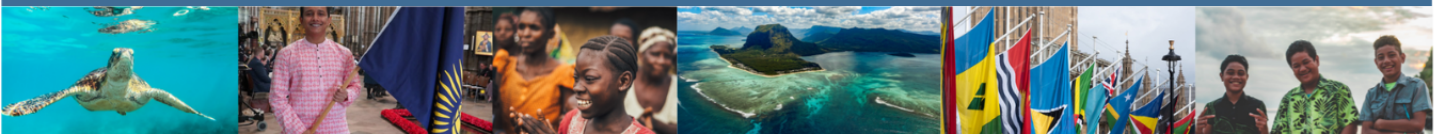




Cambridge Policy Boot Camp Challenge Note

**Designing an Innovative Financial System to Attract
Sustainable Investment for Small Island Developing States
May 2023**





UNIVERSITY OF
CAMBRIDGE

Centre for Resilience and
Sustainable Development



The Commonwealth

May 2023

Challenge Note

Designing an Innovative Financial System to Attract Sustainable Investment for Small Island Developing States

Workshop Research Question

What additional financial architecture is required to deliver on the principles of the Common Pool Asset Structuring Strategy (COMPASS) to improve SIDS' access to finance?

Partnership

This Challenge Note is a part of the [Their Future. Our Action](#). It was prepared jointly by the [Centre for Resilience and Sustainable Development](#), the University of Cambridge, and the [Commonwealth Secretariat](#).

The results of this research will be used by the Commonwealth Secretariat to continue their commitment to transform international finance in support of their SIDS, and small state, members.

CRSD Challenge Note

Challenge Notes take a deep dive into complex, contested, multidimensional systemic problems to diagnose key issues and to trigger discussion and debate with stakeholders, academics and policy makers. They are our precursor to the co-production of systems based solutions that match up with the resources and mandates of stakeholders.

A *Challenge Note* has five sections: Context, Known challenges, Known responses, Known opportunities and Known unknowns - which captures the core of the problem.

Collaboration is the key to complex systems research. We therefore invite others to use this *Challenge Note* for future action-research projects of their own.

This *Challenge Note* was used in the Cambridge Policy Boot Camp held on 30 May, 2023.

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

The overarching mission of [the Centre for Resilience and Sustainable Development](#) (CRSD) 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.

We are indebted to **Peer Reviewers** from the following 6 organisations who made valuable comments and suggestions: the International Monetary Fund, the International Finance Corporation, a university professor of economics (US), a government regulator (representative SIDS), a former Governor General (representative SIDS), and Commonwealth Secretariat experts in health, oceans, finance, climate, youth and trade.

Project Team:

Action Research Leaders: Dr Nazia M. Habib (University of Cambridge), Ms Deborah Jamieson (Commonwealth Secretariat).

Project Team: Dr Hannah Parris (University of Cambridge), Dr Ramin Takin (University of Cambridge), Mr Brandon Staats (University of Cambridge), Professor David Howarth (University of Cambridge), Mr Suresh Yadav (Commonwealth Secretariat), Ms Natasha Muhoza (Commonwealth Secretariat), Ms Rena Gashumba (Commonwealth Secretariat), Professor Steve Evans (University of Cambridge), Mr Steve McCauley (University of Cambridge), Professor Supriyo De (World Bank), Mr Terry Nicklin (University of Cambridge), Ms Elizabeth Carriere (University of Cambridge), Mr Richard Jones (University of Cambridge), Ms Alison Raw (Commonwealth Secretariat), Mr Robbie Stamp (University of Cambridge), and Mr Waqas Ahmed (University of Cambridge)

For more information on this project, please contact Dr Nazia M. Habib

nsh29@cam.ac.uk



Context

Small Island Developing States (SIDS) are a distinct group of countries that have unique cultural, social and biophysical characteristics and assets (Box 1). They are found in every region of the world and make up just under half of all membership of the Commonwealth.

The COVID pandemic has disproportionately impacted Small Island Developing States (SIDS) (Commonwealth 2022a). A critical brake on their recovery has been the difficulty in accessing new sources of development finance (Box 2). In response, Commonwealth SIDS have strengthened and broadened the range of inter-country cooperation on finance. This includes accessing finance, including creation of new financial instruments (e.g. the [Multidimensional Vulnerability Index](#)), and a call for radical reform of the global financial architecture to meet their needs (e.g. [demand for loss and damage payments](#) under the Paris Agreement).

Box 1: Key Facts

Less than 1% global greenhouse gas emission while taking 95% of the costs linked to climate change.

Small Island Developing States (SIDS) are low to middle income island sovereign countries with a population of 1.5 million or less.

For this project, Commonwealth SIDS are identified as Antigua and Barbuda, Barbados, the Bahamas, Dominica, Fiji, Grenada, Jamaica, Kiribati, Maldives, Mauritius, Nauru, Papua New Guinea, Saint Lucia, Saint Vincent and the Grenadines, Sao Tome and Principe, Samoa, Solomon Islands, Tonga, Tuvalu, Trinidad and Tobago and Vanuatu.¹

They have a population of around 65 million people in total - slightly less than 1% of the world's population (UN OHRLLS², n.d.).

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.

SIDS manage 11.5% of the world's oceanic Exclusive Economic Zones (EEZs³), including 7 out of 10 coral hotspots. They 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 global total.

¹ The definition is not clear-cut, and many small states which are not islands are also included in discussions around SIDS - e.g. Botswana, Lesotho, Namibia and Eswatini, Guyana – because they share many of their characteristics. In addition, the formal SIDS list in the Commonwealth requires updating, as it includes Singapore, Brunei Darussalam - which, since the list was written in the 1970s - have become high income countries.

² United Nations Office of the High Representative for the Least Developed, Landlocked Developing Countries and Small Island Developing States.

³ Data obtained from [The Sea Around Us project](#)



As evidence shows, the Commonwealth Secretariat has been central in supporting and amplifying SIDS' voices on a global scale. Historically, this has helped position SIDS, and the Commonwealth more broadly, as thought leaders in crafting global policy agendas. For example, the Commonwealth made the first public declaration - the Langkawi Declaration - on climate change in 1989. The Commonwealth Charter paved the way for the Sustainable Development Goals, and the call from Heads of Government at CHOGM 2022 for action on loss and damage was instrumental in getting agreement for a new fund at COP28 (Secretary-General, 2023).

More recent achievements have included the launch of the [UN-Commonwealth Advocacy Strategy on Small States](#) and developing the [Commonwealth Universal Vulnerability Index](#). This work builds on, and expands, the historical role of the Commonwealth Secretariat in supporting members on [sovereign debt management](#) through the Commonwealth Meridian Program, supporting members' [access to climate finance](#). It also provides a forum for [finance ministers](#) and [central bankers](#) to discuss cooperation and multilateral to common challenges.

About CRSD action-research

[Their Future, Our Action](#) is a two year, multi-stakeholder action-research⁴ collaboration between the Commonwealth Secretariat and the Centre for Resilience and Sustainable Development (CRSD) at the University of Cambridge. This action-research collaboration is designed to answer the following research question: *How can we transform the capacity of governments in SIDS to attract sustainable finance to contribute to resilient economies?*

Based on two years of co-created research, data gathering and dialogue, our question for this collaborative data discovery **Cambridge Policy Boot Camp (CPBC)** workshop is:

What additional financial architecture is required to deliver on the principles of the Common Pool Asset Structuring Strategy (COMPASS) to improve SIDS' access to finance?

The motivation for this project – and this CPBC – is the global movement to reform the global financial architecture using SDG focussed financial innovation (e.g. [G20 Eminent Persons Group](#), the [Bridgetown initiative](#), [UN - OHRLLS Accessing Climate Finance initiative](#))

This project will contribute to this global agenda in two ways:

1. Creating new knowledge, new evidence, and new skills to identify and develop scalable pipeline of investable projects for SIDS, and by SIDS, that inherently will improve risk management costs and increase trust, both of which are key to attracting new sources of investment.

⁴ Action-research is academic research that produces 'usable' knowledge that can subsequently be employed in solving a tangible social problem in a timely manner (Clark et al, 2016). The Cambridge Centre for Resilience and Sustainable Development approaches co-designs, and conducts, action-research projects in collaboration with implementation partners, who are key participants in the research process.



2. Creating additional institutional financial architecture to extend and build upon existing finance related programs and initiatives. This will strengthen SIDS' attractiveness to investors through leveraging their experience in multilateral cooperation and partnership.

Based on action-research in [Phases 1 and 2 of this project](#) an idealised model for improving financial access for SIDS – through active risk management for all parties – was developed. This model – the Common Pool Asset Structure Strategy (COMPASS) – describes a process by which SIDS can collaborate to collectively secure long term funding for investment in large scale projects – that can be simultaneously implemented across multiple SIDS jurisdictions.

COMPASS builds on common pool resources theory (e.g. Ostrom, 1990, 1999) and takes principles from complex systems economics (e.g. Arthur, 2021) and modelling (e.g. Sterman, 2000). These principles are:

- Based on these common needs, investable projects are developed collaboratively and the same project can be rolled out in multiple jurisdictions. This includes: increasing economies of scale, boosting opportunities for sharing experiences, knowledge and skills, and reducing transaction costs of securing and managing finance.
- SIDS determine the scope, scale and type of investments required. SIDS retain control of their data and work directly with investors.
- Finance for the projects is sought collectively for all participating SIDS. Funding is sourced from the private sector, multilateral development banks, bilateral donors, philanthropic investors, investment funds, etc.
- SIDS are recognised as having substantial valuable assets in the form of 'nature' and 'youth', which can drive future investment opportunities. These assets are documented in a new type of data index called PERI-View.

Further consideration of the research question for this CPBC and these principles are set out in Box 2.

This [Cambridge Policy Boot Camp \(CPBC\) workshop](#) is the start of Phase 3 of *Their Future, Our Action*. In this workshop, we will co-create solutions to tackle the challenges that SIDS in attracting international financial flows. We will collectively approach this by addressing '[Known Challenges](#)' and '[Known Unknowns](#)' that create a range of 'risks' for investors, investees and financial intermediaries. Together, using the CPBC methodology, we will develop an institutional architecture that will proactively manage and minimise that is either faced by all stakeholder, or assumed to exist, when investing in SIDS. In addition, the potential unintended consequences of these governance models will also be examined.

Rest of the paper will examine risk in more detail.



Box 2: Research Question in Depth

In this CPBC we will be exploring the question:

What additional financial architecture is required to deliver on the principles of the Common Pool Asset Structuring Strategy (COMPASS) to improve SIDS access to finance?

This research question is not about the types of projects that should be invested in SIDS using this COMPASS model - this will be determined by the future investment managers.

Rather, you, as the workshop participant, are asked to consider the organisational and governance structure of the supplementary financial infrastructure that will implement the COMPASS approach. This will be done by considering the following:

1. What is the scope of the decisions made by this organisation?
2. Who is involved in the decision making process?
3. How are decisions made?
4. Who are the beneficiaries of the decisions?
5. How is value in an investment deal transferred between entities?

These decisions could be incorporated into one new organisational mandate, or be distributed between a number of organisations and their mandates.

In addressing these questions, participants will be asked to consider:

- **Known Challenges** facing SIDS in accessing finance;
- **Known Responses**, to these challenges; and
- **Known Opportunities** available to SIDS and the Commonwealth Secretariat.

These are discussed in this Challenge Note.

Challenges in attracting finance in SIDS

Research by the Commonwealth Secretariat shows that Commonwealth SIDS⁵ are losing out on an estimated hundreds of millions of dollars of aid opportunities because governments do not have the capacity to deal with the complex process of negotiating, receiving and managing development assistance.⁶ Similarly, while the private capital

⁵ 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.

⁶ See [The Commonwealth and Climate Change](#)



(investment) markets have re-bounded rapidly following the COVID-19 pandemic⁷, due to issues of scale, isolation, cost and risk management, SIDS have not been able to adequately tap into this source of finance.⁸

Further, despite being hailed as a breakthrough for SIDS, [75% to 95% of climate finance commitments are yet to be fulfilled](#) and just 5% of global climate finance is dedicated to climate adaption⁹ – a key priority for SIDS. This topic has been explored extensively in the literature (e.g. De Marez et al. 2022). Reasons for this include:

1. Lack of local financial product design skills to develop financial products and investment projects that work with the structural challenges - and risks - facing SIDS and potential investors.
2. In particular the lack of economies of scale due to the small size of SIDS economies, which make it less attractive to financiers that wish to support large scale projects.
3. Emphasis on loans, rather than grants, adding to SIDS' debt burden. Use of debt restructuring mechanisms to increase SIDS' indebtedness, despite the use of concessional interest rates.
4. The financial benefits from new or creative financial instruments, such as debt for nature swaps, do not necessarily trickle down to benefit people in SIDS.
5. Financial instruments require complex costly application processes which overwhelm the capacity of SIDS government departments.

Our action research outcomes from Phases 1 and 2

Their Future and Our Action uses a transdisciplinary, 'whole of systems' research methodology to combine political economic theories, systems based thinking, and collective intelligence, drawn from multiple stakeholders, to develop the empirical evidence to better understand challenges both from the perspective of the state and the potential private sector investors. The research has interlinked three phases (Figure 2). More information about the research project is in Appendix 1. This Challenge Note links to phase 3 discovery.

Their Future, Our Action action-research, during 2021-2022, co-produced the knowledge base and database that SIDS need to reduce risk and build trust with the investment community. Evidence collected during Phases 1 and 2 raised the question that is being asked at the beginning of Phase 3:

What additional financial architecture - either a new institution or extension of an existing one - is required to deliver on the principles of the Common Pool Asset Structuring Strategy (COMPASS) and improve SIDS access to finance?

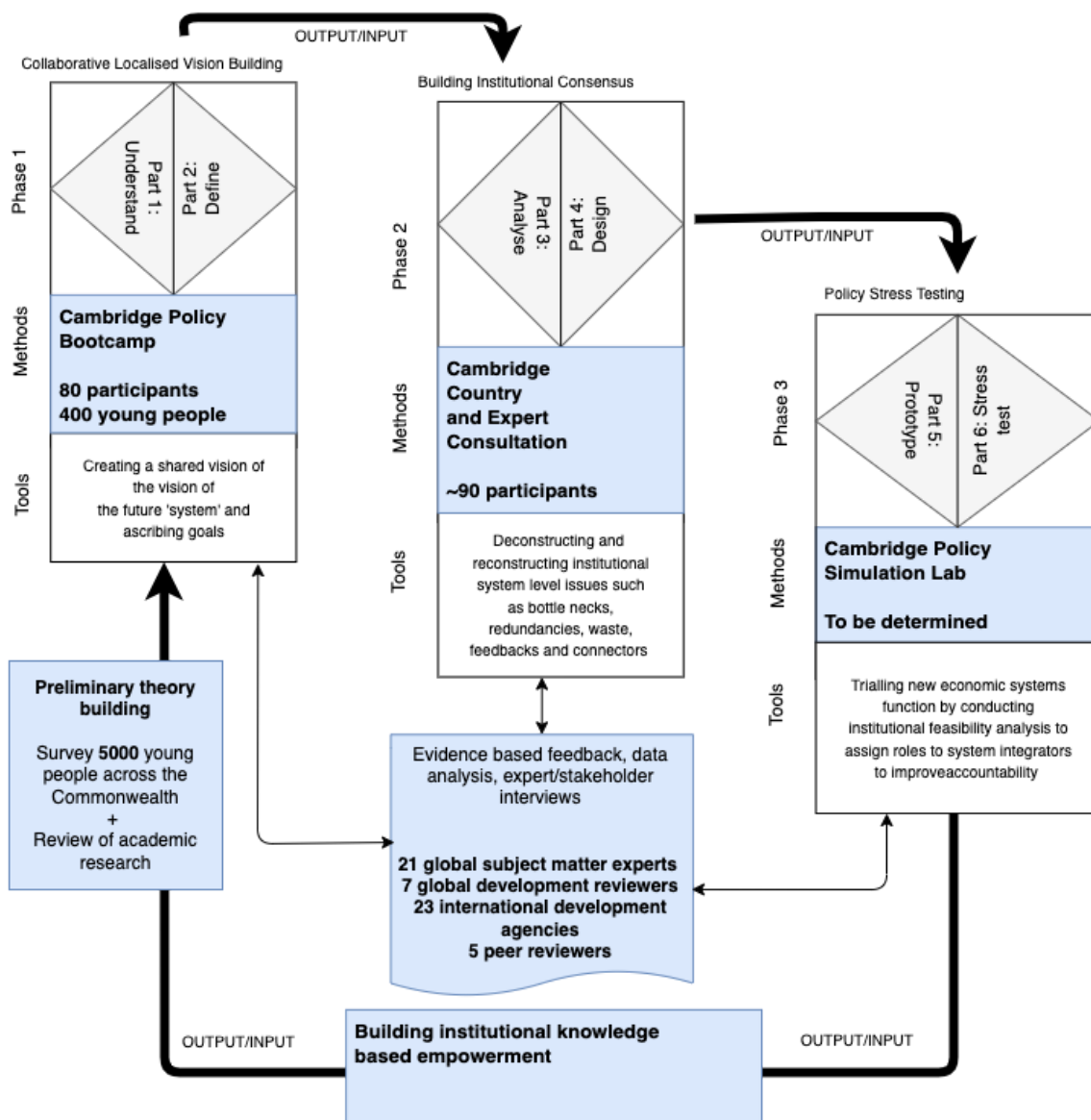
⁷ See for example [McKinsey Global Private Markets Review \(2022\)](#)

⁸ See for example: [External Financing to Small Island Developing States Where do we stand?](#)

⁹ See for example [The broken \\$100-billion promise of climate finance — and how to fix it](#)



Figure 1: 'Their Future, Our Action' Research Process



Our theory of change used to guide this project is that building **collaborative investable large-scale projects**, implemented simultaneously across multiple jurisdictions to address common challenges, can pool risk and develop commercial and noncommercial **SDG themed projects** beyond what would be possible with single-jurisdictional investment approaches. Through this, SIDS and investors can address the systemic challenges in accessing finance (Box 1).



Box 3: Theory of Change

Hypothesis = reduction in risks to investors (banks, pension funds, philanthropists) and SIDS investees (business, community organisations, government bodies) will increase the flow of development finance.

Risks to investors is reduced through:

- Focusing on projects identified by SIDS - targeting real need.
- Pre-vetting, quality control of project pipeline, standard and transparent application and assessment procedures. Reduces transaction costs.
- Spreading project and repayment risk over a number of geographical locations. Increases project scale.
- Project execution supported by sharing of knowledge, expertise and costs.
- PERI-View providing quantitative data combining financial information with political, social and environmental resilience for a comprehensive picture of the risks/opportunities.

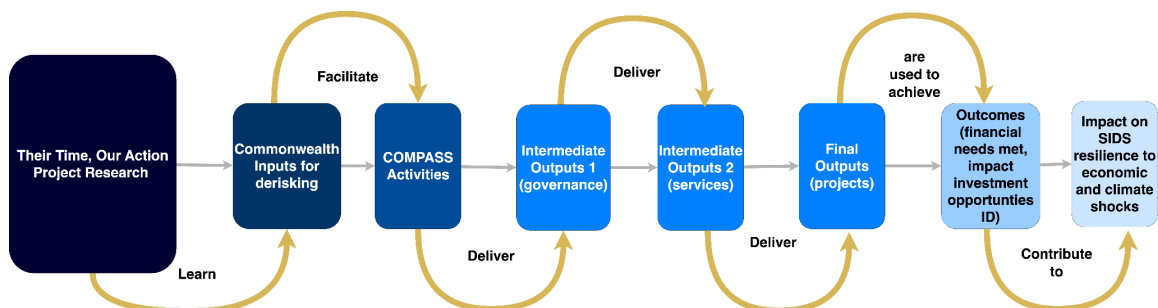
Risks to investees is reduced by:

- PERI-View mechanism to demonstrate to lenders the value offered by political stability, youth and nature assets.
- Technical support and peer support through the project development, project financing and implementation stages.

Source: CRSD analysis

To achieve this, the Commonwealth and SIDS need to identify the governance system required to actively manage the risks for all parties. See in Figure 2 the golden thread as indicated in the theory of change process.

Figure 2: Theory of Change Process



Phases 1 and 2 are briefly summarised below.

Phase 1 (2021-2022) – Collaborative Cambridge Policy Boot Camp (CPBC) virtual workshops were held across the Commonwealth, with over 400 stakeholders, to identify



potential common untapped assets across all SIDS that form the basis of future investment opportunities that we argue. Stakeholders identified investments in ‘nature’ based projects – for example renewable energy, climate change adaptation, biodiversity conservation – and investments in their young population (‘youth’) as key future investment areas..

Defining “nature” and “youth” as untapped assets in future investment opportunities is further supported by the data:

- **Nature as Untapped Capital:** Manage 11.5% of the world’s Exclusive Economic Zones (EEZs¹⁰), 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. These resources underpin valuable economic activity (e.g. tourism and fisheries)¹¹ within SIDS, and are a major global resource in addressing climate change and biodiversity loss, particularly in the context of the knowledge held by indigenous communities.
- **Youth as Untapped Capital:** Have around 65% of their population under 35¹² 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 major underutilization of human potential that could be harnessed for sustainability development.

Phase 2 (2022) – Building on Phase 1 finding, we applied systems thinking to financial economics to improve understanding related to money flow and financial decision making related to investing in SIDS. In this phase, we studied existing Commonwealth and SIDS projects and initiatives for improving access to finance, which included debt management software to concessional loan principles.

To unlock untapped assets (youth and nature), SIDS need long-term investments. To secure these long-term investments, a new approach to understanding, and managing the risks, opportunities, associated with investment in SIDS is required. This new approach needs to incorporate the perspectives, and needs of investors, investees and financial intermediaries (e.g. banks and insurers) - and how the context of each party has changed since COVID.

To meet this need, Phase 1 and Phase 2 developed two new financial concepts.

1. **New measurement tools**

The **Political Economic Resilience Index (PERI)-View (Appendix 3)**. PERI combines the Commonwealth’s Universal Vulnerability Index (UVI) with four critical indices to measure risks and opportunities within SIDS, taking into account the value of youth and nature as untapped assets and socio-political factors such as trade exposure and political stability. PERI provides in depth information on specific SIDS by itself, but its real strength is through its comparison with its constituent indices - in a format called PERI-View.

¹⁰ Data obtained from [The Sea Around US project](#)

¹¹ [OHRLLS Small Island Developing States in Numbers: Oceans and Biodiversity.](#)

¹² 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](#)



Figure 3: Example - PERI vs EPI

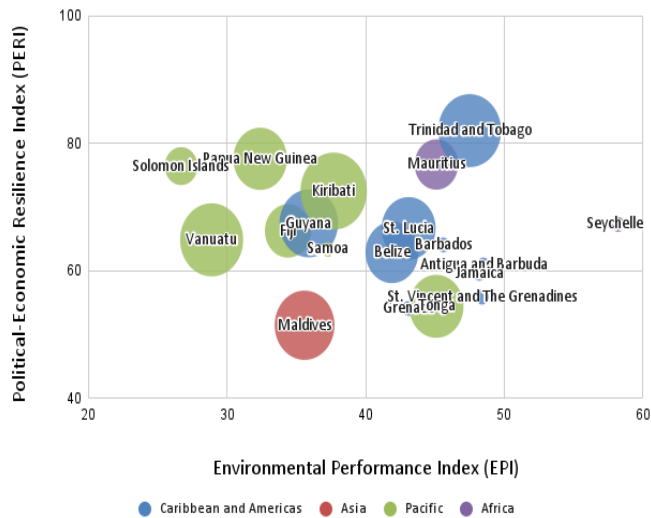
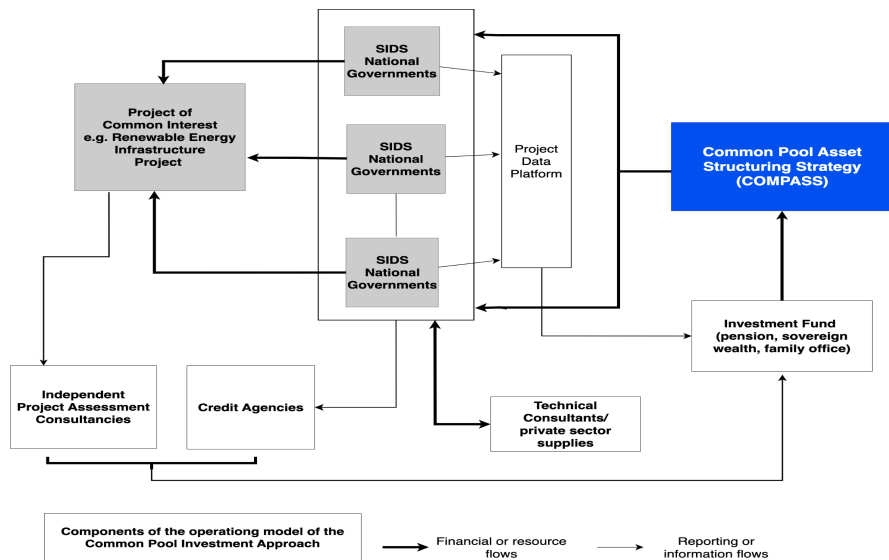


Figure 3 provides an example of PERI-View. Here PERI is compared to Yale's Environmental Performance Index. Graphed in this way, PERI-View does two things. First, it identifies commonalities and differences between SIDS, and identifies clusters and outliers as part of a broader discussion on common investment proposals. Second, it focuses attention on core data sets, without a distracting level of abstraction or complication. The multidimensional layering of core data within PERI-View empowers SIDS to choose and pitch the most applicable narrative for their finance needs. More details about PERI-View are in Appendix 2.

2. Common Pool Asset Structuring Strategy (COMPASS)

Figure 4: Common Pool Asset Structuring Strategy

Drawing from the extensive research into the political economic field common pool resources (Ostrom, 1990, 1999, Ostrom et al 1994) the **Common Pool Asset Structuring Strategy (COMPASS)** was developed to address the current gap in the global climate finance system to meet the specific needs of SIDS and their investors.



COMPASS is a framework that matches supply of finance with demand for large-scale fundable projects from SIDS in a way that actively manages the risks for all parties. The key principles of its operation are:

- Based on these common needs, investable projects are developed collaboratively and the same project can be rolled out in multiple jurisdictions. – increasing economies of scale, boosting opportunities for sharing experiences, knowledge and skills, and reducing transaction costs of securing and managing finance.

- SIDS determine the scope, scale and type of investments required. SIDS retain control of their data and work directly with investors.
- Finance for the projects is sought collectively for all participating SIDS. Funding is sourced from the private sector, multilateral development banks, bilateral donors, philanthropic investors, investment funds etc..
- SIDS are recognised as having substantial valuable assets in the form of 'nature' and 'youth', which can drive future investment opportunities. These assets are documented in a new type of data index called PERI-View.

COMPASS is based on the theory of change (Box 3) and explored further in Appendix 1 and Appendix 2.

Governments and the financial and business sectors around the world are recognising financial innovation as a tool to address the twin challenges of climate change and the biodiversity crisis. Increasingly specific biodiversity and climate assessment tools are being developed and incorporated into policy making and industry strategy development as part of risk management (e.g. Deutz et al 2020, Dasgupta 2021, TNFD 2023, TCFD, 2020). In response to the growing demand for biodiversity and climate related investment, specialised private equity firms and advisors are now a growing part of the financial sector ((e.g. Nature Finance, and Pollination Group).

In this context, COMPASS and PERI represent a significant contribution from the Commonwealth to this global agenda that specifically supports SIDS and their unique needs. Specifically, the collaborative governance, collective application and implementation and collective risk management are the features that differentiates COMPASS from other multilateral finance models currently on offer to SIDS or under development. This also aligns COMPASS with the partnerships component of the Sustainable Development Goals.

The Phase 3 (2023) research is about articulating the institutional governance structure that will operationalise the COMPASS approach from Phase 2. The CPBC workshop marks the start of phase 3 of *Their Future, Our Action*.

Objectives for this CPBC workshop

This workshop, the start of Phase 3 of *Their Future, Our Action*, will use the Cambridge Policy Boot Camp (CPBC) methodology (Appendix 4). Specifically, the CPBC will tap into the collective expertise of participants to identify the **institutional architecture** that will convert the theoretical **CRSD Common Pool Asset Structuring Strategy (COMPASS)** into an operational model which can attract additional investment into SIDS.

The Cambridge Policy Boot Camp (CPBC) is a transdisciplinary virtually delivered 'action-research' method designed to quickly identify and document potential solutions for a complex policy problem. CPBC uses a combination of dynamic systems thinking, political economic theories, engineering and medical education techniques and creative design approaches. It addresses three core challenges in policy and strategy making: **identifying strategic leverage points that will transform systems, unlocking useful knowledge through building trust and collaboration between stakeholders and facilitating buy-in by those stakeholders with the mandate and resources (power) to make a change.**



This method was developed by Dr Nazia M Habib, Head of Resilience and Sustainable Development at the University of Cambridge, UK. More information about the CPBC is set out in Appendix 4.

Key points to remember in the CPBC Workshop

In preparing for the CPBC Workshop, participants should keep in mind the following:

1. The operational model for COMPASS will build upon, and expand, the existing capabilities and work programs that the Commonwealth Secretariat provides to SIDS in relation to finance, climate change and economic development. This opportunities are discussed in detail in the [“Known Opportunities”](#) section of this paper.
2. The main objective of COMPASS is to de-risk investment for all parties in the financial value chain (Box 7). In managing and mitigating the risks faced by investors and investees, COMPASS seeks to:
 - De-risk investment at the project level through scaling up the size, geographical reach and technical capabilities available to investors and project proponents.
 - Through PERI, and PERI-View, improve the data availability, accessibility and comprehensiveness to express sources of risk and the potential responses - and opportunities - in risk management.

3. The question to be explored is:

What additional financial architecture is required to deliver on the principles of the Common Pool Asset Structuring Strategy (COMPASS) to improve SIDS access to finance?

This question is not about the types of projects that should be invested in SIDS using this COMPASS model - this will be determined by the future investment managers.

Rather, workshop participants are asked to consider the organisational and governance structure of the supplementary financial infrastructure that will implement the COMPASS approach. This process is akin to drafting a company constitution. This is considered in more detail in the section [Known Unknowns](#).

4. Decisions about the nature of the governance structure for COMPASS should be considered in the context of the:
 - Known Challenges facing SIDS in accessing finance;
 - Known Responses, to these challenges; and
 - Known Opportunities available to SIDS and the Commonwealth Secretariat.

These are considered in the next sections.



Known Challenges

The challenges facing SIDS in accessing international financial flows have been explored extensively (Commonwealth 2022, 2023b Samuwai and Hills, 2018, UNDP 2015). At the global level, the Commonwealth Secretariat, through its UN-Commonwealth Joint Advocacy Strategy for Small States, is using this research on barriers to finance to mobilise global action in support of small states through advocacy within existing global financial and economic institutions. In particular, the Advocacy Strategy will focus on improving access to finance and addressing debt sustainability.

Here we briefly summarise the risks to both investors and investees, as well as shared risks, in taking forward investment proposals.

Risks specific to investors or ‘Investor Risks’

Investor risk in SIDS projects has been extensively explored in the academic and policy literature. These include:

1. **Political risk:** The country where the project is to be located may have an unstable political environment or change energy policy priorities whenever new leadership comes in (Abba et al, 2022).
2. **Regulatory risk:** The regulatory environment may not be conducive to private investments due to insufficient or contradictory enabling policies, weak legal frameworks and limited enforcement capacity, or frequent changes to regulations that create instability (Lucas et al, 2017).
3. **Capital market risk:** Financial markets that can service SIDS may be fragmented, inefficient, and suffer from frequent currency fluctuations (Lucas et al, 2017).
4. **Technology risk:** The technology itself may have specific associated risks, such as underperformance, limited in-country expertise in construction and operation, and inadequate supporting infrastructures such as transmission and distribution (Abba et al, 2022).

Risks specific to SIDS as investees

SIDS facing SIDS in engaging with large scale investment are less well researched (Habib and Parris, submitted) These factors are mutually reinforcing, and are working simultaneously to create structural and technical barriers - of which there are seven main types:

1. **Perceived or actual lack of ‘investable’ projects.** Small populations and internal markets, distance from major global markets, and a limited range of resources lead to a reliance on a narrow range of industries within SIDS, primarily tourism (Gu et al 2022) and natural resources (Herbert, 2019, Asian Development Bank, 2019) and



fisheries (Bell et al, 2021). Combined with high transport costs, this reduces the scale, range and number of ‘investable’ opportunities available.

2. **High transaction costs relative to value of investment.** The lack of scale for projects in individual SIDS increases transaction and management costs per unit of investment funds – increasing the ‘cost of doing business’. For example, CRSD analysis shows that once administrative reporting and other costs and fees are accounted for, project beneficiaries receive less than half of invested funds (Habib, Takin and Parris, 2022).
3. **Donor application and reporting conditions undermine SIDS’ agency.** Investment decisions around project scope often lie with donors, and project verification/certification relies on reports from international agencies. This removes the power and agency of SIDS, and beneficiaries over their own development projects, as activities are driven by the needs of donors. Further, the wide range of mechanisms, and demand accreditation criteria required to receive and report on funds adds to the administrative burden on SIDS’ government departments (Commonwealth).
4. **SIDS dynamic risk profile.** The frequency of climate-related events and other external shocks impacting SIDS is increasing over time (Thomas et al. 2020). This makes the risks faced by SIDS fluid (Asian Development Bank, 2019). This dynamism in risk exposure is poorly aligned with the length of time currently required to access international finance. That is, international finance cannot respond rapidly enough to provide SIDS with the finance and support they need to adapt to their economic and physical environmental changes.
5. **Provision of loans as development assistance increases indebtedness.** Increasingly, development assistance (ODA) is being made in the form of concessionary loans rather than as grants. This adds to the debt burden already faced by SIDS.¹³ Provision of loans biases projects towards commercially oriented activities that generate the financial ‘return’ required to pay back the loan.
6. **Funding priority for mitigation over adaptation.**

Developed countries have been slow in fulfilling their climate finance commitments (Roberts *et al*, 2021), and/or disbursement has been slow, leading to significant climate finance gaps (ESCAP, 2022). Further, 95% of climate funding is focussed on mitigation activities and loan provision – rather than climate adaptation, which is of high priority to SIDS (Robinson and Dornan, 2017). Climate finance is therefore not directed towards supporting SIDS to manage their climate change risks.

7. **Limited availability of data to support project proposals.**

The most vulnerable SIDS have gaps in the data required to provide accurate justification of financing proposals. This is due to the absence of systems that can

¹³ IMF estimates that central government debt, as a percentage of GDP is about 72% across all Commonwealth SIDS and small states, with roughly one-quarter with debt/GDP ratio above 100%. (IMF Datamapper, 2022)



gather and store such data, as well as limited technical expertise for their interpretation (Commonwealth Secretariat, 2021).

Shared Risks between Investors and Investees

Some risks, as noted above, are shared by both investors and investees. A third category of shared risk faced by both are the systemic risks in the global financial system. A key risk here is the failure to secure the services of financial intermediary institutions such as banks or trade credit providers to support projects and trade (Chatain et al, 2018). Since COVID, major financial institutions have been re-risking - that is withdrawing services - from smaller and riskier markets, making access to their services by both investors and investees harder.

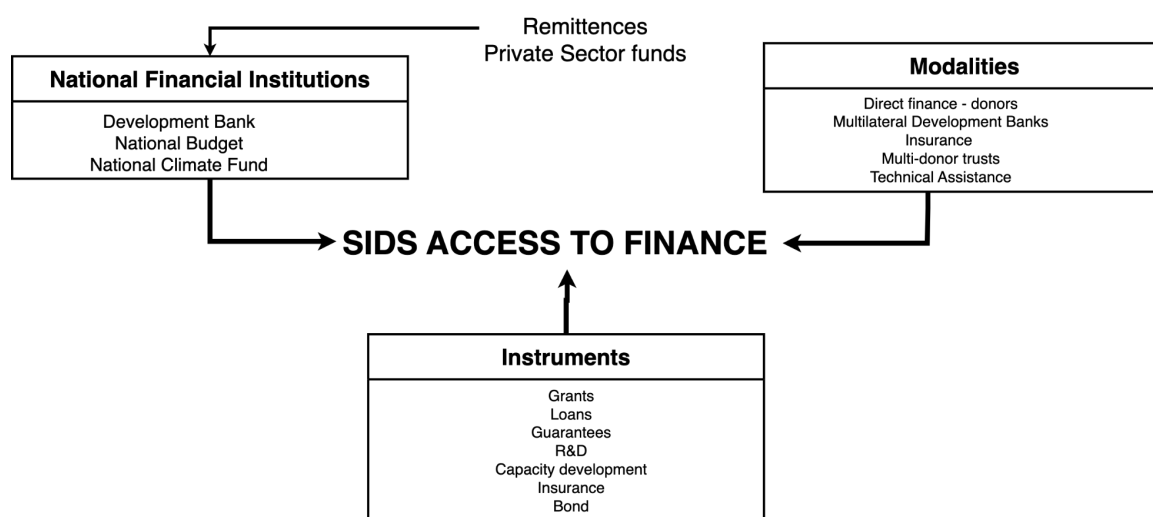


Known Responses

Existing Instruments for accessing finance

Currently, SIDS are more reliant on overseas development aid (donors, typically from governments, development banks or philanthropic funds) and remittances from nationals working overseas. Private sector finance makes up a smaller share of external finance compared with other countries (Hook, 2021, OECD 2018). Finance provided by donors is grants, loans or bonds - typically paired with reduced or concessional interest rates. Blended funds, guarantees and insurance are also used (Hook, 2021) (Figure 5).

Figure 5: Existing Instruments and Modalities for Accessing Finance



Source: CRSD adapted from Hook (2021)

Innovation in Financial Instruments

The development of sustainable finance and climate financing has generated innovation in the range of financial products (Box 9) designed to create, or improve, linkages between investors, projects and project impact. For example, voluntary carbon markets have facilitated significant flows of investments into mitigation actions in developing countries, with the benefits of the carbon credits accruing to global 500 companies (Streck, 2021).¹⁴

¹⁴ The voluntary carbon market is a market for carbon offsets that is used by organisations to offset their GHG emissions, usually as part of a strategy towards achieving 'net zero' emissions. Although it is voluntary, globally recognised standards are used for measuring, tracking and trading credits (see Streck, 2021).

Box 4: Examples of Innovative Financial Tools in Sustainability-Linked Finance

There are many approaches available. The most common innovative financial models include:

- Green bonds, blue bonds, social impact bonds
- Provision of project guarantees or insurance/reinsurance
- Financial derivatives
- Debt-for-nature swaps
- Crowd funding/ crowd equity funding
- Microfinance
- Payments for ecosystem services
- Carbon credits
- Venture capital funds

Source: CRSD Analysis

Notionally, the financial products listed as examples in Box 4 provide improved access to finance for SIDS and indeed, several SIDS are now actively using them to access finance (Box 5). These examples provide ample evidence that SIDS can engage in innovative investment projects and raise significant amounts of financing when given the right opportunities and support.

While these models represent significant progress in improving access to finance, they carry with them significant limitations. Primarily, these tools are another form of generating indebtedness for SIDS, and do not create new forms of wealth for investment. That is, access to concessional finance does not help if the country which 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 it back.

Furthermore, 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 (World Bank 2022).

Box 5: Financial Innovation in Small Island Developing States.

Some Small Island Developing States are already exploring - and adopting - innovative financial models to address their development financing needs. Three recent examples include:

1. **The Republic of Barbados**, Canada, and the International Monetary Fund developed a new vulnerability based indicator – called GDP+ – for use in assessing eligibility for 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).
2. **The Fijian Government** has 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 first tranche of bonds (i.e. loan to Fiji), 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).

3. In 2018, **the Seychelles** became the first country to complete a ‘debt for nature’ swap to protect oceans, and the first debt restructuring exercise for climate adaptation. In return for debt reduction and restructuring, the Government committed to investing in domestic environmental conservation and sustainability projects. This scheme has increased Seychelles’ protected oceans areas from 0.04% to 30%. Similar arrangements have been developed for Belize (Owen, 2022). 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.
4. Since 2007 in the **Caribbean**, and 2016 in the **Pacific**, SIDS have operated two jointly owned regional risk insurance pools: the [Caribbean Catastrophe Risk Insurance Facility \(CCRIF\)](#) and the Pacific [Pacific Catastrophe Risk Insurance Company \(PCRIC\)](#). Each company provides pooled parametric insurance for its members against natural disasters such as tropical cyclones, supported by a range of specific modelling tools. Both companies receive technical support and funding from the World Bank and bilateral donors, and are staffed and advised by technical specialists. Since its launch, CCRIF has paid out US\$150 million, including the last pay out of approximately US\$11 million for the Bahamas following Hurricane Dorian in 2019. The PCRIC paid US\$3.5 million to Tonga after Tropical Cyclone Gita in 2018.

Recognising and challenging the structural and systematic barriers discussed in the [previous section](#) will require moving beyond these existing models of financial innovation (Box 4) to develop new types of finance and new pathways by which this finance is delivered.

The key differences between these approaches and the COMPASS model developed in this action-research are twofold:

1. Explicit recognition of “nature” and “youth” as additional, investable assets in SIDS, and the development of robust data sets and indices to demonstrate performance; and
2. Explicit recognition and management of risk, as well as mitigation, for both investors and investees. Risk management, in turn, uses strategies that work with the core strengths and characteristics of the SIDS community – collaboration. In this way, this action-research is transforming the way that risk is reported and managed in international finance.

The development of COMPASS will not start from scratch. Rather, any supplementary additional financial infrastructure will build on the range of existing financial innovation developed by the SIDS (Box 4 and Box 5) as well as innovations developed by the investment community, the United Nations and by the Commonwealth Secretariat. These are addressed in the next section.



Known Opportunities

This action-research builds on three types of opportunities identified in this research: the mandate of the Commonwealth Secretariat as well as its programmes, the range of sustainability and social impact investment opportunities available in SIDS, and the rapidly growing demand for ESG and impact investment projects from the investor community.

These are discussed in this section.

Mandate of Commonwealth and Commonwealth Secretariat

Their Future, Our Action builds on, and expands, the long history of the Commonwealth's commitment to supporting economic development and addressing inequality in its member states. This commitment is expressed in a number of pillars that form the heart of the [Commonwealth Charter](#) - specifically:

1. **Good Governance Pillar** - to promote good governance through the rule of law, to ensure transparency and accountability and to root out corruption.
2. **Sustainable Development Pillar** - to eradicate poverty by pursuing inclusive growth whilst preserving and conserving natural ecosystems and promoting social equity.
3. **Recognition of the Needs of Small States** - to support SIDS in tackling economic, energy, climate change and security challenges, and in building their resilience.
4. **Recognition of the Needs of Vulnerable States** - to find ways to provide immediate help to the poorest and most vulnerable including least developed countries, and to develop responses to protect the people most at risk.

These pillars are implemented through a range of programmes which are summarised in the following sections. The lessons learned from each programme is summarised in Box 6.

Commonwealth Meridian Programme

The Commonwealth Secretariat has substantial investments in improving data management and transparency for debt management for member countries through the Public Debt Management Programme¹⁵ and the related web based Meridian Software.¹⁶ Through this programme, SIDS (and other Commonwealth members) have access to a robust framework and software that tracks all types of debt (public, public guarantees, private sector) which improves the capacity to manage and analyse debt data and develop debt management strategies.

Within the Meridian software, 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

¹⁵ See [Commonwealth Public Debt Management Programme](#) website.

¹⁶ See [Introducing Commonwealth Meridian](#)



and other financial stakeholders. All data in Meridian remains under the ownership and control of the participating government.

The Commonwealth Climate Finance Access Hub (CCFAH)

The Commonwealth Climate Finance Access Hub (CCFAH) was established during CHOGM 2015 in response to the need to support small and vulnerable member countries in accessing available climate finance (Commonwealth Secretariat, 2021).

Support is delivered to countries through embedding national/regional Commonwealth climate finance advisors within member government ministries to directly provide technical support and promote South-South cooperation, knowledge sharing and learning.

CCFAH has so far provided support to 18 Commonwealth member countries with in-country climate finance advisers and technical assistance, alongside regional climate finance advisers for the Indo-Pacific and African regions. [As of April 2023](#), CCFAH has supported the mobilisation of approximately USD 252 million of climate finance covering 64 approved projects. Additionally, 111 capacity building training initiatives have been conducted with approximately 2264 government officials trained across these countries.

Commonwealth Small States Trade Finance Facility

SIDS face several obstacles in obtaining trade finance e.g. weak credit ratings, reluctance of global providers to extend credit, absence of domestic credit agencies etc. (Perera, 2018). In recognition of these challenges, the Small States Trade Finance Facility was established in 2015 to provide loan/credit guarantees on a 'first loss basis'. The facility is designed to be demand driven by the CSS trade activity.

The Facility is hosted in Malta, and is supported by a Supervisory Board including representatives from participatory governments and the Commonwealth Secretariat, although the latter has no legal responsibility. Standard Chartered Bank signed a contract to provide facility management (Commonwealth Secretariat, 2018). The initial pilot countries for the Trade Finance Facility are: The Bahamas, Botswana, Brunei, Dominica, Fiji, Mauritius, Namibia and the Seychelles.

After a successful trade finance deal execution in 2022, the impact of the pandemic and changing economic and financial environment has meant that no other deals have been formulated. Due to a change in its global risk appetite for small states trade finance business, Standard Chartered bank has withdrawn from its contract as facilities manager bank. Currently the Facility is inactive. The future of the Facility will be considered by the Supervisory Board subject to a new feasibility study being completed.



Box 6: Commonwealth Programmes and Lessons Learned	
Programme	Lessons Learned for COMPASS
Mandate of Commonwealth Secretariat	Four Commonwealth Pillars provide the Commonwealth - and the Secretariat - with the governance framing to pursue the development of COMPASS on behalf of its members.
Meridian Program	<ul style="list-style-type: none"> • Commonwealth Secretariat already has a long history in supporting member states in managing and administering debt portfolios. • Commonwealth SIDS already have access to a proven, robust and operational debt data management system. • A centrally provided IT infrastructure can be delivered via a web based application and can meet data confidentiality standards.
Climate Change Finance Access Hub	<ul style="list-style-type: none"> • The Steering Committee should comprise individuals with technical expertise. The CCFAH should extend the length of tenure of commitment members. • During the technical review of projects, CCFAH should undertake a baseline assessment of political engagement with the proposal. • CCFAH should increase the dedicated budget allocated for short-term expertise or training to augment breadth of technical assistance offered. • The benefits of CCFAH support should be reported using measures that take into account non-financial benefits of the process. • Transparent and clear guidelines need to be developed to accurately and consistently account for the amount of climate finance mobilised.
Commonwealth Small States Trade Finance Facility	<ul style="list-style-type: none"> • Ensure that the financial instrument provides sufficient incentives for use and is suitable for the prevailing economic conditions. • Involve local financial institutions in trade projects. • Eligibility criteria are sufficient to attract a minimum number of viable and eligible projects.
Commonwealth Blue Charter	<ul style="list-style-type: none"> • Blue Charter participation is voluntary, with a focus on implementing solutions to shared challenges. • Collaboration is emphasised between member governments, civil society organisations, private sector actors and academic institutions. • Inclusivity is encouraged and highly valued. All participating countries have an equal voice regardless of their size, developing status and vulnerability. Projects also included participation from indigenous peoples, local communities, women and youth in ocean stewardship. • Capacity building was integrated into the Blue Charter through peer learning and sharing of best practice, evidence based approaches. • Practical project delivery: Practical initiatives within the Blue Charter such as Rapid Readiness Assessments and the Blue Charter Project Incubator directly address the need to scale up local action and pilot country-led innovative solutions.



Commonwealth Blue Charter

The [Commonwealth Blue Charter](#) was signed in 2018 as an agreement by Commonwealth countries to actively cooperate in addressing ocean-related problems.

The Blue Charter acts as a platform to facilitate cooperation between Commonwealth members and is implemented through a series of action-groups, each devoted to a particular topic - e.g. ocean plastic or coral reef protection - and led by 'Champion' Countries. Through this, the Blue Charter provides members access to:

1. [Case studies](#) of best practice around the Commonwealth.
2. [The Commonwealth Blue Charter Training Database](#) provides access to self-paced online learning resources on technical topics around ocean management, policy, and sustainable development. Some of the courses are specifically designed by the Secretariat for Commonwealth Governments while others are from third party providers such as Coursera.
3. [The Commonwealth Blue Charter Ocean Funders Database](#) - provides details on 115 funders focussed on ocean and ocean related topics.
4. [A Blue Charter Incubator](#) which provides assistance and modest funds (£5k-£50k) to support action-groups within the Blue Charter and their member countries to transform their objectives into tangible projects. The Incubator is managed by the Commonwealth Secretariat and is focussing on pilot projects, rapid assessments, support for accessing larger funding opportunities and other early-stage opportunities, with a view to building a pipeline of projects to scale up over time through future establishment of an independent Blue Charter Action Fund. (Commonwealth Secretariat, 2023b - see below for more information).

Commonwealth Call to Action on Living Lands (CALL)

This is a new non-binding agreement signed in 2022 by all Commonwealth states to strengthen and coordinate action at national, regional and global levels under United Nations Conventions on Biological Diversity (UNCBD); Combat Desertification (UNCCD), and Framework Convention on Climate Change (UNFCCC). The Secretariats for the three Rio Conventions have expressed their full support for the Charter. An implementation plan is currently under development (Commonwealth Secretariat, 2023).

Each of these programmes provides lessons learnt and insights that can be carried over into the development of COMPASS (Figure 6).

United Nations support for improving SIDS' access to finance

In preparation for the upcoming fourth UN Conference on Small Island Developing States (SIDS4) in 2024, the UN-OHRLLS is actively examining three proposals to improve SIDS' access to finance (De Marez et al, 2022):



1. Establish a dedicated envelope for SIDS within the Enhanced Direct Access (EDA) pilot under the Green Climate Fund (GCF).
2. Scope the potential establishment of a Global Data Hub for SIDS to improve data accessibility and transparency.
3. Encourage donors and implementation entities to shift from project based to programmatic approaches to build long-term capacity.

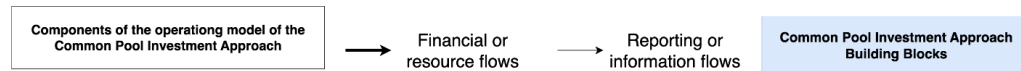
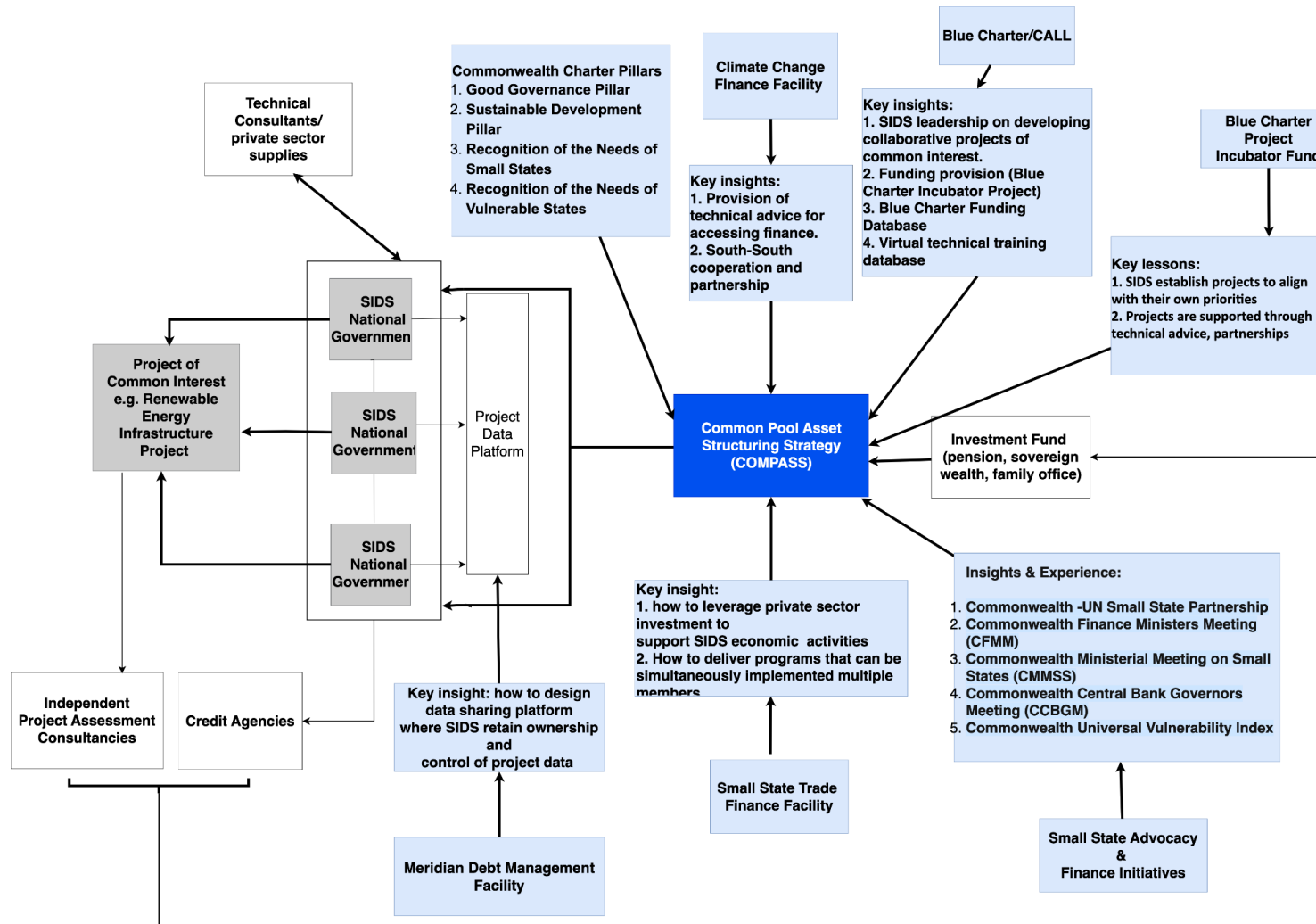
Our evaluation of these proposals demonstrates several limitations. First, the focus is on improving SIDS' access to the GCF only – the UN's own funding institution for climate finance currently managed by the World Bank - and does not extend beyond this. Second, the Global Data Hub has not yet been developed, and the prioritization of programmatic 'capacity building' could undermine delivery of on-ground changes. This contrasts to the existing Commonwealth Secretariat programs and this COMPASS model which provide a more holistic approach to the problem. For example COMPASS incorporates both a wider range of public and private financing mechanisms, as well as delivering both capacity building and project delivery to SIDS. Additionally, Meridian as a SIDS data platform has already been launched. Further COMPASS is designed to deploy projects across SIDS jurisdictions to generate economies of scale and improved risk sharing and management.

The key intent of the UN proposals, however, resonates with the Commonwealth Secretariat's purpose for this collaborative research with CRSD. That is, both the UN proposals and Their Future, Our Action are driven by the need to address the gap between SIDS' status as representing a 'special case' for climate resilient development, and the translation of this status into prioritization and allocation of funds through existing or dedicated finance mechanisms. (De Marez et al, 2022)

Both these UN proposals and COMPASS could be designed to complement and support each other in data exchange, experience and complementarity in funding projects. Engaging with the UN and the GCF during the development of COMPASS will therefore be an important part of ensuring that these two work streams are mutually reinforcing.



Figure 6: COMPASS - Building on Existing Programmes



Integration with existing SIDS initiatives

Achieving sustainable development in small island developing states (SIDS) requires them to build their resilience to environmental, economic and social vulnerabilities and climate or other shocks that are core features of their operating context. The projects and programmes required to do this are as varied as the islands themselves, and will require investment in projects and programmes across the public, private and community sectors.

This section provides a brief overview of existing programmes operating throughout Commonwealth countries that could benefit from the COMPASS approach - indeed, some are already using operational models that incorporate one or more of the COMPASS principles.

Investment in Human Capital Investment

The Healthy Caribbean Coalition (HCC) - In 2021, The HCC released its Transformative New Agenda (TNA) for the prevention and control of NCDs in the Caribbean region, based on lessons from managing the COVID-19 pandemic and its interaction with NCDs in particular (The Healthy Caribbean Coalition, 2021). The TNA delivers a framework that focuses on addressing five major diseases: cardiovascular diseases, diabetes, cancer, chronic respiratory diseases, and mental, neurological, and substance use disorders - and five main risk factors: tobacco use, unhealthy diet, physical inactivity, harmful use of alcohol, and air pollution. The HCC is already supported by a number of public and private sector partners. The TNA could provide a new range of ideas for investing in health projects across the Caribbean.

Commonwealth of Learning (COL) - [COL was established in 1987](#) to provide Commonwealth citizens with greater access to education and training through open, distance and technology-enabled learning, with a particular emphasis on education for women and girls. It also provides capacity building support for technology development and policy in the education sector. COL also hosts the Virtual University of the Small States of the Commonwealth (VUSSC). COL is predominantly funded by Commonwealth members, but is seeking to diversify its donor base to include foundations and other donors in public and private sectors.

Investment in Natural Capital

Blended Finance Mechanisms for Marine Protected Areas - [Blue Finance](#) is developing a blended finance facility to provide pre- and early-stage capital for the management of 10 sustainable MPA networks in the Global South, including some Commonwealth SIDS. The Facility intends to invest over \$22 million in grants, refundable grants, impact loans, loan guarantees and innovative insurance solutions which will be used to implement revenue generating activities in MPAs. These could include ecotourism fees, blue carbon credits, and sustainable artisanal aquaculture, and will both provide a return to investors and create a revenue stream for MPA management. [The facility aims to protect over 1,000,000 hectares of coral reefs](#), benefiting approximately 20,000 vulnerable people in coastal communities and unlocking national and international private investment capital.



Parametric Insurance to finance Reef Resilience to Extreme Climate Events - In 2021, risk management firm [WTW](#) and the [MAR Fund](#) developed a uniquely designed parametric insurance product to provide cost-effective insurance for four priority reef sites that have protected status along the Mesoamerican Reef. The parametric measures provides a quick insurance payout after an extreme storm event. The insurance was developed using [a novel hurricane reef damage model](#) that captures the relationship between hurricane intensity and reef damage. Storm Wind Intensity triggers instant post-storm payouts at certain levels to cover the cost of Reef Restoration Response.

Investment in Physical Capital

Sustainable Tourism - Tourism represents between 30% - 80% of exports in many SIDS (United Nations World Tourism Organisation, 2020). There are now considerable efforts in the sector to ensure that recovery from the impacts of the pandemic incorporate ecological and social justice dimensions (e.g. United Nations World Tourism Organisation, 2021, ICAO, 2018). These include implementing actions on biodiversity, climate change and resource efficiency and recycling and inclusive activities - [all of which require additional investment](#).

Pacific Fisheries - In 2015, Pacific Island Forum Leaders adopted the [Regional Roadmap for Sustainable Pacific Fisheries](#) setting out shared goals and strategies for the management of the region's tuna fisheries. This Roadmap includes specific targets for increasing the value of the region's catch through investments in additional processing facilities within the Pacific Island Countries (PICs). This investment strategy has experienced significant success with the [opening of new processing facilities](#) in Pacific Island Countries and revitalisation of existing ones, leading to an increase in volume of fish processing in the region by 50% between 2015-2021.

Unleashing the Blue Economy of the Eastern Caribbean - [This \\$60mUSD project, funded by the World Bank](#) through a mix of grants and loans, aims to stimulate economic recovery in the participating countries, strengthening marine and coastal resilience, and improving the economic competitiveness in three blue economy sectors/areas: tourism, fisheries and aquaculture, and waste management. Participating countries are Dominica, Grenada, St Lucia, and St Vincent and the Grenadines. Component 2 of the project will focus on finance and investment mechanisms into targeted sectors. This will include a Project Preparation Facility (PPF) to undertake pre-feasibility, feasibility, financial, technical, legal, demand, environmental, and social studies for development. The component will also finance public and Public Private Partnership (PPP) [investments in infrastructure in the targeted sectors](#).

Needs of sustainable investment community

Recent analysis by PwC (2022) found that 84% of institutional investors plan to increase their ESG investment over the next year, growing the ESG pool from around USD18.4tn in 2021 to USD 33.9tn (mid case estimate) in 2026. However, this growing demand greatly outstrips supply. PwC(2022) found that 30% of investors struggled to find attractive opportunities, while 88% of institutional investors believe asset managers [should be more proactive in developing new ESG products](#).



This substantial growth in ESG funds is expected to both broaden in scope, and become a permanent mainstream feature of the investment sector, as investors, consumers and employees of organisations of all types embed sustainability expectations into their choices about investment (PwC, 2022). In addition, the move towards increased scrutiny of carbon credit markets and [regulation of ESG claims around investment](#), increase the demand for credible impact investment opportunities supported by globally recognised and respected organisations.

This disconnect between global demand for investable opportunities and the need for SIDS to attract greater sources of finance highlights the urgent need for an innovative system of financing capable of addressing the specific challenges SIDS face in securing, managing and executing financed projects at scale, whilst creating acceptable risk reward and cost efficiency for investors.

Box 7: Financial Mechanisms and Financial Innovation

- Tradable securities e.g. listed shares, bonds: including green bonds, blue bonds, social impact bonds, GDP-indexed bonds, diaspora bonds, etc.
- Guarantees, insurance (direct and parametric, including catastrophe bonds), reinsurance
- Financial derivatives and alternative risk transfer
- Microfinance
- Debt swaps & buy-downs
- Payment-for-results (can be procurement)
- Competitions, challenge prizes
- Advance market commitments
- Compulsory funding specific to public bodies e.g. taxes, solidarity levies, tariffs including cap & trade auctions
- Crowd-funding
- Crowd equity funding
- Consumer donations
- Philanthropic platforms
- Lotteries



Known Unknowns

Mechanisms for de-risking in COMPASS

Estimates of finance for disaster risk reduction indicate that only 45% of committed funds were disbursed to SIDS recipients for intended purposes. This compares to a disbursement rate of 83% for all development finance globally (Hook, 2021).

Low disbursement rates indicate challenges in project implementation (Hook, 2021). Key structural barriers - risks - to accessing finance, and the system level risks of investors and investees, not only drive low disbursement rates of donor funds, but also act as barriers for SIDS to access innovative private sector financial instruments.

This represents a failure of international financial architecture. That is, existing financial architecture does not create the transparency, accountability, decision making process, incentives nor scalability mechanisms required to address risks associated with structural barriers and systemic risks for SIDS, investors or financial intermediaries.

An additional source of systemic failure for SIDS is the failure of intermediaries - such as banks, trade finance or insurers - to provide appropriate services due to their internal de-risking policies. This represents a failure to provide adequate incentives for intermediaries to provide these essential services (e.g. Chatain et al, 2018).

As highlighted in the [Known Opportunities](#) section of this Challenge Note, there is a significant body of work that has been progressed in improving access to finance for SIDS. The “Known Unknown” in this action-research is what additional pieces of financial architecture are needed to extend these efforts and institutionalise mechanisms for management of structural barriers and systemic risks - that is [‘de-risking’](#) the process. In addressing these structural barriers and systemic risks, SIDS will be in a better position to unlock finance for large scale projects in economic infrastructure, biodiversity, energy, health, technology etc..

The theoretical COMPASS model has been proposed as one approach to designing new financial architecture that explicitly de-risks the process for both investors and investees without walking away from potential deals (see section [Known Challenges](#)).

Within the COMPASS model, the supplementary financial architecture will be used to de-risk a wide range of structural and systemic risks discussed elsewhere in this Challenge Note.

Box 8 provides some examples of how different risk management mechanisms may be specifically crafted for use within COMPASS for this purpose.



Box 8: Examples of Risk Management Mechanisms in COMPASS

Risk Type	Example risk management mechanism in COMPASS
Regulatory risk	Minimum regulatory standards are required for a SIDS to participate in COMPASS. Common regulatory reforms across countries could be identified and mutually agreed to by participating countries as part of a specific project.
Technology risk	Pooled risk via implementation across multiple geographies. Collaborative development of technology across SIDS enables IP rights to be shared between investors and SIDS and between SIDS.
Capital market risk	Pivots financial flows from loans - that increase indebtedness - to investments.
High transactions costs	Standard transparent application processes, supported by technical advisory service. Collective application to funding between countries shares the transaction costs over more stakeholders.
Service delivery risk	Projects could share technical experts across regions/countries and collaborate on training activities required.
Small internal markets	Implementation of projects across jurisdictions increases the size of markets available to investors.
Failure of financial intermediaries	Larger projects, pooling the risk over more jurisdictions, reduces transaction costs and makes projects more attractive to financial intermediaries.

Source: CRSD analysis

Outstanding questions for operationalising COMPASS

Building on the context outlined in the previous sections, in this section we briefly describe the outstanding questions - the “Known Unknowns” - which need to be answered in order to implement COMPASS as an operating financial institution.

Corporate governance is broadly understood to be a set of rules which governs the relationships between management, shareholders and stakeholders (see Abdullah and Valentine, 2009). In public policy, governance is defined slightly differently, understood as 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).

We use the concept of governance in both senses to identify the relevant questions for operationalising COMPASS. Collectively the answers to these questions will form the ‘governance’ of the new organisational arrangements. This process is akin to drafting a company constitution. These questions are set out in Box 13 and will be incorporated into the dialogues undertaken at the forthcoming Cambridge Policy Boot Camp.



Box 9: Questions for Designing COMPASS

<p>What is the legal structure? Who owns it?</p>	<p>There are six main organisation ‘archetypes’ that could be used to provide the legal structure for the organisation. Here we are interested in the type of legal structure that would best suit the operation of COMPASS. These archetypes are banks, investment funds, public companies, private companies, cooperatives and partnerships.</p>
<p>Who makes the decisions?</p>	<p>This question is about the range of stakeholders involved in (owning?) this new organisation and the roles these stakeholders have in making decisions. For example:</p> <ul style="list-style-type: none"> ● Do owners get involved in investment decisions, or focus on strategy? ● Who sits on the management board? How is this determined? ● Who makes operational decisions about the management of the organisation? ● How are the people involved selected? ● How do we ensure that the voices of marginalised groups - such as women, indigenous groups and youth - are represented within the governance structures of COMPASS?
<p>What is the scope of the decisions made by this organisation?</p>	<p>Once it is determined what the legal structure is, and who is involved in making decisions, the type of decisions and activities the organisation is allowed to undertake needs to be determined - i.e. what is its mandate?</p> <p>There are several dimensions to the organisational scope. These are:</p> <ul style="list-style-type: none"> ● <i>Type of engagement</i> - what type of service does the organisation provide? (financial investment, advisory service, guarantees for investors, other?) ● <i>Level of engagement</i> - what scale of activity is the organisation involved in? Does it work with SIDS at the project level? At a program/sector level? Or does it provide budget support? Does this level of engagement change with different groups or countries - for example, is a more intensive hands on approach taken in support of traditionally marginalised groups? ● <i>Time Frame</i> - is it's investment horizon short, medium or long term investment? Or does it depend on the type of project? ● <i>Sectors</i> - which sectors, if any, does the organisation wish to specialise in for SIDS?



	<ul style="list-style-type: none"> ● <i>Impact</i> - what class of impact will the organisation measure, track and deliver on? I.e. Will it focus on climate adaptation? Food security? Biodiversity? Social justice? Or a mixture?
How are investment decisions made?	<p>The format in which investment decisions are made needs to be determined. Decision making models include:</p> <ul style="list-style-type: none"> ● Simple voting - one person, one vote ● Number of votes to reflect share rights and/or proportion of shares owned. ● Consensus or modified consensus (where voting is used if consensus is not achieved)
Who are the ultimate beneficiaries of the decisions?	<p>Investment decisions can and should be made to the benefit of all parties. However, financial institutions do make decisions with a primary or ultimate beneficiary in mind – usually their clients (the investors). Who is the ultimate beneficiary under this investment model? Is it:</p> <ul style="list-style-type: none"> ● The investors? ● SIDS governments? ● SIDS communities? ● Project proponents?
What mechanisms will the institution be permitted to use to monetize the value of untapped assets and to facilitate investment more broadly?	<p>This question is about the range and style of financial tools that the organisation may be permitted to use in investing and supporting projects. The financial sector has undertaken a great deal of financial innovation in developing mechanisms to transfer value (money) between investors and recipients, and conversely, to manage and transfer the risks associated with investments (Box 9).</p> <p>Each investment tool/risk management tool has advantages and disadvantages and levels of financial sophistication and literacy required for their safe use.</p> <p>Should this organisation be permitted to use all the different types of tools available - pending the need of projects? Or should they be limited in the types of tools they can use? If so, which tools?</p>



Conclusion

Since 1945, around the world, specific regions, or groups of countries, have developed their own financial institutions to meet their development needs – for example, the World Bank, the European Investment Bank, the Asian Development Bank, Asian Infrastructure Investment Bank (AIIB), and the African Development Bank.

Furthermore, in the era of sustainable finance, there are more than 93 international public funds, 60 carbon markets and 6000 private equity funds involved in climate finance (OECD, 2023) as well as countless other commercial, philanthropic and public funds dedicated to sustainable investment.

However, few of these funds meet the needs and circumstances of small island developing states and no international financial institution has been developed specifically for SIDS.

Phases 1 and 2 of this action-research set out the evidence and business case for developing a specific financial mechanism to support SIDS in accessing the finance for the large scale development they need. Drawing on the collective expertise of SIDS stakeholders, the Commonwealth Secretariat, policy makers and financial experts, this action-research has developed a theoretical model, COMPASS, that could form a template for the development of such a mechanism. In addition, new types of assets - “youth” and “nature” - have been identified, and new data sets and indices have been created to support investment.

The purpose of COMPASS is to reduce the structural and systemic risk that investors, investees and financial intermediaries face: high transaction costs, exposure to climate change induced hazards, small markets and gaps in technical expertise. Through addressing these risks, COMPASS is designed to deliver to both SIDS and the investing community a pipeline of investable projects based on the principles of cooperation, collaboration and partnerships.

The Commonwealth Secretariat, the SIDS, and indeed the investment community, are already experienced in successfully implementing projects and policies that embody one or more of the key principles and concepts in COMPASS. In this way, COMPASS can be framed as an extension, or evolution of existing activities, rather than a new approach.

The missing piece is how to turn COMPASS into an operational model capable of delivering on its objectives. This CPBC workshop taps into the collective expertise of workshop participants to identify the institutional architecture required to bring COMPASS to life.

The next steps for this project will be determined by the Commonwealth Secretariat through their programme of ongoing support for their SIDS, and small state, members.



Agenda

Date: 30th May 2023

Time: 13:00 - 17:00 London time

Zoom: <https://eng-cam.zoom.us/j/4330861571>

Time	Speakers and sessions
10 min 1300 - 1310	<p style="text-align: center;">Welcome and Introduction (HELLO)</p> <p style="text-align: center;">Dr Nazia M Habib, founder and director of Centre for Resilience and Sustainable Development at the University of Cambridge (2 min)</p> <p style="text-align: center;">Room: Main Session</p>
5min 1310 - 1315	<p style="text-align: center;">Opening Remarks</p> <p style="text-align: center;">Rt Hon Patricia Scotland KC, Commonwealth Secretary-General</p>
10min 1315 - 1325	<p style="text-align: center;">Lightning Talks</p> <p style="text-align: center;">Three experts Speak On The Issue *3min/Speaker</p> <p style="text-align: center;">Room: Main Session</p>
10min 1325 - 1335	<p style="text-align: center;">Introduce Techniques (BRIEFING)</p> <p style="text-align: center;">Multiple thinking techniques will be introduced to the participants who are then asked to select one or two techniques to address the CPBC challenge.</p> <p style="text-align: center;">Room: Main Session</p>
5 min 1335 - 1340	<p style="text-align: center;">Break</p> <p style="text-align: center;">Room: Breakout rooms</p>
90min 1340 - 1510	<p style="text-align: center;">Group Application (APPLIED THINKING)</p> <p style="text-align: center;">Breakout room where they will use the thinking techniques to analyse the CPBC challenge and come up with tentative solutions. Experts will be assigned to each room to provide further help.</p> <p style="text-align: center;">5 Minutes Break (at the discretion of the Facilitator)</p> <p style="text-align: center;">Room: Breakout rooms</p>
5min 1510 - 1515	<p style="text-align: center;">Break</p> <p style="text-align: center;">Room: Main room</p>
10min 1515 - 1525	<p style="text-align: center;">NABC Presentation skill (Elevator Pitch)</p> <p style="text-align: center;">A technique will be introduced to the groups to enable them to summarise their ideas for presentation.</p>



	Room: Main room
50 min 1525 - 1615	NABC Presentation Prep (SMART THINKING) Groups will re-enter the virtual room and rework on their solutions by revisiting the presentation technique. Room: Breakout rooms
30 min 1615 - 1645	NABC Presentation All the groups will come back to the main room, and present their ideas one by one to the experts and decision-makers from various stakeholder institutions. Each group is given five minutes to present their solution. Room: Main room
10min 1645 - 1655	Feedback and Discussions Room: Main Session
5min 1655 - 1700	Closing Remarks Rt Hon Patricia Scotland KC, Commonwealth Secretary-General

The Cambridge Team will stay online for the next 30 minutes to answer questions and network with participants.



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Appendix 1: Common Pool Asset Structuring Strategy (COMPASS)

The existing funding model for development funding for SIDS relies predominantly on donor funds from bilateral or multilateral agencies, with private sector finance making up only a small proportion of financial flows. The process relies on multilateral banks or bilateral donor agencies, has high administration costs and draws decision making power and agency away from SIDS and the direct beneficiaries of climate financed projects.

To address these limitations, COMPASS is designed to support SIDS to shift from making individual applications for finance, to collaboratively developing investable projects that target common investable opportunities across their communities.

Examples may include:

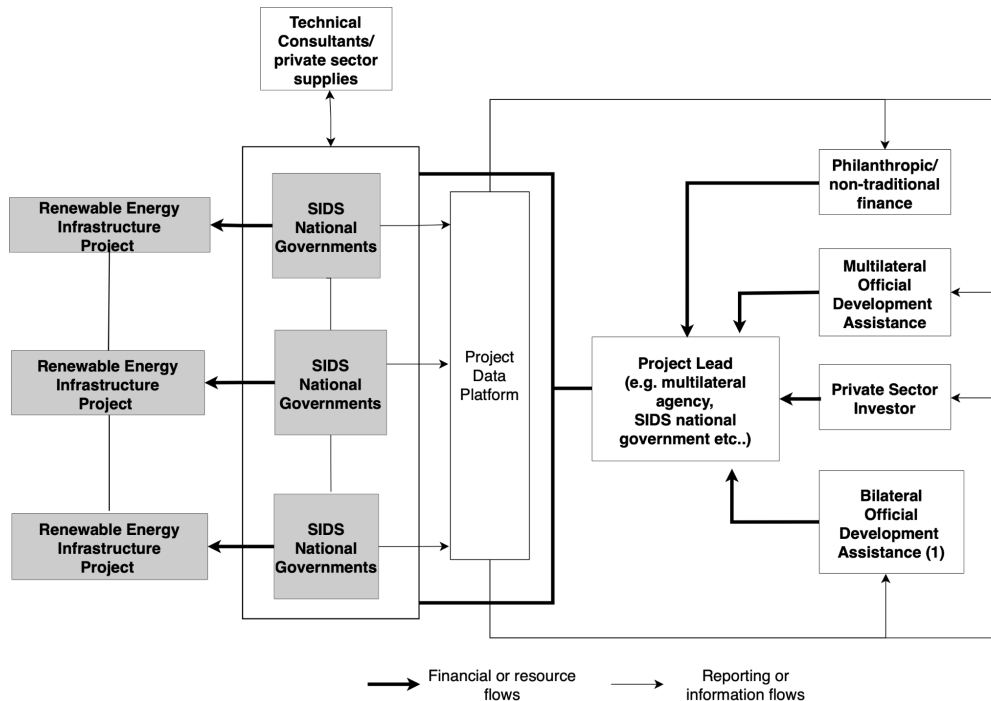
1. A global philanthropic organisation works with Pacific SIDS to develop a programme to generate blue carbon credits that is implemented across three large ocean states in the Pacific.
2. An industry accelerator programme is funded by a donor country to create, with industry, a remote access training program for IT programming skills for unemployed youth. This programme is then promoted and made available across all Commonwealth SIDS as a training programme leading to employment in the IT sector.
3. Renewable energy investors and three Commonwealth SIDS in the Caribbean and the Pacific forming a consortium of buyers to purchase renewable energy infrastructure - therefore improving their purchasing power and reducing costs.

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 of securing and managing finance. An example of how this may work was developed, as a concept, for investment in marine renewable energy (Figure 6).

In this model, investors engage directly with national governments or, regionally, collaborate with implementation partners who coordinate between project proponents. Alternatively, a national government could take the lead role as project facilitator. The investment relationship is facilitated through open dialogue directly between investors and national governments, and through the use of accessible, transparent and robust data sets made available through a dedicated software platform. The specialist software could be managed by a regional or the multilateral agency which acts as an administrator and facilitator while the data required for supporting the project (e.g., financial or project data) is retained in the hands of participating SIDS countries, who share it directly with investors through the software platform.



Figure 7: COMPASS - Application to Marine Renewable Energy



Source: Habib N.M. and Parris H. (submitted) Shared Risks, Common Opportunities: Getting Ready for Marine Renewable Energy Investment in Small Island Developing States (SIDS) submitted manuscript to *Renewable and Sustainable Energy Reviews*.

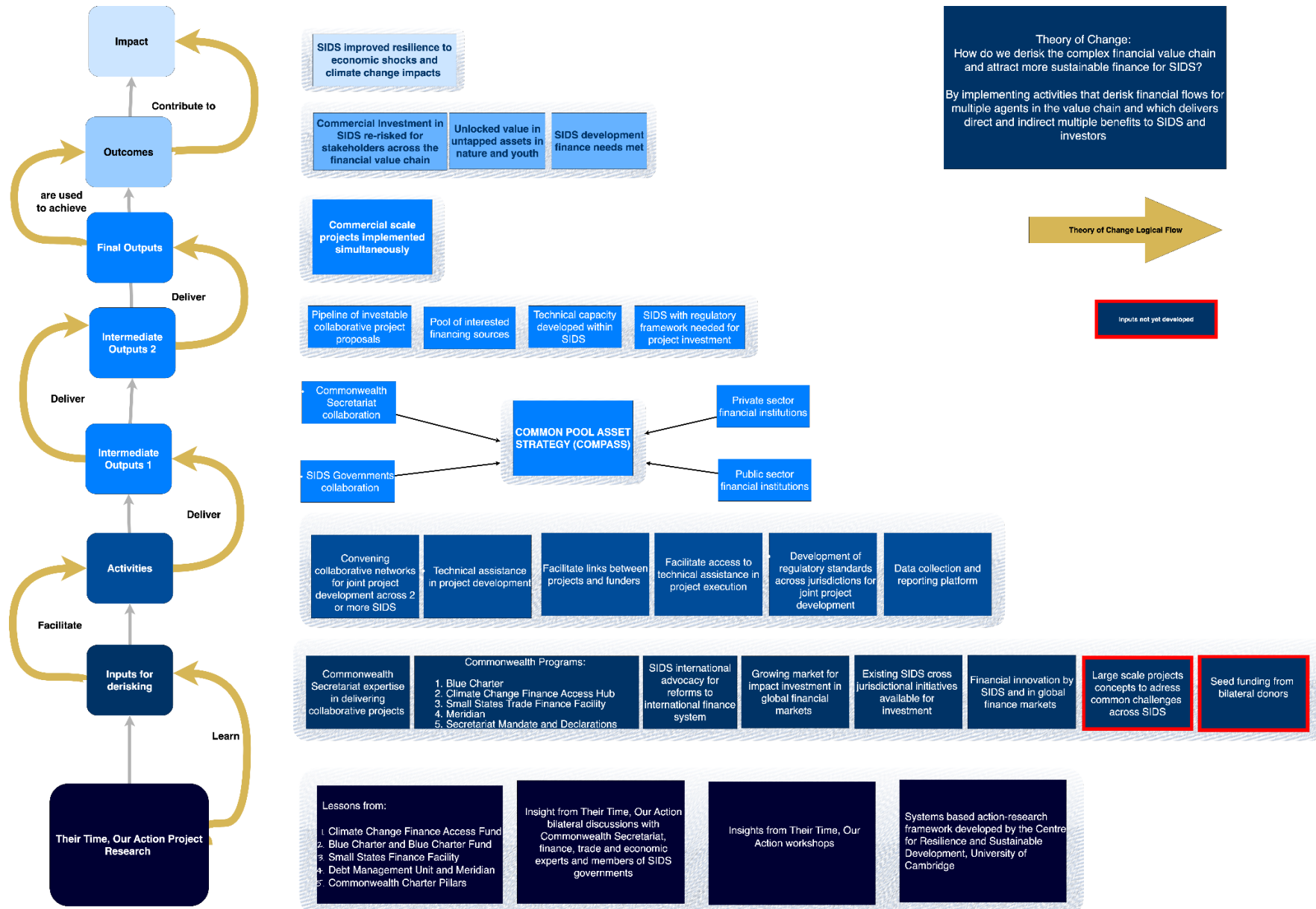
This model for SIDS finance is designed to achieve three objectives:

1. **Increasing scale of projects to a size that investors are willing to lend.** A key problem facing SIDS is that, in an individual country, the size and value of projects is significantly smaller than the minimum efficiency scale usually required to attract investors. Clubbing together to develop projects would increase their size - and value - making them more attractive to international financial markets.
2. **Reducing transaction costs.** Related to this, larger projects are more able to absorb high transaction costs associated with doing business in many SIDS. Pooling projects across countries also allows for fixed costs to be shared between more parties - reducing costs faced by individual SIDS overall.
3. **Managing risks by pool risks (technology, financial, institutional).** This includes risks such as technology immaturity, the need to manage learning effects, generating and maintaining political support for investments and debt management. Pooling these risks across countries improves the risk management strategy for both investors and for SIDS.

COMPASS provides a framework for SIDS, and the investment community, for how investment funds may be sourced and managed. Applying these principles to the untapped assets of 'youth' and 'nature' is currently difficult because international data sets used by the international community to make investment decisions do not adequately incorporate measurable, and verifiable, data sets on them. To address this gap, this project developed a new type of data set, summarised in the next section.



Appendix 2: Theory of Change for COMPASS



Appendix 3 Cambridge Political-Economic Resilience Index

It is widely accepted that GDP and more traditional approaches to attracting finance, like credit ratings, do not work for SIDS (Coscieme et al, 2020). Developing financial assessment tools to reflect the circumstances and vulnerabilities of many SIDS was the motivation behind the development of the Commonwealth Universal Vulnerability Index (UVI) GDP+ (Commonwealth, 2022).

Through *Their Future, Our Action*, CRSD has sought to build on the GDP+ index to develop a new data tool that incorporates measures of resilience - and economic opportunity - within SIDS. This work has produced the Political-Economic Resilience Index (PERI) – a data-intensive and statistical tool that measures the political and economic resilience of Small Island Developing States (SIDS) based on a range of factors, including youth employment, economic diversification, governance, and access to finance.

PERI is designed to support SIDS to access finance through providing verifiable and transparent data on the economic opportunities within SIDS, their (potential) vulnerabilities, and their resilience to different types of shocks. PERI incorporates data from multiple sources, including the World Bank, the International Labour Organisation (ILO), and the United Nations, as well as elements of the Commonwealth's UVI and the United Nations Multidimensional Vulnerability Index (OHRL, 2023). Specifically, PERI incorporates data of the two untapped assets identified by SIDS as key to future investment - their youth and their natural assets.

To aid interpretation, a "*PERI-View*" tool was developed to graphically represent PERI data against two other indices - Yale University's *Environmental Performance Index* (EPI), and measure of internal stability (Figure 3). This tool has two purposes:

1. To identify commonalities and differences between SIDS, and to identify clusters and outliers as part of a broader discussion on common investment proposals. Countries with a higher PERI ranking 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, so the opportunity to make a faster difference is greater. By contrast, countries with a lower PERI ranking may be seen as more risky to invest in, but systemic interlinkages between these underperforming factors may be hidden opportunities to provide much greater value for money investments - and greater development impacts.
2. To focus attention on key data sets, without a distracting level of abstraction or complication. The multidimensional layering of key data within *PERI-View* empowers SIDS to choose and pitch the most applicable narrative for their finance needs.

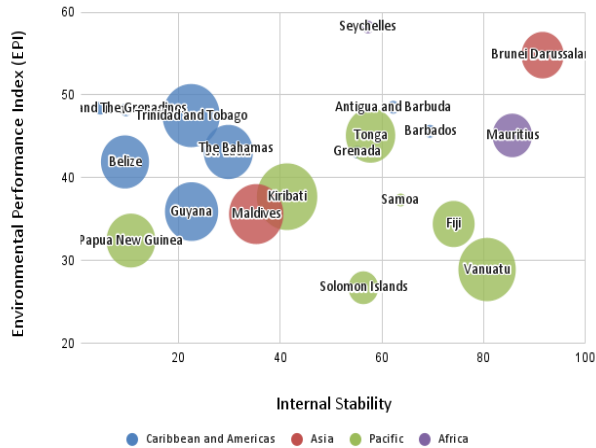


Furthermore, the same data layering allows investors to take a nuanced approach to SIDS' data whilst holistically conducting their risk/benefit analysis.¹⁷

Figure 8: Asset-Like Characteristics Across Countries

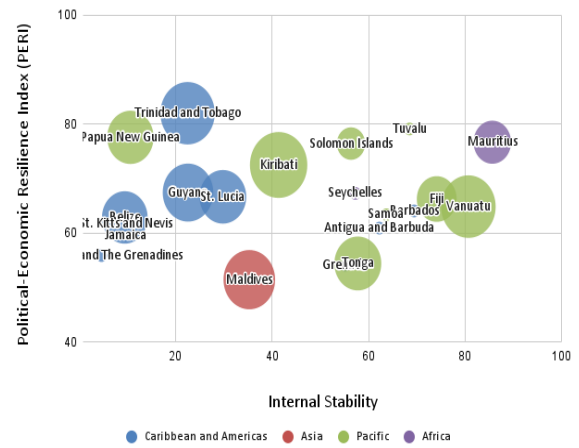
1. Environmental Performance vs Internal Stability

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



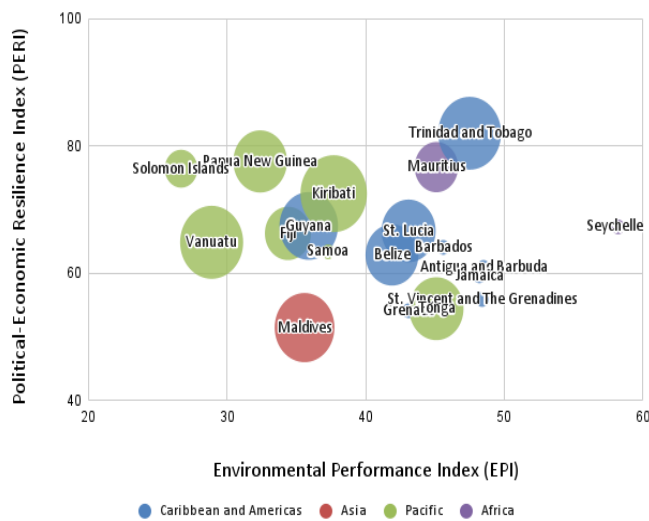
2. Political-Economic Resilience vs Internal Stability

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



¹⁷ Popescu, Hitaj, and Benetto, "Measuring the Sustainability of Investment Funds"; "New Tool Evaluates Climate Resilience of Infrastructure Assets | WSP"; BlackRock, "ESG Methodology."



Appendix 4: What is the Cambridge Policy Boot Camp Method?

The Cambridge Policy Boot Camp (CPBC) is a transdisciplinary 'action research' method developed by Dr Nazia M Habib, Founder and Director of the Centre for Resilience and Sustainable Development (CRSD) at the University of Cambridge, UK.

The CPBC is designed as an agile research method to quickly identify and document potential solutions for complex policy problems. The aim is to integrate multiple perspectives, from multiple stakeholders, which can provide practical direction for complex decisions and promote resilient solutions within the given context and resources.

Repeating testing and use of the methods with decision makers in over 90 countries demonstrate that the CPBC method delivers more relevant, effective and sharper quality solutions to complex problems, improves the capacity of participants to use 'systems thinking' in developing solutions, and fosters collaboration across stakeholders and buy-in to solutions. Policy topics addressed in CPBC exercises have spanned safe repatriation of refugees, food security, public health insurance schemes, resilience policy, upskilling policy for industry 4.0.

CPBC uses a combination of dynamic systems thinking, political economic theories, engineering and medical education techniques and creative design approaches to address three challenges commonly faced in policy making:

1. Unlocking the strategic challenge - complex systems make it difficult to identify strategic leverage points that will transform systems. The CPBC facilitates a rapid, but deep, appreciation of the complexity of the system within which policy makers operate, and to identify the mandate, resources and opportunities available for transformation.

2. Unlocking knowledge through collaboration - the CPBC facilitates creative and critical thinking and collaboration between system stakeholders to unlock powerful insights and identify common ground. This can improve trust between stakeholders and reduce the cost of transformation.

3. Unlocking buy-in and commitment - this acts to engage with external agencies (including media) to secure (implicit) buy-in in the new policy systems. This is an important part of the CPBC design to create potential institutions that can facilitate, promote and secure long term long term solutions for addressing complex problems.

Key outcomes from a CPBC workshop include identification of specific strategy and policy ideas, the discovery of trade-offs, complexities and inefficiencies and the recognition of the resources available to transform systems.

To find out more about the research centre work see:
<https://www.crsd.landecon.cam.ac.uk/methodologies>.



Appendix 5: Useful Definitions

Financial institutional architecture is defined as the rules, guidelines, and conventions that govern international financial relations, as well as the various institutions and organizations, through which such rules, guidelines, and conventions are developed, overseen, and enforced (Zimmerman, 2013)

De-risking is defined as any action taken by financial institutions, or financial intermediaries, to terminate or restrict financial relationships with clients or categories of clients in order to avoid downside risk. De-risking could ameliorate risks such as loss of assets due to default or expropriation or lack of regulatory frameworks delaying construction and operation (e.g. Schmidt, 2014, Chatain et al, 2018).

Blended finance has no official definition, but is commonly understood to be a financial package that uses concessional (discount) finance, with an intent to leverage additional financial flows, primarily private/commercial, and linked to achieving some type of development impact (Attridge and Engen, 2019).

Parametric insurance is a type of insurance that covers the probability of a predefined event happening. The insurance payout is triggered if a predefined event and event parameters are met or exceeded, where those parameters are measured objectively – usually using a technical risk exposure mode. In practice, this event could be an earthquake, tropical cyclone, or flood where the parameter or index is the magnitude, wind speed or precipitation respectively (Swiss Re, 2018).



Appendix 6: Local Time Zones

Countries	Continent	BST (British Summer Time)	30/05/2023 Expert Meeting (SG) Local Times
United Kingdom	Europe	BST	13:00
Mauritius	Africa	BST + 3	16.00
Maldives	Asia	BST + 4	17.00
Guyana	Caribbean and America	BST - 5	8.00
Barbados	Caribbean and America	BST - 5	8.00
Kiribati	Pacific	BST + 11	24.00
Fiji	Pacific	BST + 11	24.00
Vanuatu	Pacific	BST + 11	23.00
South Africa	Africa	BST + 1	14.00
Seychelles	Africa	BST + 3	16.00
Zambia	Africa	BST + 1	14.00
Malawi	Africa	BST + 1	14.00
Mozambique	Africa	BST + 1	14.00
Rwanda	Africa	BST + 1	14.00
Uganda	Africa	BST + 2	15.00
United Republic of Tanzania	Africa	BST + 2	15.00
Kingdom of Eswatini (Swaziland)	Africa	BST + 1	14.00
Kenya	Africa	BST + 2	15.00
Namibia	Africa	BST + 1	14.00
Botswana	Africa	BST + 1	14.00
Ghana	Africa	BST - 1	12.00
The Gambia	Africa	BST - 1	12.00
Sierra Leone	Africa	BST - 1	12.00
Cameroon	Africa	BST	13.00
Lesotho	Africa	BST + 1	14.00
Canada	Americas	BST - 5	8.00
Pakistan	Asia	BST + 4	17.00
India	Asia	BST + 4.5	17.50
Singapore	Asia	BST + 7	20.00
Brunei Darussalam	Asia	BST + 7	20.00
Malaysia	Asia	BST + 7	20.00
Sri Lanka	Asia	BST + 5	18.00
Bangladesh	Asia	BST + 5	18.00
Trinidad and Tobago	Caribbean and America	BST - 5	8.00
St. Vincent and The Grenadines	Caribbean and America	BST - 5	8.00
Antigua and Barbuda	Caribbean and America	BST - 5	8.00
Dominica	Caribbean and America	BST - 5	8.00



Grenada	Caribbean and America	BST - 5	8.00
The Bahamas	Caribbean and America	BST - 5	8.00
St. Kitts and Nevis	Caribbean and America	BST - 5	8.00
Jamaica	Caribbean and America	BST - 6	7.00
Belize	Caribbean and America	BST - 7	6.00
St. Lucia	Caribbean and America	BST + 9	22.00
Malta	Europe	BST + 1	14.00
Cyprus	Europe	BST + 2	15.00
Samoa	Pacific	BST + 12	25.00
Nauru	Pacific	BST + 11	24.00
Tonga	Pacific	BST + 12	25.00
Australia	Pacific	BST + 9	22.00
Solomon Islands	Pacific	BST + 10	23.00
Papua New Guinea	Pacific	BST + 9	22.00
New Zealand	Pacific	BST + 11	24.00
Tuvalu	Pacific	BST + 11	24.00

