



SIDS4 Conference Side Event

Unlocking NDC Finance in SIDS through Integrated National Financing Frameworks

- Wednesday 29 May 2024, 08.00 – 09.30 am at Room 5
- Organized by Government of Seychelles and INFF Facility (UNDP, UNDESA, OECD)
- Visit our [event page](#) for recording and more information

Background on the event

The world's 39 Small Island Developing States (SIDS) face multiple global crises, including substantial barriers to adequate financial support. Through country-led Integrated National Financing Frameworks (INFFs), many SIDS governments are developing a strategy to mobilise and align financing with their national plans and climate priorities, considering all dimensions of public and private finance, sustainability and risk management, and broadening participation in the design, delivery and monitoring of financing policies.

This side event provided a platform for the Government of Seychelles, Belize and Cabo Verde to showcase how they are using the INFF approach to strengthen financing for national objectives and implementation of the nationally determined contributions (NDCs) to the Paris Agreement and new Programme of Action. Participants, including high-level government representatives and international partners shared in-depth knowledge and practical experiences of using the INFF approach to scale public and private support for SIDS financing needs and the technical assistance required to support SIDS in developing an inclusive, sustainable and resilient financing ecosystem. It also highlighted how the INFF Facility is scaling up support for SIDS-developing INFFs.

Event summaries

Seychelles emphasized the importance of their INFF to support sustainable economic and climate resilience. The government is implementing an SDG-aligned taxation framework and has launched an SDG Investor Map to identify investment opportunities in key sectors such as renewable energy and technology. Their INFF is crucial for developing private sector projects aligned with SDGs, optimizing public resources, and leveraging digital finance and technological advancements to attract both public and private financing, ultimately fostering inclusive and sustainable growth.

Belize highlighted its efforts to bridge the financing gap for its development and climate goals through their INFF. The government has stabilized its macroeconomic position, innovating in debt management, and increasing private sector engagement. Their INFF will align its medium-term development plan and NDCs, integrating various financial strategies such as SDG tagging, carbon market readiness, and public-private

partnerships. This approach aims to foster sustainable growth and resilience by attracting international capital and optimizing national financial resources.

Cabo Verde stressed the critical role of their INFF in addressing the financial challenges of achieving its NDC targets. The government aims to enhance domestic resource mobilization, attract private sector investment through incentives, and leverage international climate finance by building strategic partnerships. Their INFF will align diverse financial sources with national development priorities, fostering regional cooperation, stakeholder engagement, and capacity building to ensure that climate ambitions translate into tangible, sustainable outcomes.

The OECD highlighted the importance of aligning development cooperation with the priorities of SIDS through INFFs. They emphasized that the INFF serves as a bridge between opportunities and vulnerabilities, utilizing various financial instruments like debt swaps and carbon credits to support sustainable development. The OECD stressed the need for technical assistance to help countries navigate complex financial tools, develop project pipelines, and create enabling environments for private sector investment, thereby enhancing effective expenditure and alignment with national and global commitments.

UNDRR emphasized the increasing risk of disasters and the need for better financial resource allocation to manage these risks effectively. They noted that disaster risk is rising instead of decreasing, and financial flows are not adequately directed towards disaster risk reduction. The integration of disaster risk information into the INFF is crucial to assess fiscal and macroeconomic risks accurately. Engaging the private sector is vital, as their investments can either reduce or increase disaster risk. UNDRR also highlighted the significant economic and social benefits of early warning systems, advocating for their integration into national development plans to protect assets and support sustainable development.

UNDP highlighted the crucial role of the country-led INFF in supporting NDCs aligned with a 1.5-degree pathway for COP 30. They stressed the need for a whole-of-economy approach, differentiated strategies for G20 and non-G20 countries, and the sharp focus on public and private finance that INFFs provide. INFFs effectively align fiscal policies with SDG impacts, enhance private sector investments, and build governmental capacity. By integrating these features, INFFs can catalyze climate finance, leverage diverse financial sources, and support CIDs in achieving climate resilience and sustainable development.

Key Issues discussed

- **Integrated National Financing Strategy:** Development of strategies that align fiscal and private finance policies with sustainable development goals (SDGs) and prioritize digital transformation to streamline business operations and development financing.
- **Climate Finance Challenges:** The complexity and competitiveness of accessing climate finance, and the need for enhanced capacity to mobilize domestic resources and attract private investments.
- **Gender-Sensitive Taxation:** Seychelles has highlighted the importance of implementing taxation frameworks that promote equality, particularly for women who are often underrepresented and receive lower wages.
- **Private Sector Engagement:** Cabo Verde has stressed the critical role of expanding and deepening the participation of both local and international private sectors in national development agendas.

- **Debt Management and Innovation:** Strategies like the blue bond in Belize, which have been used to manage debt while supporting marine protection and improving credit ratings.
- **Stakeholder Engagement:** Countries and international partner speakers all underlined the necessity of fostering inclusive dialogue and building capacity among stakeholders, including local communities, civil society, and academia, for effective climate action and disaster risk reduction.

Key recommendations for action

- **Adopt Integrated National Financing Frameworks (INFFs):** SIDS can develop and implement INFFs to align diverse financing sources with national development plans and climate goals ahead of the upcoming 3rd round of NDCs in 2025.
- **Enhance Domestic Resource Mobilization:** Strengthen tax systems, improve public financial management, and curb illicit financial flows to generate more internal revenue.
- **Develop and Utilize SDG-Aligned Taxation:** Design and implement taxation frameworks that align with SDGs and promote inclusive and sustainable development.
- **Leverage International Climate Finance:** Strengthen capacity to develop compelling project proposals for international donors and build strategic partnerships with multilateral development banks and climate funds.
- **Promote Private Sector Investments:** Create enabling environments with incentives such as tax breaks, risk guarantees, and public-private partnerships to attract private investments in green projects.
- **Explore Innovative Financing Mechanisms:** Consider green bonds, green taxes, and other innovative financial instruments to direct funds towards climate projects and sustainable development initiatives.
- **Engage Stakeholders and Build Capacity:** Foster inclusive dialogue and build the capacity of institutions and individuals through training programs to effectively design, implement, and monitor climate projects.