy options *in partnership* with stakeholders and beneficiaries of this research.

Box 4: Uncover Innovative Solutions Using Human Centred Design as an Analytical

Method

- Evaluate problems using methods that are structured for collective thinking, enable participants to gather observations, deliberate on insights to unlock cognitive fixedness, and generate creative ideas for solutions together
- Integrate theory based understanding with creative solutions and behavioral-change analysis to create innovative team processes
- Design a strategic innovation toolkit and learn when and how to apply design thinking and innovative problem-solving tools and exercises
- Acknowledge room for empathy and practice in applying a human-centered approach to design techniques, such as experience, prototyping, and journey mapping
- Evaluate group dynamics by applying team building techniques and create deliberative space that is designed around the political economic reality of the participants to enhance collaboration and iteration in developmental ideas
- Lead teams to draw their professional experiences and insights and create stronger collaboration dynamics to heighten their alertness to need of innovation and develop mindsets to support innovative solutions

From a practical perspective, 'action-research' ensures that:

- Innovative ideas become usable knowledge only through integration within larger innovation systems that 'fit' within, and draw utility from the system of existing ideas, technology and governing institutions. New ideas themselves don't facilitate change without this connection.
- Working within complex systems means that it is impossible for researchers to understand all the variables, (potential novelties), dynamics and behaviours – partnering with other experts and stakeholders is necessary to understand what knowledge is relevant and to access that knowledge.
- Socio-ecological Systems (SES - discussed in Chapter 3) are adaptive and dynamic – need to build capacity for continuous, contextualised learning so that capacity to adapt and maintain resilience in the future is developed (Clark et al, 2016).

Ethics in social science research involving issues related to human lives are taken seriously. UK Research and Innovation strongly suggests that at the onset of the research design, risk and benefit to researchers, participants and others (for example, potentially stigmatised or marginalised groups) as a result of the research and the potential impact, knowledge exchange, dissemination activity and future re-use of the data should also be considered as part of the ethical statement[31]. Action-research offers a useful approach to integrate ethics in the research design to implementation (see Box 5).

BOX 5: Action-Research, a Field of Living Inquiry

[31] To find out more Framework for Research Ethics click here

From an ethical perspective, action-research:

- rejects the notion of an objective, value-free approach to knowledge generation in recognition of the relationship between favor of an explicitly political, socially engaged, and democratic practice (Reason and Bradbury, 2001). Research is a political and social process involving contested ideas and power relations – not just a process of discovery. Involving those subjected to power dynamics in the research is an important mechanism for justice and equity.
- Human systems could only be understood and changed if one involved the members of the system in the inquiry process itself – participation is central to the process. In this way, it is key to decolonising traditional social science practices of 'experts' studying 'subjects'
- Respect for people's knowledge and their ability to understand and address the issues confronting them and their communities.

Within the CRSD action-research approach, the ethical issues covered two distinct categories of participants because of the 'inclusivity' and 'sensitivity' principles applied in the research. The two distinct categories are: i) those who are powerful and hold confidential information, and ii) those who are vulnerable and under-represented individuals (e.g. youth, indigenious, poor). Both groups are 'sensitive' as defined by the UKRI's Framework for Research Ethics and for this research both groups are 'inclusive' following SDGs' principles and the specific issues surrounding developing world research, particularly integrity, honesty, confidentiality, voluntary participation, impartiality and the avoidance of risk.

For the first group – including public sector executives, investors, business leaders, and experts – confidentiality is maintained stringently throughout the research and we will not proceed until the full, voluntary and informed consent of the subjects has been obtained. A welcome letter is co-written by the Commonwealth team and the Cambridge team that includes disclosure related information and necessary consent to join the process. When needed, the letter of invitation is translated into local languages. We view consent as a process and not a one-off event meaning that participants can withdraw from the research at any stage.

Also, in relation to critical inputs, key informants have the opportunity to view and approve interview transcripts from the virtual meeting rooms if recorded. We pseudonymised our materials where necessary and all data is securely held between Cambridge University and the Commonwealth Secretariat system. Only the PI and core research team have access to the codes that link transcripts to respondents.

The *vulnerability* of the second group – largely under represented communities such as indigenous, youth, unemployed – come from their relative poverty and political marginalisation. Many are affected by acute poverty and have an adverse perception that their opinions may be scrutinised and suppressed by political systems. To enable the second group to participate in this research effectively, the tools and techniques applied in

methods applied non-directive inquiry with systems level focus, which is a qualitative research technique that flows like a conversation but within the systems level boundary that are preset by the research. The participants also get to set another level of boundary conditions (e.g. questions used such as 'what is in focus' and 'what is out of focus'). This basically means that the participants get to co-create the defining boundaries for a sensitive social and political subject and enable the research team to create a deliberative space that is safe and open. This is an innovative approach developed by the Cambridge CRSD research team to improve access to local knowledge and minimise the social distance between researchers and researched.

Following the practical positioning responsibility of development researchers, the research comprises of three phases (Figure 2):

1. Phase 1 – Collaborative Localised Vision Building with Cambridge Policy Boot Camp. Using a tried and tested Cambridge Policy Boot Camp (CPBC) methodology, stakeholders identified nature and youth (redrawn age boundary at age of 35) as common *untapped-assets* across all SIDS, representing key areas to attract investments. Investments in shared *knowledge systems* and shared *institutional capacity* in decision making are also key to unlocking untapped values and build trust and transparencies among the diversity of stakeholders.

2. Phase 2 – Building Institutional Consensus with Cambridge Country/Expert Consultation. Using insights from Phase 1, and the use of the Cambridge Country Consultation Method, several investment concepts proposed by stakeholders were further analysed by the Cambridge CRSD research team together with the Commonwealth Secretariat team, country level experts and global experts. Over 90 representatives from country nominated experts and industry stakeholders, together with policy experts, evaluated the system level impacts of proposals to better understand the scope of the proposals, system level linkages and leverage points in potential investment concepts. To support the valuation of 'youth' and 'nature' as assets, new measurement tools – the Political Economic Resilience Index (PERI) (Appendix 1) - have been developed to capture and track these assets.

3. Phase 3 (next phase) – Policy Stress Testing with Cambridge Policy Simulation Labs – using a 'policy simulation lab' methodology, stakeholders will 'stress test' government's institutional capacity to support an increase in the scale of the projects to a size that could become self-supporting. Participants will also explored risk within a 'common pool investment approach' from the perspective of investors, to identify policy gaps that need addressing in order to attract investment.

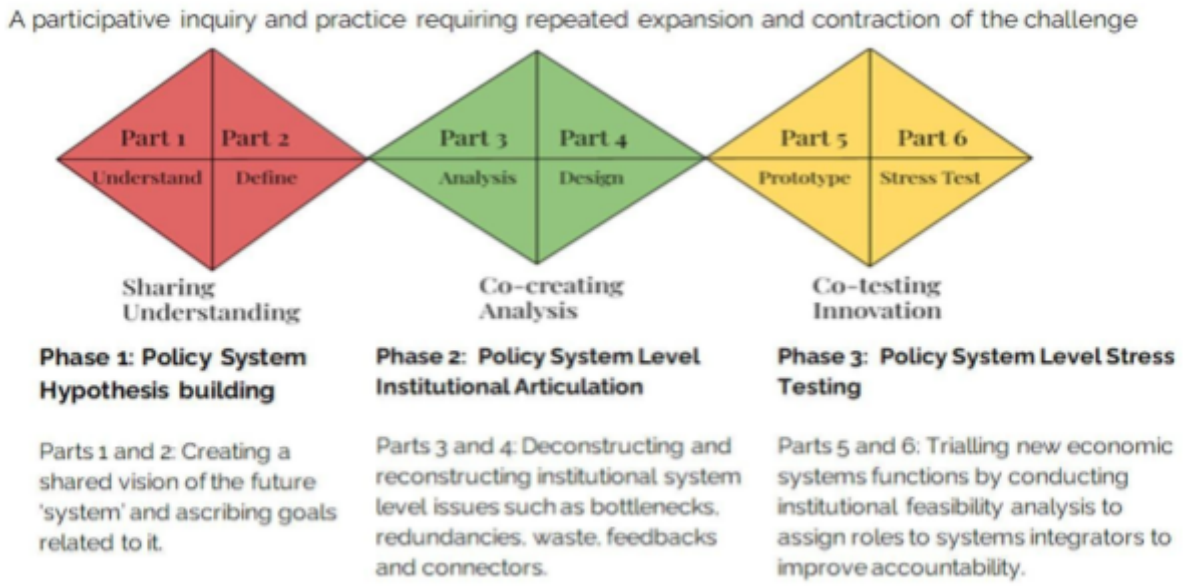


Figure 2: Cambridge CRSD Action Research Approach

This methodological approach – discussed in detail in Chapter 3 and summarised in Figure 2 – was chosen because it specifically:

- Articulates the needs, issues and concerns of SIDS, as articulated by them, including the multiple threats of climate change, economic crisis and impact of the Covid pandemic.
- Engages directly with youth leaders, experts, governments, policy-makers, private sector and civil society in the action-research process and outcomes.
- Promotes joint learning, skill-sharing and capacity building. The Covid pandemic has compounded challenges of access to education, employment or training, particularly for marginalised young people in Commonwealth small states. If they are to flourish, young people need an enabling environment. All participants in the Boot Camp will receive a certificate from the University of Cambridge.
- Draws on a number of substantial and multidisciplinary research programs that have developed over the last 40 years to explore, create and analyse public policy that promote social justice, ecological sustainable development.
- Builds on responsible innovation, good governance and impact investment.

The Secretariat including technical experts across all Divisions are, and continue to be, actively involved in rolling out and delivering this collaboration. Valuable intellectual property (IP) will be shared from both parties and potentially new IP created. The Expert Advisory Panel will provide peer review, validation of results, enhancement of findings into action. The Secretariat would also provide monitoring and evaluation.

Country Selection

While the concept of a ‘small state’ is formally defined as countries with populations of less than 1.5 million(e.g. World Bank) in practice, there is a great deal of variety in how different projects and different institutions define ‘small states’ and ‘small island developing states’.

This project develops a new approach to the scoping of ‘small states’ and ‘small island developing states’ to focus on selection criteria that highlight shared experiences and challenges between Commonwealth countries, while focussing Commonwealth political institutions and resources on those countries that need the most support. This required scrutiny of the various official categories of SIDS and small states, including the Commonwealth Secretariat definitions itself and a dynamic adaptation of country lists at each stage of the project.

During the preparatory phase of the project, data from all countries listed by the Commonwealth Foundation as “Commonwealth Small States” were collated and analysed under the PERI framework (chapter 4). This provided an overall view of the vulnerability, quality of governance, environmental performance and youth untapped resources across all 32 countries. During preparation of this data for publication in this Report, the data for Botswana, Cyprus, Eswatini, Lesotho, Malta, Namibia and Singapore were excluded to ensure that the data visualisations focussed on SIDS who needed the most support.

During the Cambridge Policy Bootcamp, the list of countries was reduced to focus on small island developing countries only - with the official Commonwealth list of SIDS in column 2 of table 1. This official list, while an important guidance note, presented a number of definitional issues:

- Belize and Guyana are not islands - they are small coastal states.
- Papua New Guinea has a population above 1.5million and Trinidad and Tobago is a high income group (World Bank, 2022) and so are not technically SIDS. However, their similarity to other SIDS, including sharing similar economic and sustainability challenges, usually sees these two countries included in the SIDS grouping by countries and international organisations – and we follow that convention here.
- Singapore was historically a middle income country, but is now a high income country (World Bank, 2022).

It is important to note that the Cambridge team officially made a point of reflection for the Commonwealth Secretariat leadership that the formal definitions for SIDS within the Commonwealth may need to be reviewed for reasons mentioned above. In other words, an improved list on SIDS will improve broader understanding, evidence base and market specific analytical applications.

During the country expert consultation process, 8 countries, listed in column 3 of table 1 were identified for an additional 'deep dive' on topics raised. These countries were selected by the Commonwealth Secretariat as a representative blend of economic, demographic and regional profiles to enable the research outcomes to be applicable across the full range of small island developing states in the Commonwealth.

Table 1: Commonwealth Small States, SIDS and Countries in focus

Commonwealth Small States	Commonwealth SIDS	Countries in focus
Antigua and Barbuda Barbados Belize Botswana Brunei Darussalam Cyprus Dominica Eswatini Fiji Grenada Guyana Jamaica Kiribati Lesotho Maldives Malta Mauritius Namibia Nauru Papua New Guinea Samoa Seychelles Singapore Solomon Islands St. Kitts and Nevis St. Lucia St. Vincent and The Grenadines The Bahamas Tonga Trinidad and Tobago Tuvalu Vanuatu	Antigua and Barbuda Barbados Belize Dominica Fiji Grenada Guyana Jamaica Kiribati Maldives Mauritius Nauru Papua New Guinea Samoa Seychelles Singapore Solomon Islands St. Kitts and Nevis St. Lucia St. Vincent and The Grenadines The Bahamas Tonga Trinidad and Tobago Tuvalu Vanuatu	Mauritius (Africa) Maldives (Asia) Guyana (Caribbean and the Americas) Barbados (Caribbean and the Americas) Dominica (Caribbean and the Americas) Fiji (Pacific) Vanuatu (Pacific) Kiribati (Pacific)

STRATEGIC LINKS TO THE COMMONWEALTH OBJECTIVES

Using the unique research approach, the Cambridge university team collected primary data from over 5000 young people, indigenous people, local and subject matter experts together with political leaders and global world-leading experts to generate and stress-test new policy ideas ahead of implementation. Over 460 young people from SIDS joined four virtual action-research methods workshops and regularly shared further details on unpublished elements to the research team both as volunteer researchers for specific parts of the research inquiry and as officially nominated contributors.

All the method based workshops were run using the Zoom platform to ensure no significant disruption from COVID19 quarantine policies and also to be more inclusive of people from the remote parts of Commonwealth SIDS. This research approach is ground-breaking in two ways:

1. This “Zoom” approach demonstrated that virtual fieldwork, which leaves ‘no-one behind’ is a valid and viable empirical research tool and should become a standard part of a future ‘net-zero’ and ‘less interventionist’ research methodologies. Use of transcription, polling and translation features in the technology enabled populations from non-English speakers, people with disability, and indigenous communities from remote regions to join workshops. Having said that, in person meetings are more personable and offer more networking opportunities.

2. The project demonstrated that system based action-research has the ability to create evidence that allows simultaneous, inclusive and deliberative space for participants to generate practical and applicable solutions. Insights found in the empirical evidence, generated simultaneously and concurrently in virtual methods workshops, helped develop the evidence base and logical framework to develop the funding template for SIDS. The funding template creates an opportunity to attract new investment in systems level projects designed to promote nature and young people. The funding template was tested by the participants.

Much of the innovative design of this research was motivated by, and seeks to provide a pragmatic response to, a number of different policy objectives within the Commonwealth’s work program. These objectives, and how this research addressed them, are briefly described below.

Youth Inclusion in Development and Decision Making

The Commonwealth invests significant resources into supporting young people’s (15-30) involvement in Commonwealth activities and Commonwealth wide meetings (for example

through the Commonwealth Youth Program[32]). The most important of these meetings is the Commonwealth Youth Forum (CYF) which is held concurrently with the biennial Commonwealth Heads of Government Meetings (CHOGM). The CYF acts as an advocacy mechanism for the 1.2 billion young people across the Commonwealth and provides an opportunity for them to build cross-cultural connections and networks, address emerging issues, strategise on how to influence decision makers and ensure young people have a voice and agency within the Commonwealth family.

At the 2018 CYF held in the UK, the Youth Declaration called on the Commonwealth to:

1. Implement, monitor and achieve all 17 of the Sustainable Development Goals.
2. Emphasise people-centred and planet sensitive development through:
    - urgent action on youth unemployment and underemployment,
    - enhance education and skills and engagement in the labour market,
    - promote sustainable livelihoods, economic diversification,
    - establish youth friendly entrepreneurship ecosystems; and
    - harness context-sensitive and appropriate technology and innovation to drive the renewal of the Commonwealth.

Further, the Declaration called upon the Commonwealth to:

- Develop standardised indicators related to youth unemployment – e.g. the Youth Development Index.
- Assess and consider the viability of establishing a Commonwealth Youth Development Bank to facilitate youth access to finance.
- Implement a participatory approach to youth policy, including mainstreaming in all policies.
- Implement national policies which enable sustainable ocean governance and the 'Blue' and 'Green' economy to address youth unemployment and job creation
- encourage young people to participate in decision making and political processes, through awareness raising, mentoring, training, and adequate representation.

By placing investment in youth at the heart of the proposed Common Pool Investment approach, and by incorporating youth representatives and youth voices in its conceptualisation and design of investment concepts, this research seeks to address these demands for more comprehensive engagement of youth in the economic and political life of SIDS.

Commonwealth Heads of Governments Communique - Small States

In its 2022 Communique, the Commonwealth Heads of State recognised that while many small states, particularly the SIDS, enjoyed medium to high per capita GDP, they remain vulnerable to economic and climate change risks and suffer disproportionately from diseconomies of scale, external economic shocks and catastrophic climatic events, which

[32] See for example the Commonwealth Youth Program

significantly and gravely impact their economies and societies. Further they welcomed the development of a new Commonwealth Virtual Centre for Small States to provide a (virtual hub) to facilitate knowledge sharing capacity building and supporting the existing small states work of the Commonwealth Secretariat.[33] (CHOGM 2022).

Against this context, in the Leaders' Statement (CHOGM 2022a) the Head of Commonwealth States called for action on:

- Addressing issues of unsustainable levels of debt including effective debt management and transparency.
- Improving access to development finance.
- Combating 'de-risking' in global financial markets as current market practices excludes small and other vulnerable states from accessing finance.

In the face of climate change, urgent facilitation to boost resilience pre-and post destructive climate events. Heads expressed support for a range of innovative financing solutions, both public and private, and including disaster risk insurance, to enhance adaptive capacity and boost resilience, noting the importance of the Commonwealth Climate Finance Access Hub, among others, in supporting member countries.

This research seeks to address these challenges through the development of a new approach to access international investment for SIDS specifically designed to improve financing for resilience. This model is designed to build on strengths of SIDS and actively manage the structural barriers that, historically, have limited their access to investment.

The impact of the COVID-19 crisis

The impact of COVID-19 hit Commonwealth SIDS particularly hard. While every country in the world has faced complex and ongoing impacts from the COVID 19 pandemic, the exposure of SIDS to trade and tourism, and their subsequent shutdown during COVID 19, exacerbated the ongoing challenges faced by SIDS and created a disproportionate impact on growth, GDP and other economic indicators. For example, in many Commonwealth SIDS, the share of tourism contribution to GDP fell by about 50% during the pandemic, having extensive knock-on effects on employment, revenues and foreign exchange earnings. Overall, Commonwealth small states experienced a loss in GDP of 7.2 percent relative to the world average decrease of 3.3% and the decrease in advanced economies GDP of 4.7% (Commonwealth, 2022).

In response to the COVID-19 pandemic, SIDS were compelled to borrow heavily to pay for social protection measures and levels of debt have increased dramatically. For example borrowing to pay for social protection measures during the pandemic helped inflate Barbados' debt levels to 144 percent of GDP in 2020. In Jamaica, debt was forecast to be

[33] See for more details Communique Of The Commonwealth Heads Of Government Meeting "Delivering A Common Future: Connecting, Innovating, Transforming"

111 percent of GDP by March 2021. Other risk factors arising from the pandemic include currency weakness, rising interest rates and high inflation are likely risk factors for the SIDS that could put upward pressure on the debt and debt service (UN OCHA 2021).

Overall, Commonwealth SIDS experienced a debt-to-GDP increase by more than 12 percentage points to reach 68.9 per cent in 2020 and is expected to continue expanding in 2021 and 2022, undoing several years of fiscal restraint and efforts to improve debt sustainability. This has increased debt stress in the Commonwealth SIDS – with 15 out of 32 countries in varying levels of debt stress as measured by the World Bank and IMF Debt Sustainability indices.[34]

Other impacts of the pandemic that hit SIDS included:

- Increasing levels of poverty and unemployment as the tourism sector shut down. Young people were particularly hard hit as youth employment fell by 8.7% - more than double that of the adult population (UNOCHA 2021).
- School closures undermined educational attainment, leading to increased dropouts, closures of school feeding programs and unequal access to internet and computers entrenched unequal education outcomes and amplified the digital divide.
- Although many SIDS were successful in controlling the virus, redirection of funding from other health services has had adverse effects. In particular, the pandemic is estimated to have impacted funding to improve malnutrition, maternal health and under-5 inoculation

The economic impacts of the pandemic have been exacerbated by a series of climate related shocks (e.g. cyclones) that placed additional financial pressure on countries – worsening fiscal balances and increasing debt load.

Recovery from COVID-19 and the economic impacts are hampered by uneven roll out of COVID vaccines, a lack of ability to implement fiscal stimulus in the economy, exacerbated by high debt levels, unequal eligibility for the G20's Debt Service Suspension Initiative – overall reducing access to concessional financing and a mixed recovery for the tourism sector.

As part of its Small State: Economic Review and Basic Statistics (Commonwealth, 2022), the Commonwealth economics team has recommended a range of options to promote amongst SIDS and small states, including:

- International Financial Institutions (IFIs) must increase access to concessional finance for cash strapped small states. Vulnerability assessments should be used as a condition for accessing finance, alongside assessment of income per capita.

[34] To find out more on Debt Sustainability Analysis (DSA) look up here

- IFIs should encourage the use of investment principles that improve the quality of investable projects – leading to higher returns.
- Small states should explore alternative and innovative forms of financing to help bridge existing financing gaps.
- Both short and long term recovery efforts should prioritise investments that boost jobs and economic activity and have positive impacts on human and natural capital, and protect biodiversity and ecosystem services,
- Strengthening debt management, such as facilitating a systematic adoption of de-risking clauses and mechanisms when negotiating private debt.

This research seeks to address these challenges through incorporating systems level issues of financial innovation, investments in human and natural capital and a shift away from debt financing into the design of a new model for accessing international finance. As such, one of the first investments has come in the healthcare system that will support multiple countries and not just one country at a time.

CHAPTER 2: BOUNDARY CONDITIONS

'Boundary conditions' are critical for designing an effective research agenda. 'Boundary conditions' is defined as limitations that are imposed on the inquiry to make sure the outcomes of the inquiry-led exercise deliver outputs that are timely, relevant and practical. More so for action-research, which is different from basic research, setting a clear boundary is critical to deliver impactful research. Together with the co-creating partners, in this case the Commonwealth, at the preparatory phase of the research we determine *what* aspect of a problem is considered, *for whom* it needs to be solved and *by when* to help find solutions that can be implemented in a timeframe that is meaningful to participants. Together these elements shape the research question. For this project, the following decisions were taken:

- WHAT - focus on sustainable investment space, which is a subfield within the financial sector discourse.
- FOR WHOM - focus on the government of the SIDS
- BY WHEN - the year 2030 was selected as the date by which innovation should be delivering results.
- and 'By when' helped us find solutions that can be implemented within the timeline.

The financial sector is defined by the World Bank as the set of institutions (organisations, government bodies), instruments, markets, as well as the legal and regulatory framework (laws) that permit [trade and other economic] transactions to be made by extending credit (World Bank, 2020). Within this broad field, the sustainable investment sector (Figure 3) is a specific area that specialises in investment opportunities that are both environmentally and socially rewarding while minimising negative unintended consequence by integrating good governance and responsible innovation.[35] Climate finance is a subset of sustainable finance that "seeks to support mitigation and adaptation actions that will address climate change," (UNFCCC, 2020). Climate finance focuses directly on climate mitigation and adaptation investment, sustainable finance approaches are used to fund projects that support elements right across the Sustainable Development Indicators.[36]

This research focuses on sustainable investment strategies. While this incorporates climate finance and investment, the application of the research results and outputs are intended to be equally applicable to a broader range of environmental and social justice challenges – such as biodiversity, gender inequality, inclusion and food security.

This chapter presents key arguments about why the Commonwealth, and Commonwealth SIDS in particular, need to consider a new and innovative approach to sustainable investments.

[35] Responsible investment, Impact investment and ESG are also used almost interchangeably in the financial community.
[36] To find out more about the growing field of Sustainable Investment look up https://www.unpri.org/

The potential role of the international financial sector, and its relationship to globalisation, for addressing ecological sustainability and social justice, are subject to extensive debate across governments, business, civil society and academia. We start by summarising a small number of these debates focussing on the lessons the research team drew upon to shape this research.

Next, we examine the data on financial flows to SIDS, with a particular focus on climate finance. We then examine the reasons why it is so difficult for SIDS to access their fair share of sustainable investment. Finally, we briefly review some new innovations in sustainable investment in Commonwealth SIDS and explore why they are useful, but insufficient, in addressing the sustainable investment needs going into the future.

LIMITATIONS IN SUSTAINABLE INVESTMENT RELATED DISCOURSE

Sustainable investing is defined as an investment activity that integrates environmental, social and government (ESG) factors into investment decision making. It has emerged as a potential response to global environmental crisis and social justice issues by making the financial markets more accountable for their impacts on the environment, people and communities (Talan and Sharma, 2019). It is currently estimated that the ESG investment market has assets under management reaching USD35.3 trillion, a growth of 15% in two years. This is approximately 36% of the professionally managed assets across key investment regions[37] - although what is defined as 'sustainable investing' remains open to interpretation despite efforts by the industry to agree on standards.

Figure 3: The sustainable investment funnel

Regardless of this debate, estimates of sustainable investment demonstrate that there are significant pools of funds available for sustainable development. This research focuses on

[37] This figure covers investments in Europe, the USA, Canada, Japan and Australia/NZ (Global Sustainable Investment Alliance, 2022)

sustainable investment, rather than climate finance per se, as discussed before to overcome the narrow focus of climate finance.

Emergence of Sustainable Investment linked with critiques of….

This research is inspired by the limitations of the existing theories on how international development is understood and insights on how to improve the decision making process. Below are three critiques that are important to recognise to understand the framing of this research approach.

Critiques of globalisation

Professor Joseph Stiglitz from Columbia University (USA) is a Nobel Prize Winning economist, and ex chief economist of the World Bank, who has developed an extensive critique of globalisation in general, and the rules around international finance and trade in particular, from the perspective of social justice and sustainability.[38]

One strand of Professor Stiglitz's work on public policy, which is used in this report, is his argument that globalisation has increased inequality within, and between countries. The solution, however, is not to revert to nationalistic, inward looking economic policies – such as trade barriers - but rather to develop a 'new' approach that 'channels the power of the market and creative entrepreneurship to enhance the well-being of society…. [which]… will entail rewriting the rules of the economy, for instance, to curb market power of ….financial behemoths, to ensure that globalisation works for [everyone] and the financial sector serves the economy, rather than the other way around…. [it]…entails increased government investment in technology, education and infrastructure—advances in science and technology and our ability to cooperate at scale' (The Economist, 2019).

According to Stiglitz, the key is to develop policies that restore the balance between markets and the private sector and the state (governments) and to promote cooperation between the two. This report uses these insights to approach the challenge of sustainable investment in SIDS as a challenge involving re-writing the 'rules' of how sustainable investment is 'done'. Further, this is a collective problem that requires ongoing and deep cooperation between all sectors of the community – government, private sector, civil society and individuals.

The Dasgupta Report – use of natural capital

In 2019 HM Treasury in the UK Government commissioned Professor Sir Partha Dasgupta from the University of Cambridge to conduct an independent review of the economics of biodiversity. The final report, released in early 2021, confirmed many of the key challenges facing biodiversity conservation globally. These include:

[38] For a list of Professor Stiglitz's academic and popular writing see: https://www8.gsb.columbia.edu/faculty/jstiglitz/

- Recognition that nature is a fundamental asset that supports and provides all human requirements for life – yet it is declining faster than any other time in human history. Human demand for nature far exceeds its capacity to supply all the goods and services humans rely on.
- Nature's worth to society is not reflected in the true value of the goods and services it provides – market externalities – and these 'market' distortions have led to an under-investment in 'natural capital'. Worse, many of the institutional arrangements that organise our societies are unfit to manage externalities and the market distortions faced by nature – a failure of institutions.
- Key responses include changing measures of economic success, and transforming institutions and systems – in particular our financial and education systems
- Humans need to understand that our economic system is embedded in nature. Humans need to ensure that demands on nature do not exceed supply, or we need to increase nature's supply relative to current levels (i.e. invest in natural assets.)

The Dasgupta Report has been criticised on a number of theoretical and philosophical accounts (e.g. Spash and Hache 2022) and for the lack of a specific, actionable policy agenda. However, the Report does reiterate the observation that:

Our global financial system is critical to supporting a more sustainable engagement with Nature. Financial flows devoted to enhancing our natural assets are small and are dwarfed by subsidies and other financial flows that harm these assets. We need a financial system that channels financial investments – public and private – towards economic activities that enhance our stock of natural assets…. (Dasgupta, 2021, p4-5).

This research is a response to this challenge put forward by Professor Dasgupta.

End of Doing Business Report

The *Doing Business Report* was a series of annual reports released by the World Bank to provide a transparent mechanism to compare and report on regulations relating to business across 190 countries. The purpose was to analyse and report on 12 areas of business regulation (e.g. permits, licensing, etc…) as a means to encourage regulatory efficiency and regulatory reform and improve the 'freedom' to do business (World Bank, 2020).

Over time, the Doing Business Reports have become a major resource for policy makers and country rankings were used to attract investors and/or track progress. That is, the Report became part of the political economy dialogue used by countries to engage with the investor community (Beasley, 2015). It has also become a useful method to collect comparable, cross-country data on institutions and the quality of state support for the private sector – both of which are considered key elements in development (Beasley, 2015).

Unfortunately, due to concerns about data validity and internal assessment processes, the World Bank decided to discontinue the Report Series from 2021 onwards (World Bank, 2021).

This is unfortunate - the investor community has lost a valuable data set to transparently and consistently evaluate 'institutional quality' within countries which is an important element of finding 'investable projects'. However, the idea of transparent, comparable data upon which to assess investment opportunities remains valid and is re-imagined in this research as a new set of indicators to support a new style of investment in SIDS - the Political Economic Resilience Index (PERI) (Chapter 4).

SYSTEMATIC BARRIER TO ACCESS SUSTAINABLE FINANCE

Research by the Commonwealth Secretariat shows that SIDS are losing out on an estimated $4.1 billion of aid opportunities because governments do not have the capacity to deal with the complex process of negotiating, receiving and managing development assistance (Commonwealth Secretariat, 2018).. Similarly, while the private capital (investment) markets have re-bounded rapidly following the COVID-19 pandemic (McKinsey, 2022) due to issues of scale, isolation, cost and risk management, SIDS have not been able to adequately tap into this source of finance.

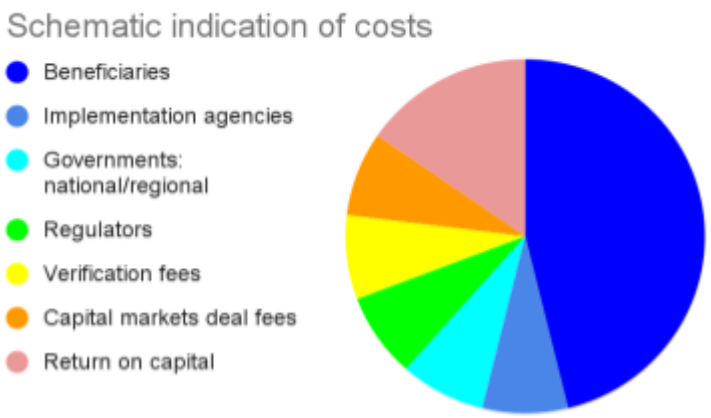


Figure 4: Schematic illustration of transaction costs of capital borrowing

SIDS' capacity to access different forms of international finance flows have been explored extensively by a number of reports (see for example Commonwealth 2022, UNDP 2015). The broad range of factors limiting access are mutually reinforcing and are likely to be working simultaneously to create structural and technical barriers to access. These are summarised as follows.

Perceived or actual lack of opportunity for 'investable' projects. Common structural characteristics in SIDS, and their perceived limitations on generating 'investable' projects are well explored in the academic and policy literature (for example, Read, 2008; UNDP & OHRLLS, 2015)). That is, many (but not all) SIDS experience economic fragility due to a lack of scale in population and internal markets, distance from major global markets, a

limited range of resources (Gu *et al,* 2022) leading to a reliance on a narrow range of export industries, primarily tourism (Gu *et al* 2022) and natural resources (Herbert, 2019, Asian Development Bank, 2019)). Collectively, this high costs of exporting goods – all of which combine to reduce attractiveness to private sector investors.

High cost of receiving and managing funds. Limited capacity to secure funds and to project manage funds – made worse due to the fragmentation of funds dispersal. This lack of scale at the individual SIDS level increases transactions and management cost per unit of investment funds as a relatively high proportion of the investment is committed to 'overheads' – making accessing funds very expensive for SIDS (Figure 4). This is exacerbated in processes used to secure overseas development funding (ODA) or funds from multilateral financial institutions as these funding sources are often complex, time consuming to apply, and often require the use of consultants to support Governments through the process.

The circle in Figure 4 is an illustrative example of why a significant amount of funds borrowed or donated to SIDS do not necessarily reach the intended beneficiaries. Costs associated with running implementation agencies, government administration, regulators, verification agencies (fees) where required, fees associated with capital markets (or banking fees) plus a 'return on capital' if the funds are loans – all reduce the amount of actual finance reaching the intended beneficiaries. In many cases, these additional costs are fixed costs – meaning that the smaller the amount of loan or grant, the higher the proportion of funds is redirected away from beneficiaries. For this reason, donors or investors are incentivised to deal with 'large amounts' of funds – which are not always suitable for SIDS.

Power and agency lie with the donors and multilateral organisations and not SIDS or the direct beneficiaries. Despite innovative financing approaches such as blue and green bonds, sustainability linked loans, debt swaps or debt restructuring led by the climate finance market ecosystem, the inequality between SIDS and potential investors is deepening. The current climate finance model relies on multilateral agencies (e.g. World Bank) to identify, vet and manage projects and (expensive) external verification to certify and report on impacts – drawing decision making power and agency away from SIDS and project direct beneficiaries[vi]. Further, the wide range of mechanisms required to receive, and report on funds adds to the administrative burden on SIDS government departments (Commonwealth, 2013).

Impacts of climate change and other environmental issues create a dynamic risk profile for SIDS. The frequency of climate-related events, and other external shocks impacting on SIDS is increasing over time (Thomas et al. 2020). This makes the environmental and climatic risk faced by SIDS fluid and rapidly changing over time - and increases their vulnerability (Asian Development Bank, 2019). The length of time required to access international finance, particularly climate funding or ODA, may simply not match the time frames within which investment is needed by SIDS to respond to their ever changing environment.

Development assistance as loans – not as grants – adding to the debt burden of SIDS. Increasingly, development assistance is being made in the form of concessionary loans to recipients rather than as grants. While this form of funding may be cheaper for SIDS to access, compared to private capital markets, it does add to the debt burden already faced by SIDS. As noted above, debt levels have been exacerbated by the COVID pandemic (Commonwealth, 2022) and the IMF estimates that central government debt, as a percentage of GDP is on over about 72% across all Commonwealth SIDS and small states, with roughly one-quarter with debt/GDP ratio above 100%[39] (IMF Datamapper, 2022). This approach to ODA also biases towards commercially oriented projects that need to provide a financial 'return' to the SIDS in order to pay back the loan.

The Commonwealth Secretariat argues that despite the relatively high income country status of many SIDS, the specific circumstances of SIDS (small, isolated, vulnerable to external economic/environmental shocks) make economic scalability difficult, climate change vulnerability more prevalent and therefore they should be given access to concessional finance. However, the research suggests that even low-interest bearing long-term repayment based concessional loans will not necessarily help SIDS to achieve economic independence (Commonwealth Secretariat, 2022b).

Lack of follow through on donor commitments for climate funds and bias against funding adaptation. Despite significant promises, it is well understood that developed countries have been slow in fulfilling their commitments to providing climate finance for developing countries (Roberts *et al,* 2021), and/or disbursement has been slow, leading to significant gaps in resources available for combating climate change (ESCAP, 2022). Further, the majority of the climate funding made available is focussed on mitigation activities and loan provision – rather than climate adaptation which is of high priority to SIDS. Currently it is estimated that only 5% of total climate finance (from private and public sectors) is available for adaptation projects.

Global geopolitics. Two recent global events are especially challenging for SIDS as they were hit especially hard by the 2020 recession and their fiscal buffers have been substantially eroded according to the World Bank's 2022 Global Economic Prospectus (World Bank, 2022). A further escalation of geopolitical tensions from the Russia-Ukraine war could lead to tighter global financial conditions, higher inflation, lower growth, and higher stress on public finances and have adverse implications for national debt dynamics.

Recent developments in international financial innovation present opportunities to improve access to finance for SIDS – but do not substantially address structural barriers, and carry significant risks.

For example, In partnership with the Republic of Barbados and Canada, the International Monetary Fund has recently announced the development of a new vulnerability based

[39] These figures are for 2020, the most recent available.

indicator – called GDP+ - that can be used for assessing eligibility for access to concessional loans. The instrument will carry a 10.5 year grace period and a maturity profile of 20 years, making it the longest duration financing mechanism in the IMF toolkit (Commonwealth Secretariat, 2021b). Another example is the Sovereign Green Bonds issued by the Fiji Government (discussed in detail, Box 6). The research team argues that while these innovative financial models represent significant progress in improving access to finance, they carry with them significant limitations – primarily because they are another form of generating indebtedness to SIDS, rather than creating new forms of wealth for investment, and are insufficient to meet the scale of investment needed. That is, access to concessional finance does not help if the country who is borrowing the money does not have a sufficiently robust economy to absorb the loan and convert it into additional revenue generating activities to pay back the loan. Further, as donor budgets shrink, concessional loans have concentrated on providing cheaper loan finance to low income countries. This is a problem for many SIDS because many (but not all) are classified as (low or high) middle income countries – and are therefore ineligible for this type of finance [40] (World Bank 2022).

Box 6: Post 2018 Reform Initiatives In International Finance

Fiji Sovereign Green Bond – In response to TC Winston, the Fijian Government worked with the International Finance Corporation (IFC) and the World Bank to launch a sovereign green bond to create a market for private capital seeking investment opportunities in climate resilience and adaptation - the first developing nation to do so (International Finance Corporation, undated). The bond (i.e. loan to Fiji) aims to raise a total of 100 million Fijian dollars ($50 million USD) to support climate change mitigation and adaptation (IFC, 2017). The first tranche of bonds, which raised 40 million Fijian dollars, was oversubscribed by almost double the amount on offer – including attracting, for the first time, overseas investment in FJD denominated bonds (Fijian Government 2017).

Money raised by the Sovereign Green bond (debt) is allocated to projects across the broad spectrum of Sustainable Development Goals; 13 (climate change), 6 clean water and sanitation, 7 (affordable and local energy), 9 (industries and infrastructures), 11 (sustainable cities and communities), and 15 (life on land) (Fiji Government, 2019). The Fiji Green Bond issue demonstrates that, if structured and managed well, it is possible for SIDS to raise significant amounts of financing through the issue of sustainability bonds. Key lessons include the need for strong political leadership, active engagement with investors, recalibrating development assistance to manage investment risk, strategic approaches to the market to better leverage positive investor sentiment (Fiji Government, 2019).

The Fijian Green Bond scheme is a success, and is rightly held up as an example for other Commonwealth countries. However, the money raised through it is not a grant to Fiji for climate change adaptation or transition to sustainability but a loan secured through market mechanisms. This loan will be recorded as an additional debt for the Fijian Government and will need to be repaid – adding to Fiji's debt levels. Further, the continued future flow of

[40] To find out more on the idea of how to make debt work for development and macroeconomic stability see World Bank (2022b).

funds depends on the investable project pipeline and that exercise has not been easy so far.

On the other hand, the **Seychelles Debt for Nature Swap** project has demonstrated that SIDS can engage in innovative investment projects that recognise a new form of wealth - SIDS as ecological stewards. 2018, the Seychelles became the first ever country to successfully undertake a debt for nature swap to protect oceans and the first ever debt restructuring exercise for climate adaptation. This debt restructuring mechanism reduced a portion of Seychelles public debt in return for a commitment to invest in domestic environmental conservation and sustainability projects. This provides an opportunity for large ocean states to develop an innovative financing mechanism for conservation in partnership with investors. For Seychelles, the swap was developed in partnership with the US conservation group The Nature Conservancy, which provided a mix of loans and grants to buy out the debt. This scheme has allowed the Seychelles to increase its protected oceans areas from 0.04% to 30% through the implementation of marine protected areas.

Similar arrangements are being considered in Belize with the support of the Commonwealth Secretariat (Commonwealth Secretariat, 2021a). In addition, ESCAP (ESCAP 2022) held a workshop on the potential for debt for nature swaps in the Pacific as part of the Pacific Regional Debt Conference.

Recognising and challenging the structural and systematic barriers to accessing public and private finance discussed above, in the context of COVID recovery strategies, requires SIDS to expand the type of finance it attracts and the pathways in which this finance is delivered. In this research, this problem is framed using the following research question:

How can we transform the capacity of governments in SIDS to attract sustainable finance to contribute to resilient economies?

This raises a range of issues around what constitutes a resilient economy in the context of SIDS and what form do government capacities (institutions) need to take to engage with sustainable financial flows. Based on preliminary research, and engagement with the Commonwealth Secretariat, this research adopts a number of principles to guide the remainder of the research:

1. SIDS need to move away from ODA debt finance to investment in wider wealth-creating projects that are co-created between SIDS and international investors and are integrated into the longer term development objectives of SIDS.
2. Continue efforts to attract climate finance, but work to expand access to the much broader – and more rapidly growing – market in sustainable finance.
3. Create new, collaborative governance mechanisms.
4. Manage the process of applying, receiving, using and reporting on financial data and projects in a way that:
    a. Address the structural characteristics of SIDS that undermine cost effectiveness – primarily scale.
    b. Minimises transactions costs

c. Economy of scale among the projects would facilitate scaling up of impacts to access the islands.
d. Reduce stress of individual country level negotiation

In transforming these principles into a pragmatic program of action, we draw significantly on the human capability approach to development, systems thinking and system levers, governance and development theory and indigenous epistemology each of which is discussed in Chapter Three.

CHAPTER 3 APPLIED RESEARCH APPROACH

This research uses a “Nonlinear Policy Systems” research methodology that was designed, tested and used through extensive action-based research work developed by Dr Nazia M Habib, the Head of the Centre for Resilience and Sustainable Development (CRSD) at the University of Cambridge.[41] In this methodology, methods from decision science, creative design, political economy, systems theory, medical research and military training are innovatively combined into action-focussed frameworks and activities to help policy makers improve their decision making processes and participants to identify effective and efficient ways to tackle big policy challenges. The methods and tools used drawn from these different fields of academic research have developed over the last 40 years to explore, create and analyse public policy that promote social justice, ecological sustainable development.

APPLIED POLICY SYSTEMS RESEARCH APPROACH

This research focuses on a specific part of the ‘policy cycle’ – identification of specific policy strategy and pathways to achieve a given outcome – sometimes called the “policy formation” stage.[42] A key part of this process is to evaluate the efficacy of a policy concept in achieving desired outcomes, the political feasibility of the policy concept and the potential secondary consequences of the policy (Jordon and Turnpenny, 2015).

An important part of the policy formation stage is to deliver the appropriate knowledge to enable decision makers to understand and make informed decisions and trade-offs about policy efficacy, political feasibility and unintended consequences. Equally important is delivering this knowledge in a timely manner, even if knowledge is incomplete or has room for debate. The purpose of the methodologies discussed in Chapter 4 is to generate this knowledge for decision makers.

This chapter briefly reviews the key literature that has generated the theoretical and empirical research that have been used to design the research methodologies. Key terms from this literature are summarised in Box 7. The chapter then presents and discusses the research methodology for this research collaboration.

[41] To find out more look up the CRSD here https://www.crsd.landecon.cam.ac.uk/

[42] This is distinct from selection of policy implementation tools – which are the methods used to achieve a specific strategy which is considered in a later part of the ‘policy cycle’ Jordon and Turnpenny (2015)

BOX 7: Defining Key Terms- Research Theories

Systems - are sets of objects, people, or "entities" that are interconnected in such a way that they constantly interact, and react to each other, collectively producing their own pattern of group behaviour over time. Systems operate on different scales and over different time frames. For example, a cell is a 'system', as is a 'city' (Meadows 1999).

Governance - the ways and means employed by society to make collective decisions, choose collective goals, and take action to achieve those goals. The process of 'governing' determines who gets to make decisions, over what topics, how they make those decisions and what are the outcomes of those decisions (Chaffin *et al*, 2016)

Institutions - are the rules that organise, coordinate and routinize social behaviour in a system. Determining what rules are in place (for whom) is the process of governing. (Ostrom 1990).

System levers - an intervention point within a system that, if triggered, can facilitate transformational change (Meadows, 1999).

Human capability approach - is a field of development theory and practice that advocates that the purpose of 'development' is to allow humans to function (to do or be) in a way that is of value to them. It is a major alternative to 'economic growth' approaches to development and forms the basis of the United Nations Human Development Index (Alkire, 2005).

Indigenous epistemology is a research methodology (philosophical approach to research) that is influenced by the world views of indigenous communities. It focusses on cooperation, interdisciplinary thinking, building capacities and self-determination and participation. (People's Palace Projects, 2021).

Capability Approach to Human Development

The 'Human Capability' is an approach to understanding and advocating for development in a way that is described by Alkire and Deneuin (2009) as:
….development in which the objective is to expand what people are able to do and be – what might be called their real freedoms. It puts people first. In this view, a healthy economy is one that enables people to enjoy a long and healthy life, a good education, a meaningful job, physical safety, democratic debate and so on…

This approach was originally developed by Professor Amartya Sen as an alternative to the conventional 'economic growth' approach to development and shifts policy focus away from a preoccupation with economic growth and income, to human welfare and the things that people can do and be in their lives.

In this approach, well-being and human flourishing are considered multidimensional and depend on three central concepts – *functioning* which is being or doing something of value, the *capability* or freedom to pursue various functions and the *agency* or ability of a person to pursue and realise goals of value (capacity). From a policy perspective, improving well-being is realised through improving an individual's capability – that is expanding the opportunities or their capability to pursue a life they value. This can include conventional economic concepts such as income levels and consumption of goods and services but the concept extends beyond income to include a range of other factors – such as capabilities expressed through the provision of culture, health, education, sustainability. There is some debate amongst academic researchers as to whether there is a definitive set of 'human capabilities' or whether it is contextually dependent (Cantor, *et al* 2020).

However, there is broad agreement that the "Human Capability" approach:

- Focusses on both the outcomes of development and the process of development – a capability approach emphasises the need for individuals and groups to be actively shaping development programs so that they decide what kind of development they want.
- Incorporate robust measurement of human capability using quantitative data. The Human Capability Approach forms the basis of the United Nations Human Development Index.
- Has the core principles of development of equity, efficiency, participation and sustainability.

The human capability approach has been applied to many different areas of development studies – to health, education, culture, political participation and justice (Deneulin, 2010). One important area is the application of the concepts of functionings and 'expanding' capabilities through policy to the area of food. Conventional approaches to food policy in a development context tend to focus on inputs and food provision as an access issue. Dreze and Sen (1989) argue that this is insufficient. Food, they argue, as a capability to support human functioning depends not only on access to food, but also on the quality and quantity of food available, and the ability of individuals to 'process' the food from a basic input into nutritional intake by the body – with the latter depending on a range of personal factors (such as environmental conditions).

The key point here is that for *food* to be useful to humans in pursuing a life of value, one needs to consider issues around access, quality, quantity and 'processing'. This research applies this food related concept analogously to finance for SIDS. That is, for increasing access to finance to achieve its potential for SIDS, financing models need to consider how finance is accessed, the quality and quantity of finance available, and how that finance is 'processed' by countries into desired outcomes.

Another important, and much debated, element of the capability approach literature is about how to 'operationalise' the core concepts to transform them into practical steps and mechanisms that can be used by policy makers. One way that academics have approached this question is through a debate about how to measure capabilities – so that improvements can be tracked over time (Agee and Crocker, 2013). Another is to explore how to generate capability development through institutions. Here the idea is that social institutions are fundamental parts of delivering capabilities to individuals - for example government education institutions influence how much education a child may receive. Developing sustainable capabilities for communities at a larger scale, therefore requires a focus not just on how to expand capabilities for individuals, but an examination of how to develop legitimate social institutions with the mandate to support capabilities development across a whole community.

This research draws on both these ideas for 'operationalising' the capability approach. The idea of measuring capability has been translated into the PERI-EPI and Internal Stability and Untapped Youth approach discussed in Chapter 4, while the concept of institutionalisation of capabilities is used in this research to focus on developing new institutions to support new types of capabilities for SIDS to better access international finance.

Socio-ecological Systems Theory

Systems theory is both a mental model for interpreting the world and an approach to research that examines both the entity under study and the relationship between entities and between entities and their (physical, human, ecological) environment – that is a 'system'. Systems are defined as "a set of things — people, cells, molecules, or whatever — interconnected in such a way that they produce their own pattern of behaviour over time." (Meadows, 1998).

Like the Human Capability Approach, the concept of human flourishing is a core concept within Socio-ecological Systems (SES) theory which is the application of systems theory to sustainability and social justice research (Berkes and Folke, 1998). SES theory reinterprets social agents (a type of entity) within society (for example individuals, organisations, institutions) as operating within a 'complex' system and extends the context of human and social activity to incorporate linkages with (global) ecological systems (Preiser et al, 2018).

A complex system has specific features that make up its structure and the variables within this structure have specific behavioural patterns. For a structural perspective, a 'complex adaptive system' is made up of a combination of:

- Interdependent, diverse entities that adapt to their local and global environment in some way (Page, 2009).
- (Social) agents that are capable of autonomous and adaptive behaviour (i.e. they have the capacity to make their own decisions and respond to their environment).
- Relationships between agents and between agents and their environment provide the context, and incentives for agents to act.

- System boundaries (i.e. what is ‘in’ or ‘out’) delineate the ‘operating space’ for agents. Often systems are ‘nested’ within, and are influenced by, broader systems operating at different scales. For example, a city operates as a system, within the broader ‘system’ of a country..
- Agents' behaviour, and how this evolves over time through adaptive behaviour, is shared by existing conditions (i.e. history). That is: all options are not available to all agents; history and context helps determine what options are available.

From a behavioural perspective, the key behavioural characteristics of such a system are:

- There is no straightforward relationship between a ‘cause’ and ‘effect’ – due to multiple and often non-linear relationships between events and the ultimate impacts of those events (often called ‘nonlinear causality’).
- Agents (or more generally ‘entities’) within a system adapt their behaviour over time in response to changes in their environment,
- There often exist feedback loops between ‘causes’ and ‘effects’ – resulting in reinforcing behaviour. For example young people missing school because they have to work in low paid jobs means they miss out on learning new skills that could allow them to get better paid jobs. This cycle can lead to young people being ‘stuck’ in low paid employment.
- The combination of non-linearity, adaptation, and multiple causes and feedback loops makes it difficult to predict how the system will evolve over time and gives rise to surprises, novel outcomes and ‘emergent’ behaviour.

There are many different applications of this theory and many different types of systems – from human cells, to a forest system, to economic systems. A key aim of this field is to study resilience and robustness of human-ecological systems, and how policy and governance remedies may be developed to promote resilience of the things that are valued by society - even when systems are hard to predict and impossible to ‘control’.

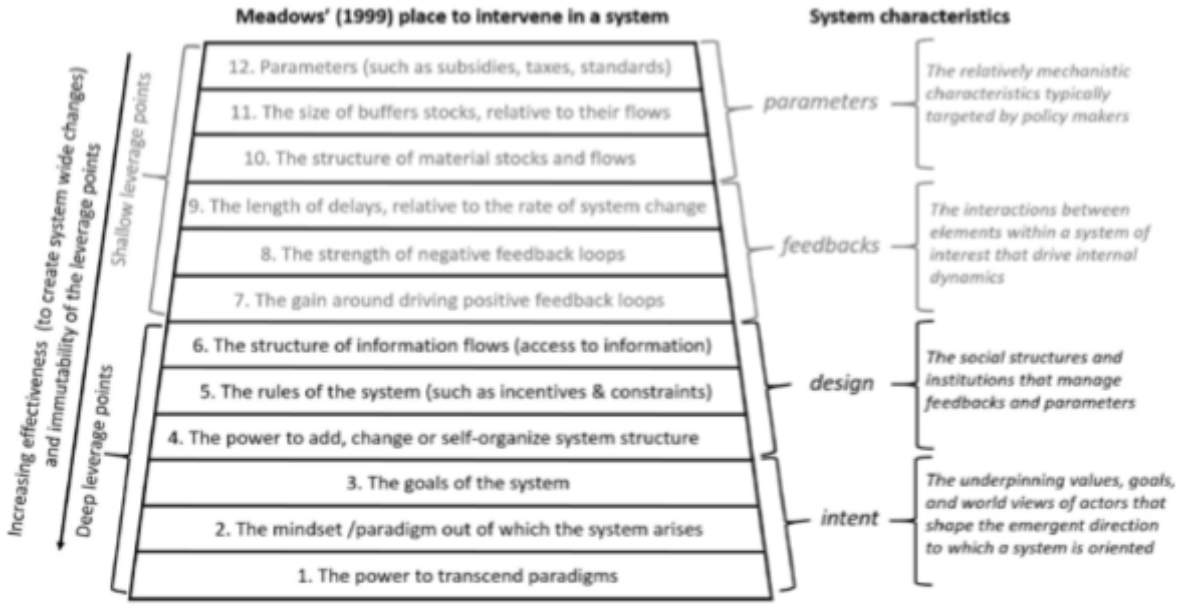
The SES theory provides the analytical framework for this research and the structure of the analytical process that is discussed in further below.

“Systems Levers” approach to transformation

A key question in the SES and governance literature – and for this research – is how and where to look for interventions in a ‘system’ to facilitate transformational change for resilience and sustainability. “Systems levers” is a framework that was developed by influential ecologist Dr Donella Meadows to identify powerful intervention points within a system. Often, ‘interventions’ are thought of in technical terms – changing a tax policy, or building infrastructure for example. Dr Meadows agrees that these are useful interventions but argues that they are relatively ‘shallow’ intervention points within a much broader pyramid of options (Figures 5). She argues that there are 12 different types of potentially transformational interventions in a system which range from relatively ‘shallow’ interventions at the top of the pyramid to more fundamental and powerful interventions at the bottom.

The trade off is, while those at the top of the pyramid are easier and quicker to achieve, they are less likely to be transformational and long lasting as those interventions at the bottom.

For this research, the Meadow's 'pyramid' (Figure 5) is used to direct attention by stakeholders to deeper levels of transformation – in particular to focus on changes in institutions but also changes in values, goals and world views of system participants.



The four system characteristics represent a nested hierarchy of, tightly interacting, realms of leverage within which interventions in a given system of interest may be made. Deeper system characteristics constrain the types of interventions possible at shallower realms of leverage

Figure 5: Meadows' pyramid

Governance and Development Theory

Governance refers to the ways and means employed by society to make collective decisions, choose collective goals, and take action to achieve those goals. The process of 'governing' determines who gets to make decisions, over what topics, how they make those decisions and what are the outcomes of those decisions. (Chaffin et al 2016, Folke *et al* 2005). Key variables in a 'governance system' are the institutions (rules that organise, coordinate and routinize social behaviour), agents, networks, organisations and concepts of power and legitimacy (Ostrom 1990, Chaffin *et al*, 2016).

The outcomes of governance decisions are, in turn, interpreted as (informal or formal) rules that create incentives for different stakeholders to behave in certain ways – thus changing the rules through governance is an important mechanism for delivering public policy outcomes. For example, if a government decides to change business tax policy (a 'rule' about how much a tax a company must pay) it is using its power in governing the country's economic system. An example of an 'informal' rule may be the cultural customs used by indigenous people to build trust and cooperation between different groups.

Governance is the ‘glue’ that coordinates human behaviour in an SES, and the rules it produces create the incentives for determining how humans interact with their environment.

Using a ‘governance’ approach to studying systems provides a framework to translate observed behaviour and information obtained through this research into actionable concepts that can generate new policy and new investment ideas. It does this through a focus on the role of institutions in developing investment opportunities.

Indigenous Epistemology

There is a growing movement towards engaging indigenous people in research partnerships, knowledge production and knowledge mobilisation (e.g. Datta, 2018). Within the sustainability research tradition, this is motivated by the observation that indigenous knowledge provides invaluable insight, support and options for learning to live on a ‘damaged planet’ (People’s Palace Projects, 2021). However, historically, tapping into indigenous knowledge through academic research has traditionally been associated with colonisation and exploitation of indigenous knowledge[43] and the relationship between academia and indigenous communities can remain fraught even today.

In response, there is a rapidly growing literature on the development of appropriate methodologies for indigenous research and working with indigenous communities. Several frameworks exist - such as the ‘two-eyed’ seeing approach - that attempt to shift from western paradigms of research practice (research, planning, implementation, knowledge production and action) towards indigenous paradigms of research. Critically, the methods and tools that are used between the paradigms are substantially the same – for example interviews or surveys as a research tool may be used in both western and indigenous research. The key difference between them is the methodology used in the research (i.e. the philosophical approach to research), and how issues of power, ownership, sharing, research purpose, relationships and responsibility are negotiated and shaped between researchers and indigenous communities.

The literature highlights key principles of indigenous research methodologies as:

- Self-determination and participation – indigenous people participate in all aspects of the research from defining the question to determining what and how data is collected (and what constitutes data) and stored over time
- Research must create tangible benefits for the community – not just pursuing knowledge for its own sake
- Holistic and interdisciplinary thinking that recognises and considers equally valuable all types of knowledge

[43] For example researchers have appropriated and commodified indigenous knowledge, selling it to commercial interests, without appropriate attributes or benefits flowing to the original knowledge owners.

- Building capacities and capabilities of indigenous people - researchers must incorporate an element of training into each of the methods to collect empirical data so that participants can apply critical thinking tools in their own decision making space
- Importance of relationships and trust – during and beyond the project.

In this research, indigenous epistemology (and the similar issues raised in participatory research methods) is used to shape and manage the relationships between the research team and research participants from the Commonwealth Secretariat, Commonwealth SIDS and subject matter experts.

CAMBRIDGE CRSD ACTION-RESEARCH METHODOLOGY

Drawing on the literature discussed in the previous section, this research uses eight different research methods, in three stages to collect, analyse and organise the research and data (evidence) collected (Figure 6).

The methods are designed to be complementary and mutually supportive: some are designed to collect data extensively across a broad range of stakeholders, while others are intended to conduct an intensive 'deep dive' into a topic to explore details and nuance. Outputs from earlier phases are used as inputs in later phases of the research. Collectively, this approach allows for information and data to be triangulated between different stages to ensure that observations were valid from the perspectives of different stakeholders – thus ensuring that conclusions were robust.

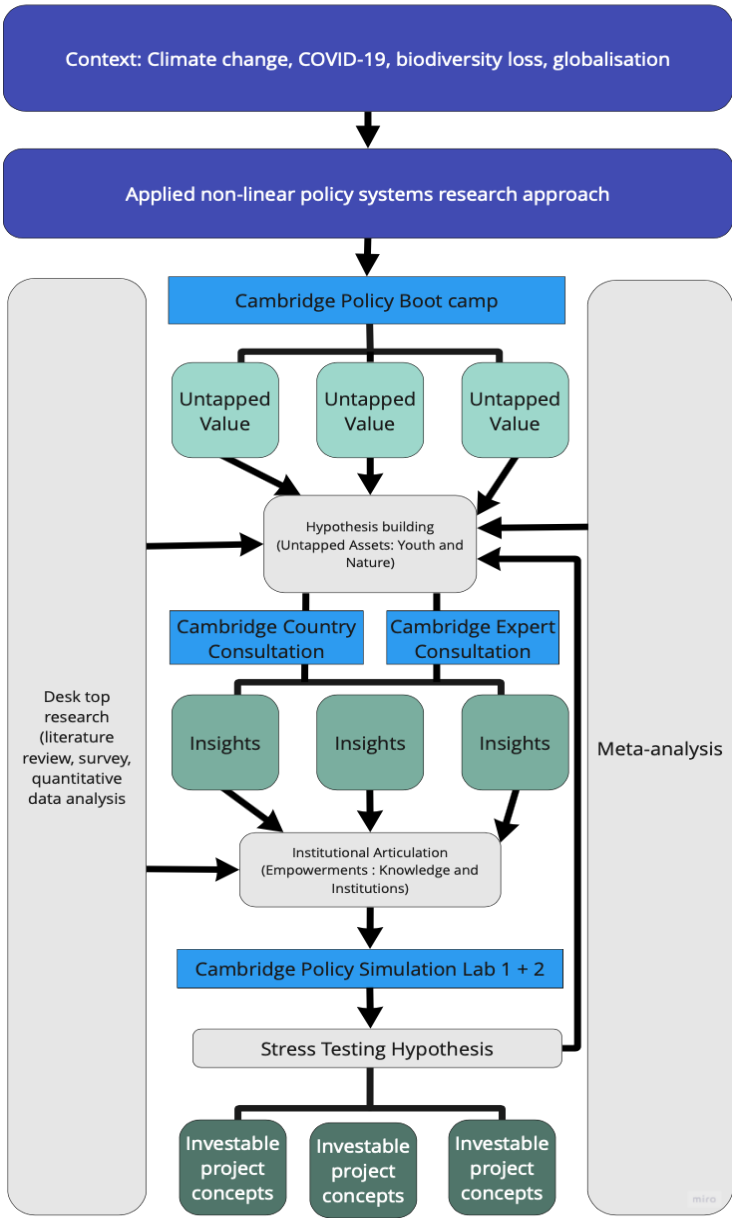


Figure 6: Overview of the research process

The following briefly describes the methods in generic terms, while Chapter 4 represents the interim results of the application of this research to the challenges SIDS face in accessing and processing international financial flows.

PHASE 1 - COLLABORATIVE CONTEXT SPECIFIC VISION BUILDING

This phase develops a shared understanding and vision of the system, and strategic goals of the system amongst all stakeholders – to guide the rest of the research. Initial assessment of the 'system' capacity to support the policy concept is also undertaken. The methods used in this phase are:

1. Desktop review and analysis of the 'system' under study – developing a preliminary description of the system and the policy problem, collation of relevant quantitative and qualitative data and statistics.
2. Interviews and collaborative discussions with the leading 'anchor agency' to identify policy topics and the 'guiding question'
3. Undertake a survey of stakeholders to collect preliminary data on potential responses to the policy problem.
4. Convene a workshop – called the *Cambridge Policy Bootcamp (CPBC)* - of selected survey respondents to respond to, test and confirm the shared policy responses that emerged from the survey, and to identify the potential assets available to SIDS to achieve these common goals. CPBC participants were selected to provide a representative range of survey respondents.
5. A meta-analysis of all data collected across this phase is undertaken to consolidate and clarify strategic policy objectives for the next stages of the research.

The CRSD action-research method embeds the role of local experts in the research design and implementation process to strengthen data collection, evidence formulation, design of practical application and submission of policy questions to the decision makers. In this stage, two key categories of experts were identified. A group of seven global experts who have held public sector executive roles to promote sustainable investments and the second group of country experts who were nominated by the countries. The experts are an integral part of the research, as the research team depends on them for peer review and peer support purposes.

A Terms of Reference (TOR) is developed which primarily asks the experts to help with knowledge sharing and capacity building for the research participants. The experts help with a comprehensive assessment of the country's needs, and national priorities and current status. In addition, the experts support the team to identify and incorporate relevant national developmental goals, international commitments of the country and to identify priority areas of action to strengthen government capacity. The expert group also helps

develop insights during the workshops and contributed towards enhancing skills and expertise of other participants in the workshop with an aim of institutional and knowledge empowerment.

Nationally nominated experts also play the role to validate and verify findings as they emerge in each phase of the research. Participants were encouraged to think broadly and creatively about potential options and the range of traditional economic and non-traditional assets available to them. To achieve this, the key tools used in the CPBC are:

a. Asset Based Thinking
b. Unintended Consequences Tool
c. Pitching of specific ideas using the Need-Approach-Benefit-Competition (NABC) method.

The key output for this phase was identification of specific policy concepts that would address the challenge posed by the policy question and the potential negative system level challenges that the policy process may need to resolve. The specific tools used in the Cambridge Policy Boot Camp are discussed in Table 1 below.

Box 8: Understanding key concepts - Assets and Investment

What is an asset? An asset is an object, skill or person who can produce something of value. The value of an asset can be evaluated both using qualitative and quantitative measures. From the neoclassical economics perspective, the collective quantitative sum of assets is represented as the value of an asset, which is often quoted as 'wealth'. It is a well established argument in the non-neoliberal schools that wealth should be measured only by using quantitative measures. This research applies a non-neoliberal approach.

What are untapped-assets? Untapped-assets refer to "unused and unaccounted value" - that is assets that have not been previously recognised as having value and therefore does not have the institutional or management structure to value, manage and invest in it.

What do we mean by investment? In this research we define investment as a flow of financial funds that is used to support an asset to improve, protect and promote its inherent value. In the context of the SIDS, typical investments come from official sources (ODA, multilateral financial institutions), the private sector (foreign direct investment, bank loans) and philanthropic sources (e.g. non-for-profit projects).

PHASE 2 – DEVELOP, VALIDATE AND CLARIFY EVIDENCE BASE

In this phase, a systems based participatory research method was applied in two workshops. One workshop with the subject matter experts and the second workshop was with country nominated experts and other stakeholders. In both of the workshops participants examined the policy concepts identified in Phase 1 in the context of the 'complex system' within which it operates using a workshop called the *Cambridge Country or Cambridge Expert Consultation.* In this phase, the research team also developed data tools to support the policy concepts identified in phase 1. Two different methods were used in this phase:

Cambridge Country Consultation and Cambridge Expert Consultation Workshop

These workshops (one each for subject matter experts and country participants) were used to refine the scope of the policy concept from phase 1, identify power relations within the system that could support or undermine the policy intervention and potential system level intervention pathways and intervention points. Key tools used in the workshop were:

1. scope identification/refinement
2. identifying power relationships at the institutional level and individual level and
3. identification of implementation pathways.

These tools are discussed in Table 1 below.

In the workshop for subject matter experts, emphasis was placed on evaluating institutional power and ideation of possible solutions for implementation. For the country consultations, workshop participants were asked to focus on who, as individuals, has power or influence over the policy and were asked to consider implementation pathways that were more concrete than the options posed to the expert group.

Data analysis and indices development

In parallel to the workshops, the research team undertook data analysis and indices development. An important component of developing the high quality projects suitable for the common pool investment proposal is making available the data required to build the 'business case' for the investment – that is to identify the potential assets - and to identify the shared characteristics and differences between countries to identify areas of common challenges and opportunities. This tool involved desk top research and analysis of existing

data sets, economic and development indices and construction of new indices. This process is discussed further in the results section in Chapter 4.

PHASE 3 – POLICY STRESS TESTING AND UNDERSTANDING SYSTEM RESILIENCE

This phase is split into two parts. In the first part, country policy makers are led through a process to 'stress test' the policy concepts identified in phases 1 and 2 with a focus on evaluation of the government's institutional capacity to support projects to build up to a self-supporting scale. Participants also explore risk within a 'common pool investment approach' from the perspective of investors, to identify policy gaps that need addressing in order to attract sustainable investment. In addition, policy makers also engage in ideation of implementation pathways and identification of potential sources of value created in the system as a result of the policy intervention. These helped to 'triangulate' ideas that were developed by a broader range of stakeholders in phase 1 and 2 of the process.

In part 2 of this phase (yet to be implemented), the project will work directly with the investment community to familiarise them with the proposed common pool investment approach and identify risks associated with the investment model. Key tools used in this phase are:

1. Creative Ideas Studio
2. Cambridge Policy Value Mapping
3. Institutional Feasibility Industry
4. Financial Risk Assessment.

These tools are discussed in Table 1.

METHODS AND TOOLS USED IN THE CAMBRIDGE ACTION-RESEARCH METHODOLOGY

Interviews, surveys, desktop research techniques, quantitative data analysis of various types are part of the standard analytical 'tool kit' used by social science researchers. As such they will not be discussed as a method or tool in this chapter. Here, we focus on the new types of tools and methods that were developed as part of the Cambridge Action-Research Approach.

There is an exception here is the NABC technique is used to help the participants to structure and share their ideas at the workshop. NABC is a method to quickly structure, analyse and develop value propositions for projects. The approach was first developed in 2006 by Curtis Carlson & William Wilmot at the Stanford Research Institute. NABC stands for Need, Approach, Benefits and Competitions. The four guiding questions are:

1. What is the important customer and market NEED?
2. What is the unique APPROACH for addressing this need?
3. What are the specific BENEFITS per costs that result from this approach?
4. How are the benefits per costs superior to the COMPETITION's and the alternatives?

Box 9: Methodology versus methods versus tools

Methodology – is the philosophical framework that is used to approach the research question. It reflects the paradigm – or the way of interpreting the world – adopted by the researcher and determines how the research process is designed by determining such issues as what should be researched, the theories used to interpret data, the frameworks used in analysing the data etc… In this project, we adopt a research methodology drawn from the theories discussed in Chapter 3.

Method - is a way of collecting and analyzing data – for example data may be collected via interviews, or surveys or through the conducting quantitative statistical analysis. Some methods are closely aligned to specific methodologies, while others are more generic.

Tools and techniques – are the procedures that are used throughout a method. For example, the specific way a facilitator organises a workshop using different techniques.
Source: (Gomez and Jones, 2010).

Table 1: Tools used in the Cambridge action-research Approach

Name of Tool	Objective	Activities
Asset Based Approach.	The purpose of this tool is for participants to identify the range of available assets that may be available for 'investment'. (see Box What is an asset? What is investment?). Any resource or 'thing' that can be used to achieve a policy goal. An asset can be a physical object (e.g. physical infrastructure), embodied in people (e.g. SIDS diaspora, or entrepreneurial capabilities, or software skills), or be the result of social or cultural interactions (e.g. knowledge guardianship in indigenous communities).	Consider the following questions: ● List all the things (assets) that you have a lot of ● For each item listed, describe how it could be used to solve the problem or how its existence could block a solution. ● Consider whether assets need to be combined in order to be effective in solving the policy problem
Unintended consequences of policy development: managing risk.	The objective of this tool is to identify and document the risks and assumptions associated with the context in which the policy will be developed and implemented, in order to anticipate them and, if appropriate, consider management strategies to ensure they do not lead to policy failure. Policy makers also bring to the process a range of assumptions about how a policy will be implemented and operated.	Consider the following questions: *What are the DEAL BREAKERS to a successful policy implementation?* Deal breakers are unintended (even dangerous) consequences of a policy which, if they occur, undermine the overall value of the policy and reduce or counter any benefits to the point that the policy is not longer worth pursuing. For example, could food companies mount significant opposition to proposed changes in food regulation so that the political support for the change is reduced? *What are the BOTTLENECKS that could block progress towards a successful policy implementation?* A bottleneck is where something either blocks progress in implementation because there is too much of it, or not enough of it, or hinders progress because it moves too slow through the system. For example, constrained public resources may limit the ability to support vulnerable children through school meal provision. *What are the BLIND SPOTS or future events that may undermine successful policy implementation?* A blind spot is something that may happen unexpectedly or something that may be anticipated but the shape, form, content, size of it may surprise you. For example, a sudden refugee crisis may be created and dramatically increase the demand for school meal provision. Alternatively, a child meal program may

		plan its budget according to estimates of children from disadvantaged backgrounds. However, once it is operational, the program finds that there are many more children needing support than was initially assumed because of inadequate data about the number of children from those backgrounds.
Cambridge Country/Expert Consultation	The purpose of this is to refine the scope of the policy concept from phase 1, identify power relations within the system that could support or undermine the policy intervention and potential system level intervention pathways and intervention points.	Activity. Consider the following questions: Step 1. This step seeks to identify the scope (what is and is not included) in the discussion and development of a policy concept. Questions to consider here are: 1. What is IN scope [in the discussion]? 2. What is OUT of scope [in the discussion]? 3. Who are the leading beneficiaries? Consider what is IN scope in discussing a project concept and what is OUT of scope. Step 2. This step examines the power relationships between institutions involved in the policy concept and potential trade offs. Questions to consider here are: 1. Which institution benefits from investing in [knowledge empowerment]? 2. Which institutions benefit from NOT investing in [knowledge empowerment]? 3. Who are the leading stakeholders? Step 3. This step identifies key actions that can accelerate implementation of the policy concept and reinforce and accelerate positive outcomes. Questions to consider here are: 1. Situation (a set of circumstances in which one finds oneself) that will create undeniable opportunities (Bright Spot) 2. Preparation (bring into a desired state) that will create attraction to the opportunity (Cool Spot) 3. Actions (conduct) that will support the implementation of the solutions (Deal Maker) 4. How confident are you about these suggested actions?
Institutional Feasibility Study Framework	How do we know that the institution we identify is the right one to implement the solution? One way is to consider whether it has the right type of power to implement the solution. Here, power is defined as having both the resources (capacity) to act and the mandate (permission) or specific purpose to act. Mandates can be generated internally in an organisation (i.e. the organisation decides to do something) or it can be given externally – for example	For each of the identified institutions, consider the following questions: 1. What is the source of power of the institution? What is it about the organisation that gives it the ability (capacity) to make decisions about this policy solution? Does the ability to act come from one of more of the following sources: a. Knowledge b. Regulations c. Funding d. Administration /coordination 2. What are the key resources the institution uses to exercise power over others? a. Information b. Authority

	the government tasks a particular department to do something.	c. Finance d. Organisation 3. What do others think about the institution? a. Credibility b. Legitimacy c. Possessive d. Trust
Cambridge policy value mapping	Value creation and destruction tells us a lot about what is going on in the world, what can/should be changed, and what does not need to be changed and should be continued. Understanding value is an important tool in understanding what funders want, what they don't want, and how that interacts with the world of policy makers.	For each of the identified institutions, select a specific solution and its potential stakeholders (2 – 3 max per solution) and try to identify as many 'value failures' as you can, using the following 3 prompts[44]: 1. Value missed: I give but don't get a return 2. Value destroyed: I give but you don't want 3. Value absence: You want but I don't give This process will help identify connections and observations that will support novel ideas. To do this, consider any connections between the 'value failures' by asking the question: 1. I didn't know that …… X was……
Creative Ideas Studio	To provide the time and space for leaders, operating in complex systems, to imagine their futures in a way that is creative, free-flowing and reflective and focussed on a particular leader and the agenda they wish to set.	The Creative Ideas Studio is implemented over two parts: 1. The "Creative Session" – akin to 'improvisation theatre' this part starts with descriptions of a system, future aims of the leader and potential challenges. All participants contribute in an exchange of ideas and words, which is captured on 'story cards' that are placed on a white wall facing the group. This ultimately forms the 'concept map' of the conversation. Importantly, no subject is off limits and no idea or concept is rejected. 2. The "Critical Session" - following an interval, to allow for processing, the group reconvenes to analyse the ideas generated in the first part. The research team organises the 'story cards' into groups under main headings (themes/big ideas/suggestions). Participants adapt, adjust and explore the ideas in the story cards and their groupings to develop unique themes, connections and new ways of thinking in search of solutions to issues raised. Finally, key themes are identified and documented by facilitators who produce a summary of the sessions' findings for the leader and offer support for follow up on any ideas that show promise for the future.

[44] This process builds on the work of the Cambridge Value Mapping Tool developed by the Institue for Manufacturing at the University of Cambridge - see https://www.ifm.eng.cam.ac.uk/research/industrial-sustainability/sustainable-business-models/tools/cambridge-value-mapping-tool/

CHAPTER 4: INSIGHTS AND ARGUMENTS

This action-research project has developed a new adaptable model for SIDS to access international financial flows from private, development assistance, philanthropic and multilateral sources. This model builds on several insights from this research:

1. As highlighted by the Commonwealth Secretariat (2022), the Post-COVID recovery period represents a unique opportunity to explore innovation in public sector governance. Many governments are currently undergoing changes in operational practices to adjust to reduced capacity and the disproportionate impacts from the COVID-19 crisis (e.g. loss of tourism, economic shocks and disruptions in public welfare services and health care) as well as the ongoing challenge of climate change.

2. Many Commonwealth SIDS are at risk of experiencing debt-distress due to the high levels of public debt incurred during the COVID pandemic (Commonwealth, 2022, ESCAP, 2022), and the absorptive capacity of incurring new debt is limited.

3. While each Commonwealth SIDS is unique, there are common systemic challenges, and opportunities, across the Commonwealth – for example in education, public health or climate change.

4. The Commonwealth Secretariat Climate Finance Action Hub is a highly successful example of collaboration and cooperation between Commonwealth states to improve access to international (climate) financing. Further value could be developed by extending its principle of knowledge and skill sharing to developing a finance model that develops common pool investment proposals which access a broader range of financial flows.

A COLLABORATIVE FINANCE MODEL FOR SIDS

The proposed investment approach has two components: a set of indices to support the development and use of untapped assets of ‘youth’ and ‘nature’ and a conceptualised model for accessing finance. This chapter describes the new financial model and then addresses two key issues in operationalising it: what ‘investable’ projects can and should be developed under this model, and how should data associated with investment be managed.

Common Pool Investment Approach

The existing and proposed funding approaches under the Common Pool Investment Approach are described in the figures below. The existing funding model for climate (or other ODA/concessional) finance relies on the use of a multilateral agency (e.g. World Bank) to identify, vet and manage projects and an (expensive) external verification agent to certify and report on impacts. This raises administrative costs associated with the funding and draws decision making power and agency away from SIDS and the direct beneficiaries of climate financed projects (Figure 7).

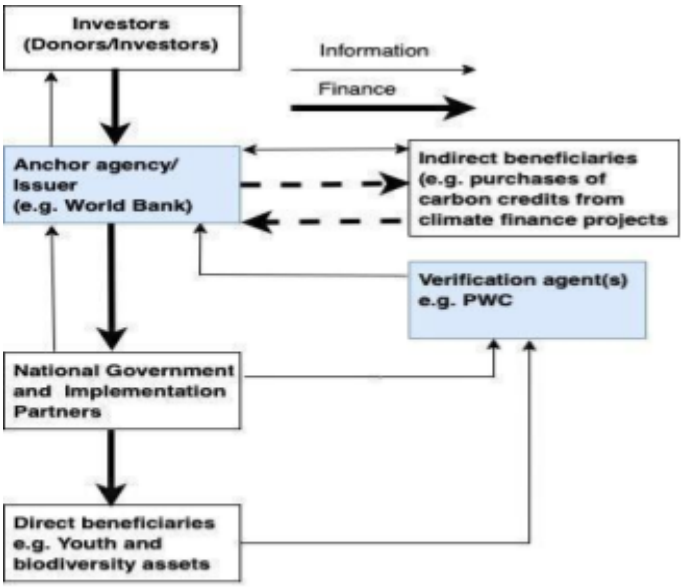


Figure 7: Existing Approaches to Climate Finance

SIDS also receive financial flows from other sources – from bilateral official development assistance, private sector investment and philanthropic or non-traditional financial projects (UNDP 2015) (Figure 8). While there is often coordination of financial flows within a country, particularly related to ODA, financial flows tend to focus on the relationship between the funder and the recipient as a single country.

To address these limitations in existing climate finance models, the project proposes a new model of climate investment designed to focus investment on 'youth' and 'nature' based projects that address common needs of SIDS (Figure 9).

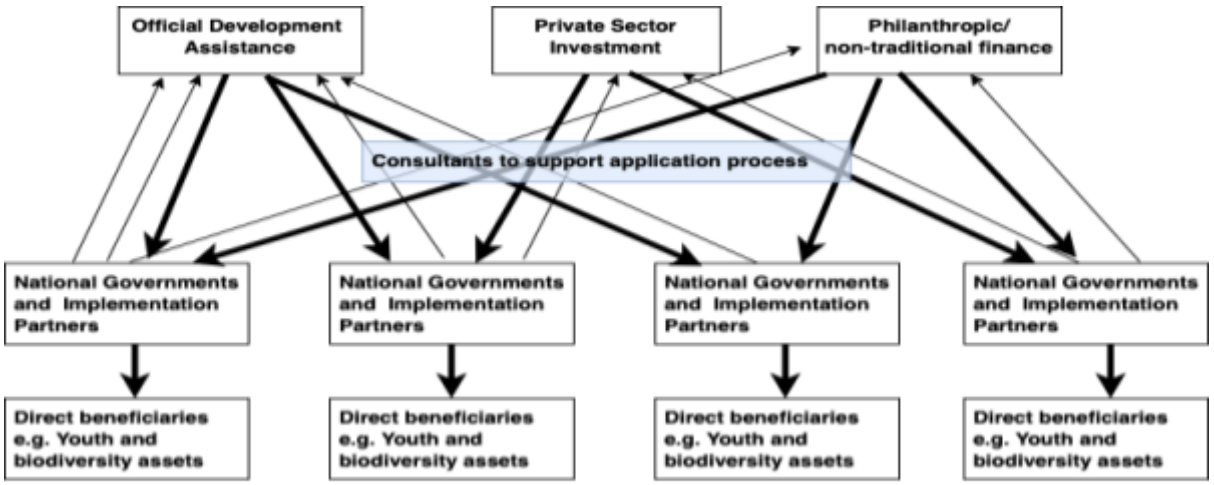


Figure 8: Bilateral Flows of Finance for SIDS

In the new model (Figure 9), investors engage directly with finance advisers working on behalf of national governments or, regionally, collaborate with implementation partners who coordinate between project beneficiaries. The investment relationship is facilitated through open dialogue and through the use of accessible, transparent and robust data sets made available via a dedicated software platform that is co-designed by the Commonwealth SIDS and meets the information and data needs of SIDS, investors, and beneficiaries. Further consideration of the software platform format will be undertaken in the second phase of this project, taking into account, for example, the different data verification processes used by different types of investors.

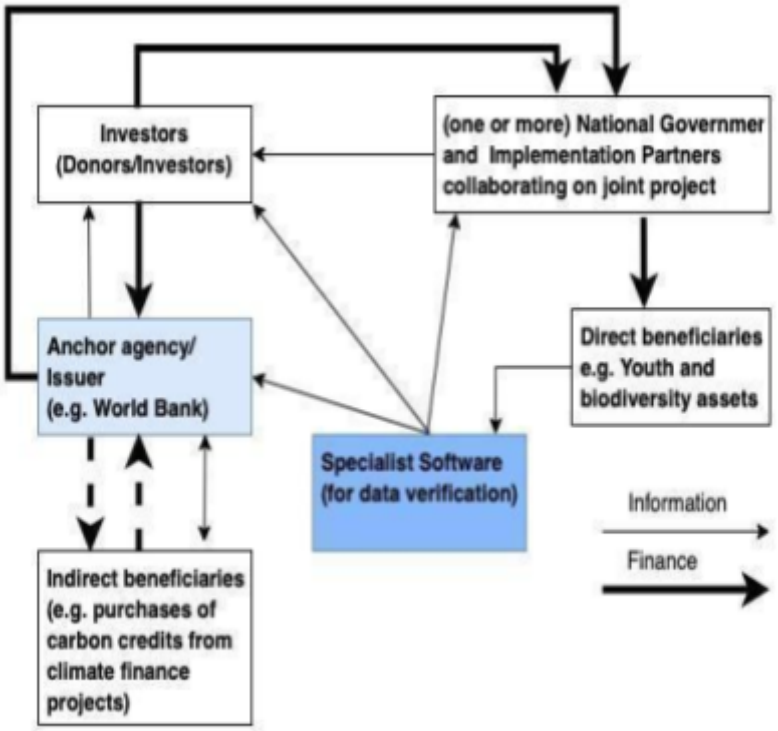


Figure 9: A New Model of SIDS Finance

To achieve a cost-effective scale, investments should focus on elements of specific systems that are common across all SIDS. In this way, investment projects and activities can be initiated simultaneously across multiple SIDS allowing for pooling of resources, reducing transactions and facilitating mutual learning and support.

What Do We Invest In?

The next important question to consider is what are the key areas that SIDS should collectively invest in using the proposed Common Pool Investment Approach?

Using the methodologies discussed in Chapter 3, this project has worked with stakeholders to identify commonalities across economic and social systems which represent opportunities for investment projects that could be rolled out simultaneously across multiple countries. This work is not yet completed, and the focus here is on reporting interim results.

Overall, the findings of this research is that SIDS have the capacity to offer international investors two new types of investable 'untapped-assets' and that unlocking this value requires investments in new institutions and new ways of producing and sharing knowledge.

Identification of Untapped Assets

In this project, *Untapped-Assets* is defined as an asset that has unused or unaccounted value. Because the 'asset' has not been 'discovered' as an investable target, or its value not formally recognised in capital markets, the asset suffers from under-investment and/or over-exploitation because ownership or stewardship has not been established. The lack of ownership or stewardship over the asset means that it has not been protected or nurtured or invested in appropriately.

The concept of an untapped-asset is very similar to the idea of an 'externality' being generated through the overuse of a common pool resource. However, in this case, the 'asset' is not simply something that is degraded over time due to unmanaged human activity. Rather, the 'asset' is reimagined as a source of new wealth for the asset owners to generate and attract new forms of investment.

Using the material gathered so far in the project, the research team identified an emerging consensus around two kinds of untapped-assets that may be available for SIDS to developed 'investable' projects that were previously under or un-utilised:

1. **Youth:** Commonwealth SIDS have an overwhelmingly young population (on average 65% under 35) with roughly one-third disengaged from education or employment. Stakeholders identified specific investments that create economic and educational opportunities for young people – as defined and shaped by them – as a common investment need across SIDS.

2. **Nature as an untapped-asset:** SIDS have long been recognised stewards for biodiversity and other natural assets. However, this vital role in protecting global natural assets has not been financially rewarded nor have sufficient resources been

provided to SIDS to realise the full potential of this role. Financing SIDS as nature stewards, and drawing on their indigenous knowledge where appropriate, is an opportunity common to many Commonwealth SIDS.

To leverage the value in these untapped-assets, SIDS need to expand the type of finance they attract and the pathways in which this finance is delivered. To achieve this, two different types of investment strategies were identified and each of these strategies are explored below:

1. Investments into institutions that will make shared decision-making over the asset easier and 'safer' for all stakeholders – this is called "institutional empowerment'; and
2. Investments into knowledge production and dissemination – to make knowledge sharing about the asset easier and safer for all stakeholders – this is called 'knowledge empowerment'.

Institutional Empowerment

Investments in institutional empowerment are essentially investments in governance systems ('rules') around how a particular asset is managed, used, protected or exploited, who makes those decisions and what actions are needed to achieve those goals. By identifying 'institutional empowerment' as a key area of investment to access untapped resources, this project is arguing that in order for SIDS to create and access the wealth represented by nature and youth in their communities, they need to change how decisions are made, who makes them, and what are the scope of those decisions.

In considering changes to institutions to promote investment in 'youth' and 'nature', project participants considered which institutions were 'in' and 'out' of scope of the discussion, identified risks associated with institutional reform and identified specific institutional levers (intervention points) that could be used to leverage transformational change. Each is discussed below.

Fixing Focus

An important part of using a systems approach to policy making is to identify and understand the boundaries of the system that is being explored – that is, what is 'included' in the system and, importantly, what is 'excluded' from consideration.

In this project, participants discussed and agreed the system boundaries from an institutional perspective – by considering which institutions were in scope for inclusion in developing investable projects, and to identify which institutions were out of scope.

Institutions were classified into 5 groups: enabling institutions, regulatory institutions, investment institutions, media institutions and others and are summarised in Table 2. During

the project workshops, most participants rejected the concept that any particular institution may be 'out of scope' as most people regard that changes made towards institutions influence all agencies and individuals. However, the survey results did include responses that identified 'irrelevant' institutions in the context of unlocking the untapped-assets of 'youth' and 'nature' and these are reflected in Table 2.

Table 2: System Boundaries for Institutional Empowerment

Institution Type	In-scope	Out of Scope
Enabling institutions:	Training and teaching (e.g. knowledge gathering, Knowledge sharing and Awareness programmes, in areas such as biodiversity and youth empowerment)	All non-national institutions
	Separate administrative body that can deal with the issues with professionalism and act as a knowledge sharing hub	National poverty system
	Youth council	Rehabilitation Systems
	Real Estate Councils	National housing system
Regulatory institutions:	Monetary and Fiscal: Central Bank, Central Tax Authorities	Merging or restructuring existing departments to produce newer systems and levels of red tape governance
	National Audit Office	Judicial judgement
	Central authorities that regulate biodiversity/environment	
Investment institutions:	Business organisations that have a perspective that can be examined on an industry basis	Agricultural practice focused knowledge sharing
	Technology organisations (high-tech; enabling the use of inexpensive technology and remote working)	
	Organisations/businesses that work on renewable energy or low carbon technology	
	Financial institutions	
	Private sector SMEs/Early stage ventures that are innovating in useful areas (e.g. the case of the non-chemical fertiliser in Barbados; however, for the private sector, the situation varies on different occasions, see 'opponents').	

Media institutions:	State media and free press	
	Social media (both grassroots and the use of social media in organisations).	
Others:	Civil society (e.g. NGOs as institution)	Armed forces
	under-represented groups	
	Global institutions, such as UN, World Bank, etc	

Identifying institutions to invest in

During the Cambridge Policy Simulation Lab, workshop participants identified key areas, or themes, where new types of decision making needs to be developed with respect to young people. These themes are:

1. Strengthening the role of youth councils in state/government policy making processes.
2. Create a channel for foreign investment in youth – especially in 'untapped' youth (SDG 8.6.1).
3. Improve the legislative support to protect youth rights.

To create investment concepts based on these themes, participants identified four different types of institutional intervention points (levers) that face common challenges across SIDS and could potentially be the focus on investable projects under the Common Pool Investment Model. These different systems are:

1. Institutions that support incentives for economic activity
2. Institutions that build trust across society
3. Institutions that strengthen economic and financial activities
4. Institutions that strengthen impact across society improve systematic welfare

Key investment project concepts identified under each of these types of institutional investment are set out in Table 3.

Each of the investment concepts below are essentially national systems level investable programme ideas. These system ideas are drawn from the workshops where every country's ambition and promise to their citizens were addressed and gap analysis was carried out. Using the Common Pool Investment template, multiple countries can benefit from the systems level investments.

Table 3: Key Investment Concepts for Institutional Empowerment

Institutions that support incentives for new types of activity	
Innovation Hub	Development of youth specific investment platforms paired with support to improve access to knowledge, finance, mentoring and entrepreneurship training.
Government as risk underwriter	The government needs to act as an underwriter to support and manage the risks associated with institutional change
Participation in international arena	Develop opportunities for young people to participate in different international programs and research, giving them scholarships specifically in areas that lead to development of their countries and also denying funds to governments that don't prioritise youths engagement in government programs.
Mentorship programmes for youth	Commitment stipulations to ensure that youth led projects are carried out for the stated length of time; efficient and effective teaching initiatives to ensure that youth are fully capable to carry out the required duties. National empowerment system and training of the youth in local and global level of knowledge. Needs & merit based scholarships that are broad based enough to not limit education opportunities based on narrow selection of sectors (broader than STEM). Engaging alumni programs that harness experiences of graduates to inspire & support upcoming students. Mentorship programs and job search support/access to finance courses and initiatives.
Exchange programmes	Exchange programs for youth both at regional and international levels could help in knowledge sharing and unbiased actions. International collaboration and exchange program of knowledge; Sending Youth Delegates to the UN Youth Delegate Programme will enable capacity building.
Institutions that build trust across society	
Media freedom	**Transparency**, e.g. Ensure transparency through media freedom

Transparency in policy implementation	There needs to be commitment (identifying budget for this commitment) in ensuring that there will be implementation of policies, solutions and initiatives that will bring change.
	Having protocols for anti-corruption (that show transparency and accountability and show meaningful and continuous contribution from the youth) to ensure there is no dampening of the input and undue influence on the type of input provided. Things like anti-corruption benchmarks would be useful.
Education	**Education:** Strengthening the Youth Councils and Student Representative Councils at the Higher Education Institutions (HEIs).
Supervision system	**Supervision system** (a system to maintain checks and balances) for youth council.
Institutions that strengthen economic and financial activities	
Digital business transformation	**Digital business transformation**: Access to ultrafast broadband universally to enable the development required and digital business transformation; Youth access to data and big data. Ensuring that there is capacity, and training in place, to build and support climate resilient digital infrastructure.
Funding and scholarship	Well-established youth funds for youth-led initiatives.Supporting the development of more innovative skills and competencies to support more entrepreneurial and innovative youth-led initiatives. This will create more employment and other benefits for the youth. That way, youth councils will become more practical and stop depending on charity and government funds but rather money generated by the youth themselves. Scholarships for foreign SIDS representatives for inclusion and representation, training and capacity building in policy making from an earlier age, quotas for youth decision makers not just representatives.
Investment in agricultural productivity	High agricultural production, management of lands, prevent post harvest losses, improvement of agricultural industries, high standard of living of young farmers as well as a whole community.
Institutions that strengthen impact across society to improve welfare.	
Mental health	Improve mental health of youth and approaches to increase their inclusivity.

	Improved knowledge among the young people; Increased relevance for youth, diversity in thought and of experience, gained experience by youth policy makers, increased implementation ideas and strategies
	Bringing notable celebrities into relevant institutions that can empower them, and they can bring up notices through media

Knowledge Empowerment

Investment in knowledge empowerment is about how information and data about an asset are generated, who owns the data, how they are shared and used. By identifying knowledge empowerment as a key area of investment to access untapped resources, this project is arguing that in order for SIDS to access and use the wealth represented by nature and youth they need different types of information and data and different ways of generating, storing and transmitting this knowledge.

Fixing Focus

Participants identified the stakeholders and institutions that may be identified as being within scope, and being excluded from investments that promote knowledge empowerment. A summary of these is set out in Table 4.

Identifying knowledge creation and management strategies to invest in

During the Cambridge Policy Simulation Lab, workshop participants identified key areas, or themes, where new types of knowledge creation and knowledge use, management and attribution need to be developed.

During the Cambridge Policy Simulation Lab, participants identified key areas, or themes, where new types of decision making needs to be developed with respect to young people. These themes are:

1. Investing and supporting knowledge exchange between SIDS diaspora and people living on the islands. A variation of this is to encourage ‘remote workers’ and retirees to relocate to SIDS and bring their knowledge with them – to both work from the island and exchange knowledge with locals.
2. Create mechanisms to improve intergenerational knowledge exchange within SIDS – for example between grandmothers and young people (and also ‘reverse mentoring’)

To create investment concepts based on these themes, participants identified four different types of knowledge focussed intervention points (levers) that face common challenges across SIDS and could potentially be the focus of investable projects under the Common Pool Investment Model. These different intervention points are:

1. All form of education (e.g Formal, Indigenous) based on knowledge building and transformation
2. Company based knowledge sharing (market approach for knowledge sharing)
3. Knowledge sharing focussing on women, youth and indigenous people and groups
4. Government participation in knowledge sharing and empowerment.

Investment concepts identified by project participants under each of these types of institutional investment are set out in Table 7.

Understanding risks associated with investing in institutions and knowledge empowerment

Investing in institutions, and changing the way decisions are made, and who makes them, ultimately changes how power is shared in a community. This process will inevitably challenge existing institutions and decision makers who derive (substantial) benefit from the status quo and who may oppose institutional reform because they will interpret it as a decrease in their power over decision making. This potential opposition creates ‘political risk’ that institutional reform may be abandoned.

Project participants identified and discussed potential possible opponents to future investment in institutional empowerment and who may pose a ‘political risk’ to institutional reform. Here, opponents were considered to be important stakeholders of potential future projects, but may be less willing to take up new ways of doing things. Institutions that fall into this category are set out in Table 5.

Understanding multiple benefits and multipliers

System based approaches to policy analysis consider not only whether the policy was achieved and the direct cause and effect of a policy, but also the multiple, and often unintended, consequences of the policy intervention. These unintended consequences can have negative impacts and therefore policy makers need to be aware of them to determine whether additional interventions or policy remedies are required. Where unintended consequences have positive flow on benefits, understanding and capturing these helps policy makers and investors understand how investments not only generate a direct return, but, through the development of new institutions, new skill sets and new capabilities, can facilitate transformations beyond the scope of the project.

The types of multiple benefits and multipliers, and unintended negative impacts that were identified for specific investment concepts during the Cambridge Policy Simulation Lab are set out in Table 6. This issue will be explored in more detail in phase 2 of this project.

Table 4: System Boundaries for knowledge empowerment?

In scope	Out of scope
Formal and informal education Intergenerational knowledge exchange	Religious businessmen Any indigenous or longstanding companies that have not invested in innovation
Companies operating locally, but with international networks	Case by case identify who may not be able to transition to the new system
Government institutions	Non-commonwealth countries that currently face similar issues
Indigenous groups	Local economy participants like farming, households;
Women's groups	Private sector as there might be restrictions (e.g. environmental concerns of existing products sold now, in Maldives e.g. companies that sell plastic bags lost their business); *Companies lose the benefit of cheap labour with increasing level of education of the population;* Some private sectors like industrial farming and tourism.
Youth groups	Politicians, those who want to keep power and control the system, as it is beneficial for them people not being very well educated
	Indigenous population
	Some private sector like industrial farming and tourism
	Any form of informal systems, e.g. financial support systems, food (e.g. Chile - privatisation of water)
	Current gate-keeprs and people who hate change. People who are currently 'comfortable' in their existing jobs and careers. These people do not want to put in the time to 'update' themselves.
	Researchers depending of context

Table 5: Risks Associated with Investing in Institutions and Knowledge Empowerment

Companies	
Employers of young people	Companies that take advantage of young people through low wages may resist institutional empowerment if it leads to wage increases.
Large companies	Could be more checks and balances on their activities and greater scrutiny of previously overlooked wrongdoings (economic - tax evasion; environmental - emissions, pollution)
Companies that focus on resource use	becomes resistant to environmentally-focused institutional empowerment - threatening further investment into the resource extraction sector
Government institutions	
Treasury	May oppose reform as it sees it as reducing tax collection
Across government	New institutions – if not appropriately implemented – could lead to additional fraud and corruption in public service provisions and practices.
Other stakeholders	
Non-government organisations	Charities, NGOs and conservation groups operating in SIDS may oppose institutional reform as it weakens their influence in the country.
Indigenous people	May interpret institutional change as impacting further on their livelihoods, sustainability etc…
Rural communities	May experience institutional reform as a ‘brain drain’.

Table 6: Identifying Multiple benefits and Positive Multipliers Effects

Investment Concept	Broader Benefits	Potential unintended consequences
Training and capacity building for climate resilient digital infrastructure	Increased participation because of better buy-in across many stakeholders Increased skills and confidence of government officials and future workforce to deal with stakeholders including investors Future-proof capacity building Networks built in training encourage peer-to-peer exchange, train the trainer. Building innovation hubs	Others not focusing on climate resilient digital infrastructure - the key challenge facing SIDS and the niche area that helps minimise the shocks of future crises. Wide impacts on other aspects of governance and resilience Single point training and single point solutions do not have lasting impact
Strong mechanism and channels for Youth to have a voice and opportunity for involvement in the design, content, implementation and evaluation of solutions to promote 'blue and green' jobs in SIDS	Address solves sustainability, skills, youth employment and it responds to the whole issue of climate change Address SDG 8 (sustainable economic growth and employment) Standardised/classification of different jobs in different sectors e.g. mining, agriculture, fisheries, tourism etc. against a blue/green index. Retrain and re-recruit existing employees in those industries. Repurpose existing labour force and recruit new employees. The young can learn from the older employees and vice versa.	
Making youth an asset class for investment through effective skills development	Advanced information to investors on the availability of skills in the country (at lower cost to them in comparison to any foreign-based skills that might be brought in otherwise) Youth having fulfilling careers in their own countries (keeping their skills in their own countries); reduction of brain-drain Mainstreaming of youth in the national development goals - a more engaged youth who have a voice and feel part of the polity	

	Advanced information to investors on the availability of skills in the country (at lower cost to them in comparison to any foreign-based skills that might be brought in otherwise) Governments through bilateral relationships with other countries can seek technical assistance or an exchange of knowledge and ideas.	

Each of the investment concepts below are essentially national systems level investable programme ideas. These system ideas are drawn from the workshops where every country's ambition and promise to their citizens were addressed and a gap analysis was carried out. This promise can take advantage of the growing sustainable investment commitments. Using the Common Pool Investment template, multiple countries can benefit from the systems level investments.

Table 7: Key Investment Concepts for Knowledge Empowerment

Investment theme	Investment Concept
Formal Education	High tech education
	Environmental education – 'hands on' education experiences
	Bio-technology
	Information technology – particularly Crypto/NFTs for arts
	Reverse mentoring. In this case an investment can help create a dynamic to map how many SIDS have higher education institutions and how many rely on neighboring SIDS or other countries.
	Need to consider the whole system - not just the specific knowledge but also all the infrastructure that is required for the knowledge to be embedded and used
	Improve the quality of existing education

	Enhance and attract people to come to the country to study & learn.
Company based knowledge sharing	Encourage and provide incentives for companies to bring their access to international knowledge networks to SIDS for knowledge exchange.
	Food cooperatives and agricultural projects to promote and share knowledge about food security.
	Attract foreign investments through citizenships to foreigners by purchasing land or other infrastructure or other assets in SIDS
	Promote SIDS as destination locations for remote working communities and/or retirees. Use this to leverage knowledge exchange with locals.
Knowledge sharing focussing on women, youth and indigenous people and groups	Knowledge sharing with indigenous groups and women's groups – particularly on management of natural resources
	Facilitating intergenerational knowledge exchange – e.g. Grandmothers council
	Knowledge investment to protect and promote cultural heritage
Government participation in knowledge sharing and empowerment.	Training representatives in key institutions/parts of the economy on knowledge sharing
	Develop government processes for ensuring that various institutions share knowledge as appropriate.
	Resources and facilities to hold international seminars/webinars for technology sharing and other important topics to extract knowledge, exposure to other views for SID residents, inform people otherwise SIDS about culture in SIDS so external investors could be interested in investing

DATA AND DATA MANAGEMENT

A key challenge in developing a common pool investment approach is collecting and analysing relevant data that will support the conceptualisation of 'youth' and 'nature' as investable assets, alongside other forms of data required by investors.

Transparent, reliable, accessible and trustworthy data is critical to generating an investment 'business case' and is therefore central in building the Common Pool Investment Approach.

The Commonwealth has already made substantial investments in improving data management and transparency for debt management for member countries through the Public Debt Management Programme[45] and the related Meridian Software.[46] A key strength of this common approach to financial management is that the data is stored and made available in a variety of formats, for a variety of purposes, and is relatively easy to access for both participating governments and other financial stakeholders.

This project seeks to extend this idea of transparent, robustly recorded and managed data to data sets that will underpin the development of investment projects under the Common Pool Investment Approach.

This comprises of two components:

1. **Data management** - collecting, collating and analysing investment relevant data through compiling a set of robust data indices to support Common Pool Investment projects, with specific reference to the two 'untapped-assets' – discussed in this section.

2. **Data Governance** - The development of a robust, accessible and transparent data reporting and storage IT platform, to reduce the transaction costs associated with data collection needed to build a 'business case' for investment, and to manage and report on project data. This platform will be considered in the next stage of this project – see Next Steps

For both data management and data governance functions the strategic objectives and needs of SIDS governments will be central. Like the Meridian Software, all data architecture will be co-designed with SIDS governments who retain ownership and control over the data.

[45] See Commonwealth Public Debt Management Programme website.
[46] See Introducing Commonwealth Meridian

Data indices to support Common Pool Investment

During the initial phases of this project, this research team assessed a range of commonly used data indices to assess their suitability in providing data that would support the Common Pool Investment Approach (see Box 10 and Table 8).

BOX 10: Commonly Used Data Indices

- Universal Vulnerability Index, Commonwealth Secretariat (2021, "**UVI**")
- Economic Vulnerability Index, Commonwealth Secretariat (2014)
- UNDP Multidimensional Vulnerability Index (2021, "**MVI**")
- Yale Environmental Performance Index (2020, "**EPI**")
- UN Human Development Index
- Planetary pressures–adjusted Human Development Index
- Human Development Index Ranking, Commonwealth
- UN Sustainable Development Goals (SDG) and in particular SDG 8
- Caribbean Development Bank (2019)

These indices can help identify multiple groupings of countries that have common or shared strengths and areas they wish to invest in. As such, it may be that there are several (possibly overlapping) groupings of countries that wish to set up separate pools for investments for different purposes.

From the list summarised in Box 10, two indicators were selected as providing appropriate levels of data. These are:

1. **The Environmental Performance Index** published annually by Yale University. The EPI quantitatively assesses the sustainability performance of countries against 40 indicators across 11 issues categories including climate change, environmental health and ecosystem vitality. The indicators assess how close countries are to established environmental targets. Currently the EPI assesses 180 countries across the world.[47] A key strength of the EPI is its capacity to drill into the details to provide a granular and comparable assessment of progress towards environmental sustainability. The EPI was selected as an data index for this project because it provides a robust, transparent and independent assessment of the absolute and relative performance of SIDS in managing their natural assets and progress towards Sustainable Development Goals.[48]

2. **An Internal Stability Index** developed from the component of the Commonwealth Universal Vulnerability Index called the "Internal Violence Index - Lack of Structural Resilience Index" (IVI-LSRI). The IVI-LSRI is a measure of the structural vulnerability SIDS face to internal political violence that regular societal organisation is unable to

[47] For more information see Environmental Performance Index hosted by Yale University.
[48] Environmental Performance Index 2022

prevent.[49] This indicator measures societal fragility directly by using data on the occurrence of violence across a range of different types of 'internal social violence – including numbers of injured or death due to terrorism, deaths due to internal armed conflicts, homicide rates etc….. Social fragility and violence, self-evidently, undermine the attractiveness of a country to investors – this enables the transparent monitoring and tracking of violent phenomena over time, providing useful evidence for improvement over time.

In addition, two new indices were developed for this research. They are:

1. **An Untapped 'Youth' Index** composed of the data collected by the UN DESA to track Sustainable Development Goal Indicator 8.6.1. This indicator tracks the proportion of youth aged 15-24 that is not currently in education, employment or training. We apply that proportion, by country, to the number of youth aged between 15-34 to provide an *indicator* of the number of under 35s likely to be outside education, employment or training. The purpose of this indicator is to track, monitor and estimate the size of the 'youth' asset that may be open to education or employment through Common Pool Investment projects.

2. **The Political Economic Resilience Index (PERI)** comprises of an arithmetic average of:
    a. The Commonwealth UVI component measuring the non-structural sources of resilience – primarily readily available indicators of good policy performance in a country; and
    b. Financial Resilience from the UN MVI;
    c. The level of exposure of a country to funds from Tourism, Foreign Direct Investment (FDI) and overseas remittances.

    Each element is calculated as a percentage of GDP. PERI is calculated as 100 minus the average of the three figures and reported as an index with 100 being the most financially resilient and 0 being the least.

The purpose of PERI is to measure the economic strength of a country as measured by the quality of its economic institutions in reducing the impacts of shocks on sustainable development, and the extent to which a country is exposed to 2 of the major economic vulnerabilities faced by SIDS - changes in tourism revenue and changes in remittances. Examples of data collected for SIDS are set out in Table 8.

Use of these indicators requires some level of quantification of the broad range of qualitative data and concepts that underpins concepts such as vulnerability, environmental performance and societal fragility. This is done for two reasons:

[49] See The Commonwealth Universal Vulnerability Index.

1. Quantification taps into the language of the investment community, making it easier for them to understand, and incorporate into their decision making, how factors such as political and social stability, good governance governance and economic engagement can influence investment outcomes in SIDS.
2. A quantification approach allows for a visual representation of 'good governance' of social, economic and environmental factors - and provides a solid evidence base for SIDS to build their business case for investment.

These indices can be used to provide valuable data about a specific country for the purposes of developing a 'business case' for investment under the Common Pool Investment Approach. They complement more conventional assessment of the 'investability' of a country by:

- Measuring how well (or how poorly) a country is managing its natural assets – and where potential areas of investment may lie.
- Its institutional strength in protecting economic activity within the country from elements like internal violence, corruption and economic shocks
- Its exposure to vulnerability and common external shocks faced by SIDS.

The four sets of indices can also be combined and visualised (Figure 10) to identity commonalities and differences between SIDS - not to determine correlations but to identify clusters and outliers as part of a broader discussion on common investment proposals.

Examining the data in Figure 10, there are two potential interpretations, each of which is equally valid and could form the basis for a different investment approach:

- Countries with higher PERI and EPI may be seen as less risky to invest in. Such countries would have a stronger starting point with political-economic resilience and existing natural assets to leverage when engaging untapped resources among the youth. In other words, where there is some pre-existing institutional capacity, so the opportunity to make a faster difference is greater.
- Countries with lower PERI and EPI may be seen as more risky to invest in. But systemic interlinkages between these underperforming factors may be hidden opportunities to be discovered in the process of Phase 2 and 3 to provide much greater value for money investments in 'youth' and 'nature'. In other words, where there is more room for improvement, so the opportunity to make a difference is greater.

Additional research is required for several countries to collate and verify data in order to accurately incorporate them into the indices. To avoid misrepresentation, these countries have been excluded from the preliminary calculations of the indices until further research is undertaken in the second phase of this project. These are:

4. **Internal Stability -** Dominica and Nauru

5. **EPI -** Nauru, St. Kitts and Nevis and Tuvalu
6. **PERI -** Brunei Darussalam, Dominica, Nauru and The Bahamas

Figure 10: Asset-like characteristics across countries.

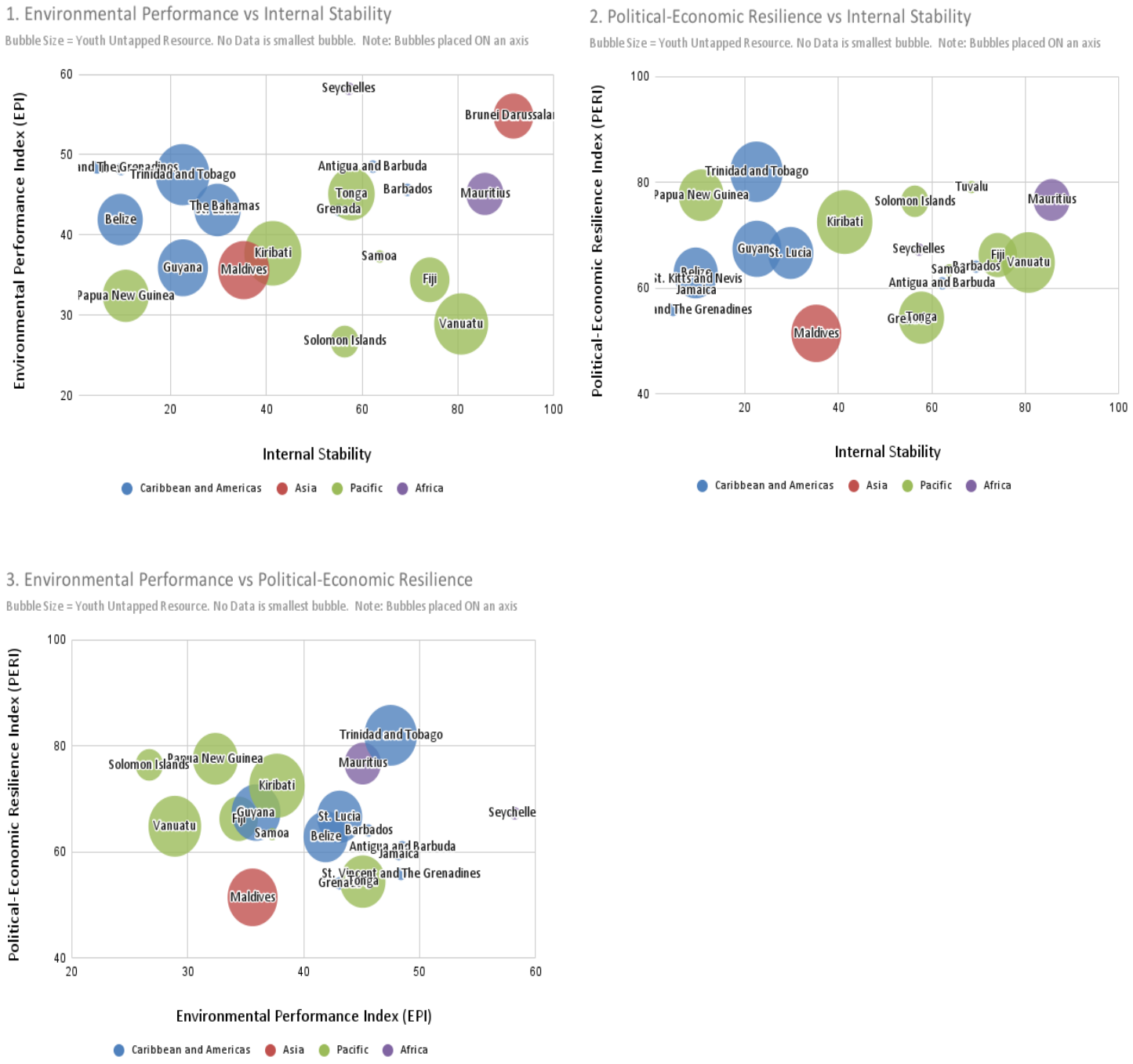


Table 8: SIDS country data for four indices

Note: Yellow highlights are the focus countries representing geographical, economic and demographic diversity

ISO3	Country	Part of world	Structural Stability (UVI - SVRI_1 scaled to 0-bad or missing 100-Good)	EPI (Higher the better)	CamYouth untapped resource (1 = missing)	Political-Economic Resilience (Score: 0-bad or missing and 100-Good) (components: 1-Fin Resi (avg tourism, FDI and remit)); CUVI (1-Lack of non-structural resilience LNSR: governance, macroecon stability and regulation of business)	SDG indicator 8.6.1 - Proportion of youth (aged 15-24 years) not in education, employment or training (%)	Youth (15-34) population compared to total population	Policy strength (UVI - LNSRI converted to 0-bad or missing and 100-Good)	Financial Resilience (UNMVI converted to 0-bad or missing and 100-Good)
KIR	Kiribati	Pacific	2	38	16.6	73	49.8	33.3%	62	83
VUT	Vanuatu	Pacific	12	29	14.6	65	43.2	33.7%	71	58
TTO	Trinidad and Tobago	Caribbean and Americas	35	48	14.5	82	52.1	27.8%	70	94
BWA	Botswana	Africa	10	40	13.6	86	39.3	34.7%	79	92
SWZ	Eswatini	Africa	16	34	13.0	75	35.5	36.6%	56	94
MDV	Maldives	Asia	16	36	12.7	52	27.6	46.0%	48	55
GUY	Guyana	Caribbean and Americas	22	36	12.0	67	35.8	33.6%	59	75
NRU	Nauru	Pacific	0	0	11.5	0	36.4	31.7%	0	84
NAM	Namibia	Africa	12	40	11.4	77	31.8	36.0%	66	89
TON	Tonga	Pacific	5	45	9.9	54	30.3	32.8%	67	41
LCA	St. Lucia	Caribbean and Americas	26	43	9.8	67	29.9	32.8%	75	59
PNG	Papua New Guinea	Pacific	28	32	9.6	78	27.7	34.8%	60	95

BLZ	Belize	Caribbean and Americas	21	42	9.3	63	24.9	37.2%	53	72
BRN	Brunei Darussalam	Asia	76	55	6.5	0	20.1	32.4%	74	0
FJI	Fiji	Pacific	14	34	6.4	67	20.1	31.7%	67	66
MUS	Mauritius	Africa	48	45	5.4	77	18.1	29.9%	74	79
CYP	Cyprus	Europe	0	65	4.3	0	14.4	30.0%	0	0
LSO	Lesotho	Africa	4	28	4.0	65	11.0	36.7%	62	69
SLB	Solomon Islands	Pacific	9	27	2.3	77	7.0	32.7%	65	88
MLT	Malta	Europe	0	71	2.3	0	9.2	24.6%	0	0
SGP	Singapore	Asia	81	58	1.0	0	#N/A	26.2%	73	0
BRB	Barbados	Caribbean and Americas	70	46	1.0	64	#N/A	26.0%	60	68
SYC	Seychelles	Africa	46	58	1.0	67	#N/A	27.4%	62	72
ATG	Antigua and Barbuda	Caribbean and Americas	39	49	1.0	61	#N/A	29.6%	66	56
GRD	Grenada	Caribbean and Americas	32	43	1.0	54	#N/A	31.2%	60	48
BHS	The Bahamas	Caribbean and Americas	28	44	1.0	0	#N/A	32.3%	67	0
KNA	St. Kitts and Nevis	Caribbean and Americas	26	0	1.0	62	#N/A	31.7%	64	59
JAM	Jamaica	Caribbean and Americas	15	48	1.0	60	#N/A	33.4%	65	54

VCT	St. Vincent and The Grenadines	Caribbean and Americas	12	48	1.0	56	#N/A	31.1%	64	48
WSM	Samoa	Pacific	8	37	1.0	64	#N/A	31.4%	73	54
TUV	Tuvalu	Pacific	4	0	1.0	79	#N/A	31.7%	77	81
DMA	Dominica	Caribbean and Americas	0	45	1.0	0	#N/A	31.7%	0	55

CONCLUDING REMARKS AND NEXT STEPS

The increase in debt levels experienced by SIDS in the wake of the COVID pandemic have raised the possibility that countries may face debt distress (ESCAP, 2022) and moved closer into the 'debt trap'. Indeed IMF data shows that roughly half of the SIDS and small states in the Commonwealth carry government debt to GDP ratios of over 70% (IMF Datamapper, 2022). To continue meeting the demand for development finance, as well as to adapt to climate change, Commonwealth SIDS need an alternative funding model in the COVID recovery-era that addresses their specific challenges in securing, managing and executing financed projects at scale.

Drawing on world leading research on human-centred development, systems theory, participatory research and institutional design to validate our approach, this project presents a new funding model for Commonwealth SIDS that shifts the focus from generating additional debt financed projects to creating system level investments at efficient scales of operation. Specifically, this research has:

- Developed the Common Pool Investment Approach - a new model for SIDS to access international financial flows that builds on the strengths of SIDS and actively manages structural barriers;
- Worked with youth representatives, SIDS Governments, the Commonwealth Secretariat, experts and the Commonwealth Secretariat to identify common areas for potential investment across multiple SIDS - including developing data sets to support this analysis;
- Used innovative research tools to support stakeholders in undertaking a systems based evaluation of the challenges and opportunities they face;
- Developed an approach to managing data and information needed to support building a 'business case' for investment; and
- Introduced and validated the concept of 'youth' and 'nature' as untapped assets across Commonwealth SIDS that are available for further investment.

In doing so, this project has created an inclusive, intergenerational, and deliberative space for Commonwealth citizens to partner with their governments, and experts, to generate innovative investment concepts for SIDS. The proposed Common Pool Investment Model is designed to support these innovations through facilitating the scaling up of projects and to address the current unequal power relations between SIDS and potential investors.

The Common Pool Investment Approach is designed to facilitate investments in collective projects using a number of different financing models - including but not limited to concession loans, but could also be used to implement new types of financing under active discussion in the Commonwealth - for example debt to nature swaps (ESCAP,2022).

Furthermore, this Approach provides the evidence and the data to build a business case for investment from both the supply of investment opportunities in SIDS and for the demand for sustainable investments from the investment community.

This Report presents the interim results of this project.

The Second Stage of this research will focus on exploring the regulatory framework that is required to generate (institutional) investor support for the Common Pool Investment Approach.

A robust institutional framework is necessary for investors to have the confidence that their investments are generating the desired returns - whether that is financial returns or social, ecological or cultural benefits.

This phase of the research will:

- Undertake additional analysis on the research concepts to examine their viability;
- recognize tensions and potential challenges to overcome. to identify specific investable proposals under 'youth' and 'nature';
- Undertake a survey of the sustainable investment market to map potential opportunities;
- Conduct interviews and work with potential investors through workshops to test the Common Pool Investment approach with the investor community, and to familiarise them with the concept, through, for example, working with members of the Conservation Finance Alliance[50] to identify potential projects and potential investors;
- Conduct a second Cambridge Policy Simulation Lab to co-create a risk management system for accessing capital.

This research will complete its work program in 2023 and will submit a final research report in an agreed timeline during the fourth quarter of 2023.

[50] The Conservation Finance Alliance is a global network of conservation finance experts, practitioners and organisations to promote awareness, best practice and innovation in conservation finance.

APPENDICES

1. Stakeholders' Survey

IN SCOPE: Based on the Knowledge Empowerment definition, whose or what type of knowledge empowerment IS a national priority? (e.g. Companies Teaching indigenous people, youth, women or underrepresented groups knowledge sharing)

OUT OF SCOPE: Based on the Knowledge Empowerment definition, whose or what type of knowledge empowerment is NOT a national priority? (e.g. Teaching prisoners, teaching a new language)

Who directly benefits from investing in knowledge empowerment that you just put IN SCOPE (e.g. legislator, private sector which requires educated people or people with skills)?

Think about one of the IN SCOPE candidates and answer: Who directly suffers when a nation invests in knowledge empowerment including risks and opportunity costs (e.g. Companies lose the benefit of cheap labour with increasing level of education of the population)?

Think about one of the IN SCOPE candidates and answer: Who indirectly suffers when a nation does NOT invest in knowledge empowerment, including risks and opportunity costs (e.g. Imported science is crowding out local knowledge, affecting the local knowledge, if not investing in knowledge protection)?

Think about one of the IN SCOPE candidates and answer: Invest to support/magnify diaspora knowledge exchange in SIDS - Theme 1. Diaspora knowledge exchange: What are the Enabling Conditions to support the implementation of the solutions and initiatives? (e.g. grandmother council; people are living longer and having more memory)

Invest to support/magnify diaspora knowledge exchange in SIDS - Theme 1. Diaspora knowledge exchange: What are the investments in Key Capabilities Required to prevent negative unintended consequences? (e.g National Science Foundation creating official recognition system for the diaspora scholar to engage with local academia)

Invest to support/magnify diaspora knowledge exchange in SIDS - Theme 1. Diaspora knowledge exchange: What identifiable benefits - whether financial or not - can be expected/planned for in the next five years? (e.g. increase knowledge transfer)

Invest to improve inter-generational knowledge exchange in SIDS Theme 2. Intergenerational knowledge exchange: What are the Enabling Conditions to support the implementation of the solutions and initiatives?

Invest to improve inter-generational knowledge exchange in SIDS Theme 2. Intergenerational knowledge exchange: What are the investments in Key Capabilities Required to prevent negative unintended consequences?

Invest to improve inter-generational knowledge exchange in SIDS Theme 2. Intergenerational knowledge exchange: What identifiable benefits - whether financial or not - can be expected/planned for in the next five years?

Invest to improve untapped knowledge exchange in SIDS Theme 3. Untapped knowledge exchange (indigenous knowledge): What are the Enabling Conditions to support the implementation of the solutions and initiatives?

Invest to improve untapped knowledge exchange in SIDS Theme 3. Untapped knowledge exchange (indigenous knowledge): What are the investments in Key Capabilities Required to prevent negative unintended consequences?

Invest to improve untapped knowledge exchange in SIDS Theme 3. Untapped knowledge exchange (indigenous knowledge): What identifiable benefits - whether financial or not - can be expected/planned for in the next 5 years?

What's IN Scope (e.g. national audit system/national health system/youth council)?

What's OUT of Scope (e.g. national prison system)

Who directly benefits from investing in institutional empowerment (e.g. investing in free education for girls directly helps girls)?

Who directly suffers from investing in institutional empowerment, including risks and opportunity costs (e.g. government authority is weakened, national companies are risky investments)?

Who indirectly suffers from NOT investing in institutional empowerment, including risks and opportunity costs (e.g. If the health system is not upgraded to address pandemic challenges employers face productivity challenges)?

Institutional Empowerment: Strengthen the role of youth councils in states' policy-making process (Theme 1. Youth councils in policy-making): What are the Enabling Conditions to support the implementation of the solutions and initiatives? (e.g over 70% of the young people are with graduate degree)

Institutional Empowerment: Strengthen the role of youth councils in states' policy-making process (Theme 1. Youth councils in policy-making): What are the investments in Key Capabilities Required to prevent negative unintended consequences? (e.g Established foreign scholarships for youth leader by clearly identifying which of their skills will directly benefit the country upon their return)

Institutional Empowerment: Strengthen the role of youth councils in states' policy-making process (Theme 1. Youth councils in policy-making): What identifiable benefits - whether financial or not - can be expected/planned for in the next 5 years? (e.g Blue Ocean Charter should include Youth Council to ensure investments are targeting young farmers)

Institutional Empowerment: Create a channel for foreign investment in youth - especially in untapped youth (SDG 8.6.1) (Theme 2: Youth as a cross-cutting invest-able group): What are the Enabling Conditions to support the implementation of the solutions and initiatives? (e.g Innovation hubs are linking youth with foreign mentors)

Institutional Empowerment: Create a channel for foreign investment in youth - especially in untapped youth (SDG 8.6.1) (Theme 2: Youth as a cross-cutting invest-able group): What are the investments in Key Capabilities Required to prevent negative unintended consequences? (e.g. Diaspora bonds to train more youth in forest management)

Institutional Empowerment: Create a channel for foreign investment in youth - especially in untapped youth (SDG 8.6.1) (Theme 2: Youth as a cross-cutting invest-able group): What identifiable benefits - whether financial or not - can be expected/planned for in the next 5 years? (e.g 1,000 unemployed youth will receive training in cataloging indigenous species of the island).

Institutional Empowerment: Improve the legislative support to protect youth (Theme 3: Legislative support to protect youth): What are the Enabling Conditions to support the implementation of the solutions and initiatives?

Institutional Empowerment: Improve the legislative support to protect youth (Theme 3: Legislative support to protect youth): What are the investments in Key Capabilities Required to prevent negative unintended consequences?

Institutional Empowerment: Improve the legislative support to protect youth (Theme 3: Legislative support to protect youth): What identifiable benefits - whether financial or not - can be expected/planned for in the next five years?

2. List Of Participating Country Stakeholders and Subject Matter Experts

Note: For intergovernmental organisations, the country indicated in the table is the location of the headquarters.

Country	Sector	Organisation name
Bahamas	National Government	Ministry of Works and Utilities
Barbados	Civil society	Future BARBADOS
Barbados	Civil society	The HEY Campaign
Barbados	School/University/Student	Masters in Clinical Dentistry: Oral Surgery
Barbados	School/University/Student	MEng Structural Engineering and Architecture, Barbados
Barbados	School/University/Student	MPhil Physics+Sustainability student
Barbados	School/University/Student	MSc. International Development and Emerging Economies, Barbados
Barbados	School/University/Student	MSc. International Trade Policy, Barbados
Belize	National Government	National Climate Change Office
Botswana	Other	Currently seeking employment
Cameroon	Civil Society	Commonwealth Youth Peace Ambassadors Network
Canada	Intergovernmental Organisation	Commonwealth of Learning
Canada	School/University/Student	Havergal College
Canada	School/University/Student	Woodroffe High School
Cyprus	Civil society	Vicinus
Cyprus	School/University/Student	University of Cyprus
Egypt	Intergovernmental Organisation	Food and Agricultural Organisation - Regional Office for Near East & North Africa
Fiji	School/University/Student	PhD student at The University of the South Pacific
Ghana	National Government	Begoro Government hospital
Ghana	National Government	Ministry of Finance
Ghana	School/University/Student	University of Lincoln
Guyana	National Government	The Environmental Protection Board representing Minister from Guyana

Guyana	Civil society	Pomeroon River Youth Leadership Network
Guyana	National Government	Ministry of Local Government and Regional Development
Guyana	National Government	Representative of Minister of Public Works
Guyana	Intergovernmental Organisation	CARICOM - Economic Policy and Development
Guyana	Private Company	Guyana Sugar Corporation
Guyana	School/University/Student	University of the West Indies, Cave Hill, Guyana
India	Other	Calcutta High Court
India	Intergovernmental Organisation	Former Senior Economist with World Bank
India	National Government	Ministry of Environment, Climate Change and Environment
India	Private Company	IIT Kanpur FIRST
India	School/University/Student	DAV Public School
India	School/University/Student	Cambridge University Press
India	School/University/Student	Sheiling house school
India	School/University/Student	Sunbeam English school Bhagwanpur
India	School/University/Student	The National University of Advanced Legal Studies, Kochi, India
India	School/University/Student	University School of Law & Legal Studies, GGS Indraprastha University
India	Private Company	IIT Kanpur FIRST & AIIDE
India	Intergovernmental Organisation	Commonwealth Secretariat
Jamaica	Civil society	CYPAN Jamaica
Jamaica	National Government	CYSDP
Jamaica	Private Company	JN group
Jamaica	School/University/Student	University of the West Indies
Jamaica	School/University/Student	UWI STAT
Kenya	Private Company	KENCTAD
Malawi	News/Media	Freelance Journalist
Malawi	News/Media	Freelance Journalist
Malawi	News/Media	Malawi Broadcasting Corporation
Maldives	Civil society	Local Community Initiative Maldives

Maldives	Civil society	Maldives National Youth Council
Maldives	Civil society	The Maldives National University Students' Union
Maldives	Other	Individual
Maldives	School/University/Student	Maps College
Maldives	National Government	Minister of State for Environment, Climate and Technology
Maldives	Private company	Four Six Investments Pvt Ltd
Mauritius	National Government	Former President
Mauritius	Intergovernmental Organisation	UN Resident Coordinator's Office for Mauritius and Seychelles
Mauritius	National Government	Environment Officer, Ministry of Environment, Solid Waste Management and Climate Change
Mauritius	National Government	Minster
Mauritius	National Government	Ministry of Environment, Solid Waste Management and Climate Change thematic area: Biodiversity and Ecosystem Services.
Namibia	School/University/Student	University of East London
Nigeria	Private Company	Landmark University
Pakistan	Civil society	IAYC
Papua New Guinea	Civil society	Pes Na Ples | Local Community Based Organization
Rwanda	News/Media	Freelance Journalist
Seychelles	Civil society	Seychelles' Conservation and Climate Adaptation Trust
Seychelles	National Government	Department for Education
Singapore	National Government	National Youth Council
South Africa	Civil society	Bongani Power Stars
Spain*	Intergovernmental Organisation	World Tourism Organisation - Innovation, Education and Investments
Spain*	Intergovernmental Organisation	World Tourism Organisation - Innovation, Investments and Digital Transformation
Spain*	Private company	Creatella Impact, Inc
St. Kitts and Nevis	Private Company	LS Electronics
St. Lucia	Civil society	Saint Lucia National Youth Council

St. Vincent and The Grenadines	Civil Society	Commonwealths Youth Council
St. Vincent and The Grenadines	School/University/Student	The University of the West Indies St. Augustine Campus
The Bahamas	National Government	Ministry of Foreign Affairs
The Bahamas	School/University/Student	University of The Bahamas
Tonga	Private Company	Kaila Media
Tonga	School/University/Student	Academia
Trinidad and Tobago	Civil society	Commonwealth Youth Climate Change Network
Trinidad and Tobago	Civil society	Trinidad and Tobago Youth Advocacy Network
Trinidad and Tobago	School/University/Student	School Student
Trinidad and Tobago	School/University/Student	student
Trinidad and Tobago	School/University/Student	The University of the West Indies
Trinidad and Tobago	Civil society	CYEN
Uganda	Civil society	Hope for Katanga Kids Project
Uganda	Private Company	Sinewall Technologies Ltd
UK	Civil Society	Cameroon, Acadamoral Leadership Association-Cameroon, One Million Leaders Africa Fellow
UK	Intergovernmental Organisation	Commonwealth Secretariat - Climate Change
UK	Intergovernmental Organisation	Commonwealth Secretariat - Commonwealth Connectivity AgendaTrade, Oceans and Natural Resources Directorate
UK	Intergovernmental Organisation	Commonwealth Secretariat - Adviser, Infrastructure Policy
UK	Intergovernmental Organisation	Commonwealth Secretariat - Assistant Research Officer
UK	Intergovernmental Organisation	Commonwealth Secretariat - Assistant Research Officer, Young Professional
UK	Intergovernmental Organisation	UN Environment Finance Initiative
UK	Intergovernmental Organisation	Commonwealth - Debt Management Unit
UK	Intergovernmental Organisation	Commonwealth Secretariat - advisor and Head to the Deputy Secretary-General
UK	Intergovernmental Organisation	Commonwealth Secretariat - Innovation and Partnerships

UK	Intergovernmental Organisation	Commonwealth Secretariat - Evaluation Section
UK	Intergovernmental Organisation	Commonwealth Secretariat - Public Affairs Advisor to the Secretary General
UK	Intergovernmental Organisation	Commonwealth Secretariat - Secretary General's Office
UK	Intergovernmental Organisation	Education Specialist, Commonwealth of Learning
UK	Intergovernmental Organisation	Commonwealth Secretariat - Oceans and Natural Resources Directorate
UK	Intergovernmental Organisation	Officer
UK	Intergovernmental Organisation	Commonwealth Secretariat - Programme Manager
UK	Intergovernmental Organisation	Commonwealth Foundation - Programme Manager
UK	Intergovernmental Organisation	Commonwealth Foundation - Senior Programme Officer (Small State Capacity Development)
UK	Intergovernmental Organisation	Commonwealth Secretariat - Trade Competitiveness Adviser
UK	National Government	Permanent Mission of Tuvalu to the UN
UK	Private company	Bioss International
UK	Private company	CFA | Managing Director, Head of Institutional Sales
UK	Private Company	Cambridge Sustainable Investment Partners
UK	Private Company	Milbank
UK	School/University/Student	Director of Research in Industrial Sustainability
UK	School/University/Student	Institute for Manufacturing Engage, University of Cambridge
UK	School/University/Student	International Contracts Manager for Arts, Humanities and Social Sciences, University of Cambridge
UK	School/University/Student	Senior Contract Manager
UK	School/University/Student	COL Education Specialist for Open Schooling
UK/Bahama	Intergovernmental Organisation	Commonwealth Secretariat

UK/Tonga	Intergovernmental Organisation	Commonwealth Secretariat - Pacific Governance and Peace Directorate
United Kingdom	Intergovernmental Organisation	Commonwealth - Communication Advisor
United Kingdom	Intergovernmental Organisation	Commonwealth Secretariat
USA*	Civil society	World Heritage Cultural Center Global Goodwill Ambassador
USA*	Civil society	Impact Consultancy Services Inc.,/President, Impact Foundation.
USA*	Civil society/academia	Guarini Center for Environmental, Energy and Land Use Law at New York University School of Law

3. Bibliography

Agee, M.D. and Crocker, T.D. (2013). Operationalizing the capability approach to assessing well-being. *The Journal of Socio-Economics*, [online] 46, pp.80–86. doi:10.1016/j.socec.2013.07.003.

Alkire, S. (2005). Why the Capability Approach? *Journal of Human Development*, 6(1), pp.115–135. doi:10.1080/146498805200034275.

Ameli, N., Dessens, O., Winning, M., Cronin, J., Chenet, H., Drummond, P., Calzadilla, A., Anandarajah, G. and Grubb, M. (2021). Higher cost of finance exacerbates a climate investment trap in developing economies. *Nature Communications*, 12(1). doi:10.1038/s41467-021-24305-3.

Armstrong, J (2002), *Rules for Non-Directive Interviewing*

Asian Development Bank (2019) A Framework for Addressing the Financing Needs of Small Island Developing States. Paper to the ADF 13 Replenishment Meeting 5-7 November, 2019, Manilla, Philippines. [online]. Available: https://www.adb.org/sites/default/files/page/561776/framework-financing-needs-sids-discussion-paper.pdf

Besley, T. (2015). Law, Regulation, and the Business Climate: The Nature and Influence of the World Bank Doing Business Project. *Journal of Economic Perspectives*, 29(3), pp.99–120. doi:10.1257/jep.29.3.99.

Brydon-Miller, M., Greenwood, D. and Maguire, P. (2003). Why Action-Research? *Action-Research*, [online] 1(1), pp.9–28. doi:10.1177/14767503030011002.

Chaffin, B.C., Garmestani, A.S., Gunderson, L.H., Benson, M.H., Angeler, D.G., Arnold, C.A. (Tony), Cosens, B., Craig, R.K., Ruhl, J.B. and Allen, C.R. (2016). Transformative Environmental Governance. *Annual Review of Environment and Resources*, 41(1), pp.399–423. doi:10.1146/annurev-environ-110615-085817.

Clark, W.C., van Kerkhoff, L., Lebel, L. and Gallopin, G.C. (2016). Crafting Usable Knowledge for Sustainable Development. *SSRN Electronic Journal*. doi:10.2139/ssrn.2782651.

Carlson, C., Wilmot, W (2006) Innovation – The Five Disciplines for Creating What Customers Want. Stanford Research Institute, US.

Commonwealth (2018) *Commonwealth and Climate Change* [online] Available at: https://production-new-commonwealth-files.s3.eu-west-2.amazonaws.com/migrated/inline/EYSSD_COP24_Booklet.pdf

CHOGM (2022) *Communique Of The Commonwealth Heads Of Government Meeting "Delivering A Common Future: Connecting, Innovating, Transforming" and Commonwealth Heads declare 2023 the Year of the Youth* [online] Available at: https://production-new-commonwealth-files.s3.eu-west-2.amazonaws.com/s3fs-public/2022

-06/CHOGM%202022%20Communique.pdf?VersionId=sqWEwpE4gyzg8wIdTCoPO0yQgVNZ7Izy

CHOGM (2022a) Commonwealth Heads of Government Meeting 2022 Leaders' Statement [online] Available at: https://production-new-commonwealth-files.s3.eu-west-2.amazonaws.com/s3fs-public/2022-06/CHOGM%202022%20Leaders'%20Statement.pdf?VersionId=BT8r6ZIoAk706RoKnhfWBRbG76.bZO0W

Commonwealth (2022). *Small States Review and Basic Statistics Volume 21: Rebuilding Small States Post-COVID-19*. [online] Available at: https://www.thecommonwealth-ilibrary.org/index.php/comsec/catalog/view/958/954/8202 .

Commonwealth Secretariat (2022a). *$10 million extra funding for Commonwealth Small Island Developing States*. [online] Commonwealth. Available at: https://thecommonwealth.org/news/10million-extra-funding-commonwealth-small-island-developing-states [Accessed 3 July. 2022].

Commonwealth Secretariat (2021a). *Belize explores debt-for-climate swaps with Commonwealth support*. [online] Commonwealth. Available at: https://thecommonwealth.org/news/belize-explores-debt-climate-swaps-commonwealth-support .

Commonwealth Secretariat (2021b). *Blog: GDP+ is a long-run solution for recognising Small States vulnerability in development financing*. [online] Commonwealth. Available at: https://thecommonwealth.org/news/blog-gdp-long-run-solution-recognising-small-states-vulnerability-development-financing [Accessed 2 July. 2022].

Commonwealth Secretariat (2021c). *The Commonwealth Universal Vulnerability Index*. [online] Available at: https://production-new-commonwealth-files.s3.eu-west-2.amazonaws.com/s3fs-public/documents/Universal%20Vulnerability%20Index%20Report.pdf?VersionId=S5QeZmOPs4l9Ht2xkbZk0.2jofex5hh6 .

Commonwealth Secretariat (2022b) GDP+: A Vulnerability Inclusive Measure. [online]. Available at: https://production-new-commonwealth-files.s3.eu-west-2.amazonaws.com/s3fs-public/2022-06/ANNEX%205A%20GDP%20plus%20An%20Inclusive%20Vulnerability%20Measure.pdf?VersionId=otyo1vfhXffXBh3LZxuaQR_PNyQJUtKb [Accessed 3 July, 2022]

Commonwealth Secretariat (n.d.). *Introducing Commonwealth Meridian*. [online] Available at: https://production-new-commonwealth-files.s3.eu-west-2.amazonaws.com/migrated/inline/Introducing%20Commonwealth%20Meridian.pdf

Commonwealth Secretariat (n.d.). *Public Debt Management Programme*. [online] Commonwealth. Available at: https://thecommonwealth.org/our-work/public-debt-management-programme

Dasgupta, P. (2021). *The Economics of Biodiversity: The Dasgupta Review Headline Messages*. [online] Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/957629/Dasgupta_Review_-_Headline_Messages.pdf

Datta, R. (2018) 'Decolonizing both researcher and research and its effectiveness in Indigenous research', Research Ethics, 14(2), pp. 1–24. doi: 10.1177/1747016117733296.

Deneulin S. (2010). *An Introduction to the Human Development and Capability Approach : Freedom and Agency*. London: Earthscan.

Drèze J. and Amartya Kumar Sen (2002). *Hunger and public action*. Oxford: Clarendon Press.

ESCAP (2022) *Debt for Climate Swaps in the Pacific SIDS* Paper presented to the Pacific Regional Debt Conference, 5-8 April, 2022. [online]. Available at: https://www.unescap.org/sites/default/d8files/event-documents/DFCS%20advance%20copy_15%20March%202022_webpage.pdf

Global Sustainable Investment Alliance (2022). *Global Sustainable Investment Review 2202*. [online] Available at: http://www.gsi-alliance.org/wp-content/uploads/2021/08/GSIR-20201.pdf

Gomez, B. and John Paul Jones (2010). *Research methods in geography : a critical introduction*. Malden: Blackwell Publishing.

Government of Fiji (2017). *FIJI'S GREEN BOND LAUNCH SEES UNPRECEDENTED SUPPORT*. [online] Available at: https://www.fiji.gov.fj/Media-Centre/News/FIJI'S-GREEN-BOND-LAUNCH-SEES-UNPRECEDENTED-SUPPOR [Accessed Jun. 23AD].

Government of Fiji (2019). *The Fiji Sovereign Green Bond Update, 2019.* [online] Available at: https://www.rbf.gov.fj/wp-content/uploads/2020/03/Fiji-Sovereign-Green-Bond-Impact-Report-2019.pdf [Accessed Jun. 23AD].

Gu, Y., Onggo, B.S., Kunc, M.H. and Bayer, S. (2021). Small Island Developing States (SIDS) COVID-19 post-pandemic tourism recovery: A system dynamics approach. *Current Issues in Tourism*, pp.1–28. doi:10.1080/13683500.2021.1924636.

Herbert, S. (2019) Development characteristics of Small Island Developing States *Help Desk Report: Knowledge, evidence and learning for development.* [online]. Available: https://assets.publishing.service.gov.uk/media/5d554c0a40f0b6706d0d2faf/623_Development_Characteristics_of_Small_Island_Developing_States_Final.pdf

IMF Datamapper (2022) Global Debt Database: Central Government Debt to GDP [online] Available: https://www.imf.org/external/datamapper/datasets/GDD accessed 4 August, 2022.

International Finance Corporation (n.d.). *A Green Bond to Help Fiji Secure a Greener Future*. [online] www.ifc.org. Available at: https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/cm-stories/fiji-green-bond-for-a-greener-future#:~:text=Fiji%27s%20green%20bond%2C%20launched%20in [Accessed 2 July. 2022].

Jordan, A. and Turnpenny, J.R. (2015). *The tools of policy formulation : actors, capacities, venues and effects*. Cheltenham, Uk ; Northampton, Ma, Usa: Edward Elgar Publishing Limited, Cop.

Meadows, D. (1999). *Report Leverage Points: Places to intervene in a system*. [online] Available at: https://donellameadows.org/wp-content/userfiles/Leverage_Points.pdf

Ostrom, E. (1990). *Governing the Commons*. Cambridge University Press.

Osher,D; Cantor, P; Berg, P; Steyer, L and Rose; T (2020) Drivers of human development: How relationships and context shape learning and development1, Applied Developmental Science, 24:1, 6-36, DOI: 10.1080/10888691.2017.1398650

Page, S. (n.d.). *The Great Courses*. [online] www.thegreatcourses.com. Available at: https://www.thegreatcourses.com/courses/understanding-complexity [Accessed 2 July. 2022].

People's Palace Projects (2021) Indigenous Research Methods Available: https://peoplespalaceprojects.org.uk/en/publications/indigenous-research-methods-publication/

Preiser, R., Biggs, R., De Vos, A. and Folke, C. (2018). Social-ecological systems as complex adaptive systems: organizing principles for advancing research methods and approaches. *Ecology and Society*, 23(4). doi:10.5751/es-10558-230446.

Read, R. (2008), Foreign direct investment in small island developing states. J. Int. Dev., 20: 502-525. https://doi.org/10.1002/jid.1477

Reason, P. and Bradbury, H. (2001). *Handbook of action-research : participative inquiry and practice*. London ; Thousand Oaks, Calif.: Sage.

Roberts, J.T., Weikmans, R., Robinson, Sa. *et al.* Rebooting a failed promise of climate finance. *Nat. Clim. Chang.* 11, 180–182 (2021). https://doi.org/10.1038/s41558-021-00990-2

Spash, C.L. and Hache, F. (2021). The Dasgupta Review deconstructed: an exposé of biodiversity economics. *Globalizations*, pp.1–24. doi:10.1080/14747731.2021.1929007

Talan, G. and Sharma, G. (2019). Doing Well by Doing Good: A Systematic Review and Research Agenda for Sustainable Investment. *Sustainability*, 11(2), p.353. doi:10.3390/su11020353

The Economist. (2019). *If capitalism is broken, maybe it's fixable*. [online] Available at: https://www.economist.com/open-future/2019/07/08/if-capitalism-is-broken-maybe-its-fixable

Thomas, A., Baptiste, A., Martyr-Koller, R., Pringle, P., Rhiney, K. (2020) Climate Change and Small Island Developing States Annual Review of Environment and Resources 45:1, 1-27 https://doi.org/10.1146/annurev-environ-012320-083355

UNDP and OHRLLS (2015). *Financing for Development and Small Island Developing States: A Snapshot and Ways Forward*. [online] Available at: https://sustainabledevelopment.un.org/content/documents/2181(UNDP%20&%20OHRLLS%202015)%20Financing%20for%20development%20and%20SIDS%20A%20snapshot%20and%20ways%20forward.pdf

UNFCCC (2020). *Introduction to Climate Finance*. [online] UNFCCC.int. Available at: https://unfccc.int/topics/climate-finance/the-big-picture/introduction-to-climate-finance

UN OCHA (2021) *Survival mode on as pandemic ramps up Caribbean debt* [online] OCHA int.Available at:https://reliefweb.int/report/world/survival-mode-pandemic-ramps-caribbean-debt#:~:text=Borrowing%20to%20pay%20for%20social,according%20to%20ratings%20agency%20Fitch.

Wiebke Kuklys (2010). *Amartya Sen's capability approach : theoretical insights and empirical applications*. Berlin: Springer.

World Bank (2020). *Global Financial Development Report 2019/2020*. [online] Available at: https://www.worldbank.org/en/publication/gfdr
World Bank (2021). *World Bank Group to Discontinue Doing Business Report*. [online] Available at:

https://www.worldbank.org/en/news/statement/2021/09/16/world-bank-group-to-discontinue-doing-business-report [Accessed Jun. 23AD].

World Bank (2022) The World by Income and Region https://datatopics.worldbank.org/world-development-indicators/the-world-by-income-and-region.html Accessed 25 August, 2022

World Bank (2022a). *Global Economic Prospects,* January. Washington, DC: World Bank.

World Bank (2022b). Making Debt Work For Development and Macroeconomic Stability. Policy Papers, 2022(019), p.1. doi:10.5089/9798400208591.007.

Yale Centre for Environmental Law and Policy (n.d.). *Ranking country performance on sustainability issues*. [online] Available at: https://epi.yale.edu/downloads/epi2022report06062022.pdf

List of Figures

List of Boxes

List of Tables

AFRICAN DEVELOPMENT BANK GROUP

President

Date: April 8, 2022

The Right Honourable Patricia Scotland QC
Secretary-General
The Commonwealth Secretariat
Marlborough House, Pall Mall
LONDON SW1Y 5HX
United Kingdom

Dear Ms. Scotland, My Dear Sister,

Thank you for your letter dated 18 March 2022 inviting me to participate in the Commonwealth's Cambridge Small States Policy Simulation Labs, which is scheduled to take place virtually on 11-12 April 2022.

Youth and biodiversity are two critical factors for the development of Africa and are very much intertwined. The youth have a crucial role in mitigating climate change and protecting biodiversity, particularly for small African states, which have been the most vulnerable to developmental challenges and have some of the most challenging paths of recovery from the COVID-19 crisis. Yet, youth awareness and knowledge on adaptation and climate change mitigation remain weak in Africa.

The Bank is strongly committed to transition measures for green economic growth and quality jobs for the youth. Along with its partners, the Bank aims to mobilise US$25 billion, under the African Adaptation Acceleration Program (AAAP), to scale up and accelerate climate change adaptation actions across Africa, including unlocking US$3 billion for the businesses of young people and supporting 10,000 youth-led SMEs in climate resilience.

I have no doubt that this is the ideal platform, which will provide a stellar example of bringing people together to share innovative and tried-and-tested approaches. With 35% of the Commonwealth's member countries consisting of African states, I take great pleasure in continuing to work together with the Commonwealth to be part of the greater call to stabilize and build African economies, today, and well into the future.

It would have been a great pleasure for me to join you, however, due to prior institutional commitments at that period, I will not be able to honor your kind invitation. With your concurrence, I am pleased to designate Dr. Beth Dunford, the Bank's Vice President in charge of Agriculture, Human and Social Development Complex, and her technical team to represent the Bank and participate in the discussions on innovative solutions for youth and biodiversity as catalysts to drive the improvement of economic resilience and sustainable development in the small states of the Commonwealth.

6,Avenue Jean-Paul II - 01 B.P. 1387 - Abidjan 01 (Côte d'Ivoire) - Tél : +225 27 20 26 28 00 - Fax : +225 27 20 32 15 90

Vice President Dunford's office will coordinate with your team regarding the necessary arrangements for their participation.

I wish you very fruitful discussions and outcomes during the two days.

Sincerely,

I wish you a Very Successful event. I look forward to Seeing you again Soon!

Akin

Dr. Akinwumi A. Adesina

AFRICAN DEVELOPMENT BANK GROUP
President
6,Avenue Jean-Paul II - 01 B.P. 1387 - Abidjan 01 (Côte d'Ivoire) - Tél : +225 27 20 26 28 00 - Fax : +225 27 20 32 15 90