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CLIMATE ANALYTICS

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List of accronyms

AF	Adaptation Fund
AOSIS	Alliance of Small Island States
AfDB	African Development Bank
AECF	Africa Enterprise Challenge Fund
AFW	Africa Water Facility
CBS	Central Bank of Seychelles
CC	Climate change
CDM	Clean Development Mechanism
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
DFI	Development finance institutions
EEP	Energy and Environment Partnership
EE	Energy efficiency
GHG	Greenhouse gas
GIIN	Global Impact Investing Network
GEF	Global Environment Facility
GCCA+	Global Climate Change Alliance Plus
GCF	Green Climate Fund
INDC	Intended Nationally Determined Contribution
IPP	Independent power producer
IWRM	Integrated water resources management
ICAO	International Civil Aviation Organization
LDCF	Least Developed Countries Fund
MEECC	Ministry of Environment, Energy and Climate Change
MEEDBI	Ministry of Employment Entrepreneurship Development and Business Innovation
MFTEP	Ministry of Finance, Trade and Economic Planning
MRV	Monitoring, reporting and verification
NDA	Nationally Designated Authority
ODA	Official development assistance
OECD	Organization of Economic Cooperation and Development
PPCR	Pilot Program for Climate Resilience
PIF	Project Identification Form
PPP	Public – private partnership
RE	Renewable energy
REDD	Reducing emissions from deforestation and forest degradation
SeyCATT	Seychelles Conservation and Climate Adaptation Trust
SCCF	Special Climate Change Fund
SEEREP	Seychelles Energy Efficiency and Renewable Energy Programme
SIDS	Small island developing states
SMEs	Small- and medium-sized enterprises
SEFA	Sustainable Energy Fund for Africa
TNA	Technology Needs Assessment
UNFCCC	United Nations Framework Convention on Climate Change

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Executive Summary

Climate finance is a category of finance that has become prominent due to the growing importance of climate change (CC) impacts as a challenge to be addressed. Its purpose is to support climate actions that respond to CC, notably CC adaptation and mitigation measures. Following the "Paris Agreement" on CC in 2015, there is a growing recognition of the need for individuals, communities, firms and governments around the world to take ambition on climate action to the next level. This will require mobilizing investment on an unprecedented scale to achieve the goals of the Paris Agreement.

The two broad categories climate finance are public and private. Private climate finance is currently the larger of the two at $270B per annum, compared with $140B per annum from public climate finance, based on data for the period 2015-16. Sources of public climate finance include bilateral and multilateral donors, while sources of private climate finance include corporations, commercial bank lending, and direct investments by institutional investors. Each of these two broad categories includes various subcomponents, as detailed in this report.

Grants make up the majority of public climate finance allocated to SIDS from multilateral or bilateral funds. To date, over three-quarters of the climate finance for SIDS from multilateral climate funds is in the form of grants (83%), while most of the remainder is in the form of concessional loans (16%).

However, in January 2018 Seychelles was removed from the list of countries eligible for overseas development assistance, due to its recent increases of per capita income. This means that access to international public climate finance will henceforth be more difficult and less predictable for stakeholders from Seychelles. Fortunately, however, Seychelles will still keep its status as a SIDS, which means it will remain eligible for some types of donor support.

The net effect is that stakeholders from Seychelles should no longer rely on ODA to finance climate actions. They should instead look at opportunities to mainstream CC issues into national budgetary processes, and explore opportunities to mobilise climate finance from the private sector both internationally and domestically.

This report briefly maps out the international climate finance landscape, then describes those options most relevant to Seychelles. It also elucidates approach pathways for stakeholders from Seychelles interested in obtaining climate finance, including public entities, private firms and non-governmental organizations. The report thus constitutes a guidance document to inform the efforts of these stakeholders to identify and secure climate finance flows in support of their priority climate actions.

The report also discusses a new scheme that could offer significant opportunities for Seychelles, namely Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). This scheme aims to 'offset' the huge volume of greenhouse gas emissions emitted by civil aviation worldwide, while is responsible for 2% of the global CC problem. The resulting scheme will be large, and offers intriguing prospects for Seychelles on several levels. CORSIA is set to launch in 2021, so it is timely for Seychelles to consider how to position itself vis-à-vis this anticipated new institutional reality.

1. Purpose of this analysis

This report briefly maps out the international climate finance landscape, then describes those options relevant to Seychelles. It also elucidates suitable approach pathways for stakeholders from Seychelles that are interested in obtaining climate finance. The report thus constitutes a guidance document to inform the efforts of stakeholders from Seychelles to identify and secure climate finance flows in support of their priority climate actions. This guidance will also inform strategic deliberations by stakeholders from Seychelles on which climate actions they can afford and successfully deliver by clarifying prospects for securing outside funding and technical assistance for climate actions. The end result is that this analysis will help position Seychelles to benefit from emerging international climate finance opportunities, including both public finance and private finance.

2. Introduction to international climate finance

Climate finance is a category of finance that has become prominent due to the growing importance of climate change (CC) impacts as a challenge to be addressed. Its purpose is to support climate actions that respond to CC. One example is efforts to understand or track CC impacts or vulnerability to these impacts, while another is work on mainstreaming CC across systems and processes. Most commonly, however, climate finance is used to fund delivery of CC adaptation and CC mitigation measures.

Climate change adaptation measures seek to help communities, businesses or countries cope with local CC impacts. They involve adjustments to economic, social or ecological systems in response to actual or expected CC stimuli and their impacts. Examples include changes in practices, processes and structures to moderate potential damages or to benefit from opportunities associated with CC.

Climate change mitigation measures seek to help combat the global CC threat. This involves either reducing greenhouse gas emissions or removing (i.e., 'sequestering') carbon dioxide from the atmosphere by enhancing carbon sinks. Such efforts help combat CC because the root cause of CC is increasing concentrations of greenhouse gases in the Earth's atmosphere.

In short, climate finance involves financial flows to support climate actions. The funds in question can originate from either international or domestic sources, and from either the public or private sector. The present report focuses on international climate finance sources, both public and private. It specifically examines options relevant to Seychelles. This focus reflects an interest in identifying ways the international community can help support priority climate actions by stakeholders within Seychelles.

Since the "Paris Agreement" on CC in 2015, there is a growing recognition of the need for individuals, communities, firms and governments around the world to 'step up' and take their ambitions for climate action to the next level. Five key issue areas were highlighted by the Agreement, namely healthy energy systems, inclusive economic growth, sustainable communities, land and ocean stewardship, and transformative climate investments. The transformative climate investments challenge focuses on mobilizing investment on an unprecedented scale to achieve the goals of the Paris Agreement, including by spurring innovation and accelerating the transition to a clean and resilient economy.[1]

The array of international climate finance options – or international climate finance 'architecture' – is complex and continually evolving. The two broad categories are public and private sources.

International public climate finance providers include donor governments and their agencies, as well as multilateral climate funds. Another source is development finance institutions (DFIs). These are

[1] See http://globalclimateactionsummit.org/transformative-climate-investment for further details.

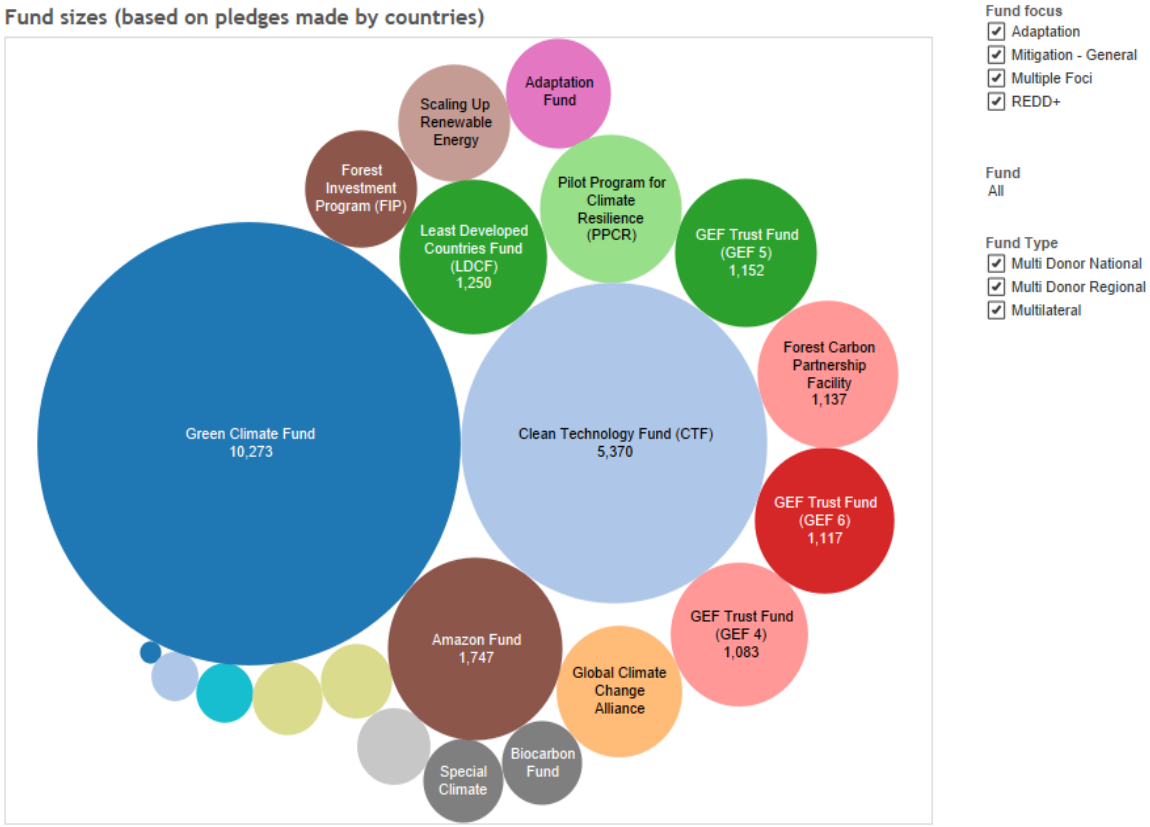
specialised public entities set up to support private sector development in developing countries, and include both national (e.g., CDC Group[2]) and multilateral entities (e.g., African Development Bank).

Private sources of international climate finance include financial commitments by corporations and project developers, commercial bank project lending, direct investments by institutional investors, and households investing their savings from abroad. Examples of private climate finance investments include renewable energy projects, climate smart farms, and climate resilient infrastructure.

In the global climate finance landscape, private climate finance was the largest source of funds, totalling an average of $270B per annum over the period 2015-2016[3]. By contrast, public climate finance totalled an average of $140B over the period 2015-2016.

Each of these two broad categories includes various subcomponents. Thus, the $270B of private climate finance shows the following breakdown: dedicated project developers ($137B), corporations ($37B), commercial financial institutions offering loans ($62B), households ($31B), institutional investors ($2B); and infrastructure funds/venture capital/private equity ($1B).[4] Meanwhile, the Organization of Economic Cooperation and Development (OECD) has developed a Climate Fund Inventory that lists the main bilateral and multilateral public climate funds. A total of 91 public climate funds were identified (see Annex 1). The fifteen largest funds from this inventory are shown in Figure 2. Those most relevant to Seychelles are discussed in section 6.

Figure 2: Size of public climate funds, in million USD[5]



[2] This is the new name for the United Kingdom's Commonwealth Development Corporation.
[3] Values indicated are for annual spending, but based on an average of data collected over 2 years.
[4] http://www.climatefinancelandscape.org/#/reading/article-1
[5] https://climatefundsupdate.org/data-dashboard

The existence of multiple funding channels increases the options and therefore possibilities for recipient countries to access climate finance. Yet it can also complicate the process of obtaining finance for stakeholders from affected countries who need funding to support their priority climate actions. The present reports aims to help stakeholders from Seychelles navigate this climate finance landscape so as to maximise their chances of obtaining finance.

3. Overview of international public climate finance for SIDS

Seychelles is among those countries categorised as Small Island Developing State (SIDS). Twelve multilateral climate funds have provided support to SIDS during the period 2003-2017.[6] A total of $1.38B has been approved for 210 projects. The largest contributor to date is the **Green Climate Fund** (GCF), which has approved $409M for SIDS since its launch in 2015. The second largest climate fund supporting SIDS is the **Pilot Program for Climate Resilience (**PPCR), which has approved $234M, while the **Least Developed Countries Fund** (LDCF) is the third largest, with $196M approved. The GCF has the potential to become an even larger source of finance for the SIDS in the future, with 50% of its $10.3B pledged funds to be used for adaptation, and at least half of this support to be directed to Least Developed Countries (LDCs), SIDS and African States.

Table 1: Multilateral climate funds that have invested in SIDS between 2013-2017

Multilateral climate funds	**Total approved ($M), 2003-17**	**Number of projects approved**
Green Climate Fund (GCF)	409	10
Pilot Programme for Climate and Resilience (PPCR)	234	22
Least Developed Countries Fund (LDCF)	196	50
Global Environment Facility (GEF)	130	60
Adaptation Fund (AF)	110	19
Global Climate Change Alliance (GCCA)	104	21
Scaling-Up Renewable Energy Program for Low Income Countries (SREP)	66	8
Clean Technology Fund (CTF)	56	4
Special Climate Change Fund (SCCF)	35	5
Forest Carbon Partnership Facility (FCPF)	27	7
UN REDD Programme	7	2
Adaptation for Smallholder Agriculture Programme (ASAP)	5	2
Total	**1,380**	**210**

Bilateral climate finance for SIDS is comparatively difficult to track. In 2014, Climate Fund Update reported cumulative bilateral flows to the SIDS since 2008 for prominent bilateral funds. These findings included Germany's International Climate Initiative ($28M), Norway's International Climate and Forest Initiative ($66M), and Australia's International Forest Carbon Initiative ($3M).

Currently, flows of international climate finance to SIDS are larger from multilateral sources than from bilateral sources. Annual flows to SIDS for the period 2015-2016 were $46M from multilateral sources, compared to $19B from bilateral sources.[7] Multilateral sources therefore provide 91% of the international public climate finance to SIDS, while bilateral sources provide just 9%.[8]

[6] https://climatefundsupdate.org/
[7] http://www.climatefinancelandscape.org/#/reading/article-1
[8] https://www.odi.org/sites/odi.org.uk/files/resource-documents/11053.pdf

Grants make up the majority of public climate finance allocated to SIDS from multilateral or bilateral funds. To date, over three-quarters of the climate finance for SIDS from multilateral climate funds is in the form of grants (83%), while most of the remainder is in the form of concessional loans (16%)[9].

Access modalities to multilateral climate finance

Multilateral climate funds such as Green Climate Fund (GCF), Adaptation Fund (AF) and Global Environment Facility (GEF) provide climate finance to recipient countries by working through partner organizations. Often, this is done via national offices of regional or international bodies such as the African Development Bank or UNDP. Yet other possible partners include government bodies, private sector actors and non-governmental organizations. Entities seen to possess solid capacity for driving climate action in the country may apply to become an 'Accredited Entities', which serve as in-country conduits for finance from these multilateral climate funds. To qualify, applicant entities should have detailed and actionable CC projects or programmes, and must also meet standards vis-à-vis financial management, environmental and social safeguards, and gender.

Accredited Entities develop funding proposals to be considered by one or more multilateral climate funds, or support other entities from their country to develop suitable proposals. Once funding is awarded, Accredited Entities oversee, manage and monitor approved projects and programmes. There are two types of Accredited Entities, namely Direct Access and International Access.

Direct Access Entities are sub-national, national or regional organizations that must be nominated by the National Designated Authorities (NDAs) or focal point of a developing country. Nominated organizations may be eligible to receive readiness support in order to build up their institutional capacity and hence prepare to become Accredited Entities. Readiness support may also be used to help those already accredited to further strengthen their capacity. The NDA of Seychelles has nominated the Development Bank of Seychelles for accreditation to the GCF. At the regional level, the Indian Ocean Commission has likewise applied for accreditation to the GCF. Both applications are currently being assessed by the GCF.

International Access Entities can include United Nations agencies, multilateral development banks, international financial institutions and regional institutions. These organizations typically possess strong capacity and expertise in diverse relevant areas (e.g., energy, agriculture). Unlike national entities, these international entities do not need to be nominated by a developing country NDA or focal point in order to apply for accreditation.

Organizations that are not Accredited Entities can also engage with the GCF and other multilateral providers of climate finance under certain conditions. Pathways to doing this include (a) partnering with an Accredited Entity on implementing an approved project, (b) co-financing projects with an Accredited Entity; and (c) as a readiness delivery partner, provided that the entity can demonstrate relevant expertise, experience and ability to implement projects.

[9] https://climatefundsupdate.files.wordpress.com/2018/02/cff12-2017-eng-digital.pdf

4. Eligibility and access to public climate finance by Seychelles

The Development Assistance Committee (DAC) of the OECD is charged with designating which countries are eligible for Official Development Assistance (ODA). It revises its list of potential ODA recipients every three years. Countries that have exceeded the high income threshold for three consecutive years at the time of its review are removed from the list. In its 2017 review of the DAC list, the OECD agreed on the graduation of Chile, Seychelles and Uruguay due to recent increases in their per capita income. These three countries have thus been removed from the list and are no longer eligible for ODA as of 1 January 2018[10]. The next review of the list will take place in 2020.

With this decision, the capacity of entities from Seychelles to access concessional climate finance will shrink. Many bilateral donors extend climate finance and disaster resilience finance to SIDS in the form of concessional grants and loans. This support is typically provided on the basis of geographic proximity, historical and cultural ties, economic and trade linkages, and geopolitical interests. ODA eligibility can, however, play a role in determining donors' allocations to SIDS, although this criterion is not binding on donors. It follows that some donors may halt bilateral funding to Seychelles due to its loss of ODA eligibility. However, others may continue to allocate bilateral funding to SIDS that are no longer ODA eligible, with Japan serving as an example.

The problem of losing its ODA eligibility is not unique to Seychelles, but rather of concern among SIDS generally. With eligibility to key multilateral and bilateral sources of concessionary finance depending on per capita classification, the SIDS – via the Alliance of Small Island States (AOSIS) – have called for donors to review the rules governing access to such finance[11]. They have stressed the importance of including vulnerability considerations when assessing funding eligibility, given the high vulnerability of SIDS to climate change impacts.

In sum, as things stand access to international public climate finance looks set to be more difficult and less predictable for stakeholders from Seychelles, given the country's newfound high-income status. This change has several implications for these stakeholders. Simply put, these stakeholders should no longer rely on ODA to finance their climate actions, and should instead begin exploring alternative funding options. One alternative is to look at opportunities to fund these actions via mainstreaming climate actions into national budgetary processes. Another is to fund these actions via engagement with the private sector either domestically or internationally. For instance, this might entail developing dynamic climate actions then pitching proposals to suitable financing mechanisms.

Despite these changes regarding ODA eligibility, it is important to note that Seychelles will retain its status as a SIDS regardless of any changes to its eligibility for ODA. Moreover, the situation vis-à-vis ODA could in time change in favour of countries like Seychelles. This follows because high-level debates are on-going among donors on whether climate finance should be kept separate from questions about ODA, given the historical obligation of industrialised countries to compensate non-industrialised countries for CC damages.

[10] http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/daclist.htm
[11] http://aosis.org/wp-content/uploads/2018/06/AOSIS-Submission-on-22type-and-nature-of-actions-to-address-loss-and-damage-for-which-finance-may-be-required22-1.p

5. Multilateral & bilateral climate finance received by Seychelles (2003-17)

To date, multilateral climate finance approved for Seychelles includes support for 5 CC projects between 2009 and 2017[12]. The finance provided totals $15 million,[13] with a breakdown of these contributions given in Table 2. For comparaison, the top ten SIDS receipient countries have seen a total amount of climate finance approved that varies from $40M to $130M for this period[14]. Mobilisation of multilateral climate finance has remained limited in Seychelles compared to other SIDS primarily because the country has not as yet had a projet funded by the GCF. This follows because funding awards by the GCF tend to be large, so receiving such an award can sharply shift the overall funding data for a country, particular for smaller countries such as SIDS.

Table 2: Multilateral climate finance projects approved for Seychelles 2009-2017, in million USD

Fund	Name of project	Theme / objective	Approval year	Funding approved ($M)	Funding disbursed ($M)
Global Climate Change Alliance (GCCA)	GCCA - Seychelles Climate Change Support Programme (SCCSP): Enhancing the sustainability of the economic and development reform	This first GCCA programme in Seychelles facilitated mainstreaming of CC actions into the Seychelles Sustainable Development Strategy (SSDS) for 2012-2020, including developing a chapter on CC. It also created a strong institutional and regulatory framework for a modern energy sector to facilitate renewable energy development and reduce dependency on oil, which set the stage for endorsement of the Seychelles Energy Act. Finally, it created an enabling environment for participation of the private sector and a framework for incentives to renewable and energy efficiency technologies.	2009	2.24	2.24
Global Environment Facility (GEF4)	Grid-Connected Rooftop Photovoltaic Systems	The project increased the use of grid-connected rooftop photovoltaic (PV) systems as a sustainable means of generating electricity, with the following three main components: Policy strategies and legal framework; strengthening of the technology support; and delivery system as well as putting in place adapted financial support to households	2010	1.16	1.16
Adaptation Fund (AF)	Ecosystem-based Adaptation to Climate Change	The project seeks to reduce the vulnerability of Seychelles to CC, focusing on two key issues, water scarcity and flooding. This follows from CC projections for Seychelles which show that rainfall will increase and become increasingly irregular. The project addresses these vulnerabilities by fostering ecosystem-based adaptation as a CC risk management strategy, based on restoring ecosystem functionality. Anticipated benefits include securing critical	2011	6.46	3.58

[12] Amount of approved funding and amount disbursed may differs because project are currently been implemented
[13] https://climatefundsupdate.org/data-dashboard/
[14] https://climatefundsupdate.org/

		ecosystem services, namely water provisioning and flood attenuation.			
Global Environment Facility (GEF5)	Promotion and Up-scaling of Climate-resilient, Resource Efficient Technologies in a Tropical Island Context	This project aimed to increase market penetration of energy-efficient technologies, practices, products and materials in the residential market. It included three components: • Policy strategies and legal framework; • Strengthening of the support for resource-efficient technologies; and • Developing financial mechanisms	2013	1.77	1.77
Global Climate Change Alliance+ (GCCA+)	Seychelles GCCA+ Climate Change project	This project has two distinct parts. Component A fosters mainstreaming of CC across government systems and processes. It seeks to (i) enhance CC policy harmonization and mainstreaming of CC into sector strategies, (ii) strengthen sector governance capacity including coordination and monitoring, (iii) create a budgetary framework to improve climate finance readiness, d) build human resource and institutional capacity, Component B supports implementation of coastal CC adaptation measures on La Digue, given concerns about coastal erosion and flooding in vulnerable areas.	2014[15]	3.36	1[16]
TOTAL				**$14.99M**	**$8.75M**

Bilateral climate finance received by Seychelles typically involves grant-based support for the implementation of policies, projects or specific measures. However, mobilisation of bilateral climate finance to Seychelles has remained limited, with only 2 climate projects financed since 2011. The bulk of global bilateral concessional finance for recipient countries is allocated in response to emergencies or crises, which Seychelles has not needed in recent years. By contrast, bilateral climate finance for programmatic investments that address the underlying causes of CC vulnerability is strictly limited.

Table 3: Bilateral climate fiannce received by Seychelles to date, in million USD

Fund	Name of project	Theme / objective	Approval year	Funding approved ($M)	Funding disbursed ($M)
USAID	Restoring Coral Reefs in the Face of Climate Change	Rehabilation of coral reef around Cousin Island Special reserve managed by Nature Seychelles	2010-2013	0.514	0.514
JICA	Study for Coastal Erosion and Flood Management in the Republic of Seychelles	Formulation of a coastal conservation plan with regard to disasters to enhance coastal management, and formulation a flood management plan to reduce flood risk via	2011-2014	Data not available	Data not available

[15] The ToRs for this project is dated 2016. Component B was launched in 2016, while Component A was launched in 2017.
[16] This is a conservative estimate, but is not official.

		implementation of pilot projects.			

6. Public international climate finance options relevant to Seychelles

This section provides details and guidance regarding the most promising international public climate finance options for the Seychelles. Specifically, it looks at the 12 options deemed most useful to stakeholders from Seychelles.

A rapid scan of the 91 climate funds identified (see Annex 1) suggests that 38 funds could potentially be accessed by stakeholders from Seychelles. Eligibility was determined based on verifying that both African countries and SIDS were eligible for these climate funds.

The criteria for selecting the 12 most promising climate finance options for Seychelles from the list of 42 potential options were both sectoral and geographical. Most importantly, funds must emphasise sectors and activities relevant to the country, such as tourism, fisheries, renewable energy and sustainable agriculture. Other desirable criteria include (a) levels of funding potentially available, (b) openness to different types of project proponents, i.e., not just national government, and (c) access to support mechanisms to help applicants apply for funding, e.g., technical assistance, seed funding for proposal development.

Table 4: Green Climate Fund

Name of fund	***Green Climate Fund (GCF)***
Overview	The GCF was adopted as a financial mechanism of the UN Framework Convention on Climate Change (UNFCCC) in 2011. It aspires to become the principal channel for distributing public climate finance in order to attain the climate mitigation and climate adaptation goals of the international community. Specifically, the GCF aims to promote a paradigm shift towards low-emission and climate-resilient development pathways by providing financial support to developing countries. This includes helping them limit or reduce their greenhouse gas emissions and to adapt to the impacts of CC, notably in cases where developing countries are particularly vulnerable to the adverse effects of CC. Ensuring national ownership of climate actions is also central to GCF's approach. Other priorities include seeking a balance between adaptation and mitigation funding, promoting environmental, social, economic and development co-benefits wherever possible, and taking a gender-sensitive approach. Several proposals for GCF funding for Seychelles are currently pending. One proposal was submitted for $2.6M in June 2017 to support development of a National Adaptation Plan. UNDP developed a concept note for a $8.6M project to create an enabling environment for Seychelles' 100% Renewable Energy Strategy (SeyRES 100). Finally, a concept note for a €25M project to improve the resilience of costal ecosystems in Indian Ocean countries (Comoros, Madagascar, Mauritius, Seychelles) was developed by Agence Française de Développement in collaboration with the Indian Ocean Commission.
Type	Multilateral
Administered by	COP (UNFCCC) and Green Climate Fund Board

Public / private / philanthropic	Public
Eligibility	Seychelles is eligible for the GCF. Public, private and civil society, organisations are eligible as executing entities but they must apply through an accredited entities. The list of accredited entities to the GCF can be found here: https://www.greenclimate.fund/how-we-work/tools/entity-directory. For Seychelles, the most relevant accredited agencies with experiences working in the country are: African Development Bank, European Investment Bank, Food and Agriculture Organisation, World Bank, UNDP and UNEP.
Field	The GCF finances activities to both enable and support adaptation, mitigation technology development and transfer, capacity-building and the preparation of national reports. CC mitigation activities supported include (a) low-emission energy access and power generation, (b) low-emission transport, (c) energy efficient buildings, cities & industries, and (d) sustainable land use and forest management (including mangroves). CC adaptation activities supported include (e) enhanced livelihoods of the most vulnerable people, communities & regions, (f) increased health & well-being / food & water security, (g) resilient infrastructure and built environment to CC threats, and (h) resilient ecosystems. These impacts areas are all relevant to Seychelles and align with its INDC submission.
Sectors	GCF covers the full range of sectors. It finances project-based and programmatic approaches in accordance with strategies and plans such as low-emission development strategies, Nationally Appropriate Mitigation Actions, National Adaptation Plans of Action, and INDC. For Seychelles, priority activity areas defined in the country's Nationally Determined Contribution represent possible target areas for support from by GCF. These include: • Mainstream CC into the management and planning of critical infrastructure • Mainstream CC into the tourism sector, and identify options to increase its resilience • Develop and strengthen national capacity for climate smart agriculture and fisheries • Improve water security by improving ecosystem resilience to CC • Increase energy security by developing renewable energy and energy efficiency sector • Improve waste management and develop waste to energy facilities
Level of funding	$10.3B has been pledged by donors. 50% of total funding pledged must go towards either SIDS, least developed countries or African states, given their particular vulnerability to CC impacts. In addition, 50% of total funding must go to mitigation, while 50% must go to adaptation. GCF has already approved $2.6B support to projects since 2015[17].
Financing mechanism	Types of financing mechanisms used include grants, concessional loans, loan guarantees, and equity. Different mechanisms can be combined for any given project or programme, and the mechanisms used will change from one accredited entity to another as it is based on their financial capacity and whether or not the project will generate revenue. Financial support is provided via several financial categories, namely micro (up to $10M), small ($10-50M), medium ($50-250M), large (over $25M).

[17] https://climatefundsupdate.org/green-climate-fund/

	For Seychelles, the main challenge of GCF funding is the relatively large size of GCF project given the small size of the country. One solution is to have a programme that includes several executing agencies within Seychelles, since this is an obvious way to increase the country's absorptive capacity. Any support would likely use grants as its main financing mechanism. This follows because other mechanisms may not be viable in Seychelles due to the high transaction costs associated with smaller projects, which reduces their financial viability.
Pathway for application	Steps to be followed 1. National stakeholders interested in GCF funding identify a relevant accredited agency 2. National stakeholders develop a concept note in collaboration with the accredited agency 3. The accredited agency requests a 'no objection' letter from the National Designated Authority 4. The concept note is submitted to the GCF secretariat for feedback 5. The accredited agency and stakeholders develop the full project proposal For project up to $10M, a simplified approval process was adopted by GCF in 2017. Financial support is available from accredited agencies to the GCF to develop project proposals. The concept note should not exceed more than 6 pages excluding annexes and has 4 section: A. Project / programme information B. Project / programme details C. Indicative financing / Cost information D. Annex (risk factors, specific environmental and social risks and impacts) Full project proposal include the following elements: • Project summary • Project programme information: Context and baseline, project programme description • Expected Results: Impact potential, paradigm shift potential, sustainable potential, needs of recipients, country ownership, efficiency and effectiveness • Engagement of stakeholders • Indicative financing and cost information • Sustainability of the project. Application documents as well as an "Operations Manual" that provides more guidance is available at https://www.greenclimate.fund/gcf101.
Contact	The NDA is Mr Wills Agricole, Principal Secretary, Ministry of Environment, Energy and Climate Change and with the following contact details: w.agricole@meteo.gov.sc.
Website	www.gcfund.org
Year since operation	Became effective in 2015

Table 5: Special Climate Change Fund

Name of fund	***Special Climate Change Fund (SCCF)***
Overview	The SCCF was created in 2001to finance measures relating to CC that are complementary to those funded by existing bilateral and multilateral funding. Adaptation to CC is its priority, but it also supports technology transfer and its associated capacity building activities. To secure funding, projects should be country-driven, cost-effective and integrated into national sustainable development strategies. They should also take into account national CC policies and relevant national assessments, such as National Communications to the UNFCCC.
Type	Multilateral
Administered by	Global Environment Facility (GEF)
Public / private / philanthropic	Public
Eligibility	Seychelles is eligible to this fund due to its status as a SIDS and hence its high vulnerability to CC. The SCCF prioritises the needs of the most vulnerable countries in Africa, Asia and among the SIDS. The project proponent can be a government, non-governmental organisation or community based organisation.
Field	SCCF currently has two active funding windows, namely climate change adaptation and technology transfer
Sectors	The SCCF supports projects in the following areas for climate adaptation: Water resources management; land management; agriculture; health; infrastructure development; fragile ecosystems; integrated coastal zone management; climatic disaster risk management. Technology transfer under the SCCF focuses on the transfer of environmentally sustainable technologies, concentrating on but not limited to technologies to reduce greenhouse gas emissions, in line with the recommendations from the country's National Communications and Technology Needs Assessments (TNA). For Seychelles, any proposals for support should be in line with priorities identified in the country's INDC. The TNA conducted for Seychelles in 2017 covered both climate adaptation and mitigation, and focused on the water, coastal management, power and land transport sectors. This too could be used as a key reference to support project proposals to the SCCF.
Level of funding	$350M pledged since its creation. Funds available for approval in March 2018 were $8.5M for adaptation and $11.8M for technology transfer.
Financing mechanism	Grant. Projects over $1M are categorised as full size projects, while others are categorised as medium size projects.
Pathway for application	SCCF resources can be accessed through accredited GEF Agencies. Steps include: 1. The proponent of the project forges a partnership with one of the ten GEF Agencies. Project proponents can be from government entities, non-governmental organisations (NGOs) or community-based organisations (CBOs). The list of accredited agencies can be found here https://www.thegef.org/gef/gef_agencies. The most relevant Agencies for Seychelles are UNDP, UNEP, African Development Bank, World Bank, FAO and IFAD. 2. The project proponent develops a project concept in collaboration with its partner GEF Agency 3. The GEF Operational Focal Point endorses the project concept. In Seychelles, this is Mr Wills Agricole based in the Ministry of Environment, Energy and Climate Change.

	4. The partners develop a formal project concept note using the Project Identification Form (PIF) then submit it to the GEF secretariat. 5. The partners prepare the full project proposal. This should be done as soon as possible following approval of the PIF, but no later than 18 months from this approval date. A project preparation grant request can also be submitted, if funds are needed to support preparation of the proposal. More details guidelines can be found on: https://www.thegef.org/sites/default/files/publications/23470_SCCF_1.pdf
Website and contacts	• Website: www.thegef.org/gef/SCCF • Contacts: The GEF operational focal point in Seychelles is Mr Wills Agricole, Principal Secretary, Ministry of Environment, Energy and Climate Change. He can be contacted at w.agricole@meteo.gov.sc.
Year since operation	2001

Table 6: Adaptation Fund

Name of fund	***Adaptation Fund (AF)***
Overview	The Adaptation Fund was established to finance concrete adaptation projects and programmes in target countries in an effort to reduce the adverse effects of CC facing countries, sectors and communities. The AF is financed with a share of proceeds from Clean Development Mechanism (CDM) projects, as well as through pledges from donor governments. Seychelles is currently implementing a project on ecosystem-based adaptation to CC in Seychelles funded by a grant of $6.5M from AF. This project is scheduled to end in 2019. UNDP is currently developing an AF concept note for a $4.9M project in Mauritius and Seychelles on restoring marine ecosystems by rehabilitating coral reefs to face a CC future.
Type	Multilateral
Administered by	UNFCCC
Public / private / philanthropic	Public/private
Eligibility	Developing countries must be Parties to the Kyoto Protocol and must be particularly vulnerable to the adverse effects of CC. This includes low-lying coastal and other small island countries and countries with fragile mountainous ecosystems, arid and semi-arid areas, and areas susceptible to floods, drought and desertification. Seychelles is eligible due to being highly vulnerable to the impacts of CC given its status as a SIDS. Strategic priorities affecting funding awards to a country include: • Level of vulnerability to CC; • Level of urgency and risks arising from delay of action; • Potential for maximising multi-sectoral or cross-sectoral benefits; • Securing regional co-benefits insofar as possible;

Field	The Adaptation Fund has released its five year strategy for 2018-2022[18] which is based on fostering adaptation actions, innovation, learning and sharing. For Seychelles, securing assistance is facilitated by the fact that the AF's strategic framework is in line with key priorities elaborated by the Seychelles INDC, namely: • Advance understanding of CC, its impacts and appropriate responses; • Build gender-sensitive capacity and social empowerment at all levels to adequately respond to CC; • Put in place measures to adapt, build resilience and minimise vulnerability to the impacts of CC, especially in critical sectors such as water, food and energy security, and disaster management; • Develop policy direction and strategies to encourage and enhance action on technology development and transfer of cleaner technologies; • And scale-up financial resources and investment to support action on adaptation
Sectors	The AF finances activities in various sectors of relevance for Seychelles. This includes agriculture, coastal zone management, disaster risk reduction, food security, forestry, rural development, urban development, water management.
Level of funding	Total funding approved since the AF's inception is $524M. It is anticipated that $100M will be available via the AF per year, going forward.
Financing mechanism	All funding is awarded via grants. Projects over $1M are categorised as regular-sized, while those under $1M are categorised as small. Project formulation assistance grants are available only via national implementing entities. However, Seychelles does not yet have a national implementing entity, so stakeholders from the country cannot currently apply for this support. As such, for the moment project proponents must use their own funds to finance project formulation.
Pathway for application	To apply for project and programme funding, proponents must : 1. Identify an adaptation or resilience challenge that could be addressed with support from the AF. The proposed project or programme must fit with the priorities laid out in the host country's national strategies and plans, e.g., its INDC submission. The proposal must include the following elements: • Project/programme information • Project/progamme justification • Implementation arrangements • Endorsement by designated government authority for AF and certification by implementing entity 2. Identify an accredited institution through which the proposal could be submitted. Seychelles does not currently have a national implementing entity but can apply through a multilateral implementing entity. The relevant multilateral implementing entities for Seychelles are: African Development Bank, European Bank for Reconstruction and Development, UN-Habitat, UNDP, UNESCO, UNEP, World Bank, World Meteorological Organisation. 3. Secure endorsement of the proposal from the national designated authority for Seychelles, namely Mr Didier Dogley, Minister of Tourism. 4. Submit the project proposal to the AF via the selected accredited institution Project proposal materials could be found here: https://www.adaptation-fund.org/wp-content/uploads/2015/03/OPG-ANNEX-4-2-Instructions-Nov2013.pdf

[18] https://www.adaptation-fund.org/wp-content/uploads/2018/03/Medium-Term-Strategy-2018-2022-final-03.01-1-1.pdf

	More information on how to apply can be found at https://www.adaptation-fund.org/apply-funding/
Website and contacts	• Website: https://www.adaptation-fund.org • Contacts: National Designated Authority: Minister Didier Dogley, Minister of Tourism, d.dogley@env.gov.sc
Year since operation	Established in 2001, started operations in 2009, currently in second commitment period, which runs from 2013 to 2020.

Table 7: Global Climate Change Alliance+

Name of fund	***Global Climate Change Alliance+ (GCCA+)***
Overview	The Global Climate Change Alliance Plus (GCCA+) is a European Union flagship initiative whose mission is to help the world's most vulnerable countries respond to CC via strengthening both dialogue and cooperation on CC. The GCCA+ focuses primarily on least developed countries and SIDs. It also supports such countries with implementing their commitments resulting from the 2015 Paris Agreement on Climate Change, as encapsulated in each country's INDC report.
Type	Multilateral
Administered by	European Union
Public / private / philanthropic	Public
Eligibility	Seychelles is eligible to access funding to the GCCA+. Government institutions, non-governmental organisations (NGOs) and civil society organisations (CSOs) are all eligible. To receive funds, a country must have conducted an assessment to understand its vulnerability to CC. Governments must also express interest in receiving support from the GCCA+. Funds are then allocated to countries based on availability of resources and on population figures.
Field	GCCA+ aims to: • Strengthen the resilience and adaptive capacity of human and natural systems to climate-related natural hazards. Examples include supporting climate-smart agriculture, integrated coastal-zone management, and ecosystem-based adaptation. • Improve community and institutional capacity for enhanced climate resilience. Examples include developing national CC policies and roadmaps, and harnessing climate adaptation and climate mitigation co-benefits. • Promote effective CC planning and management capacities, paying particular attention to gender issues, youth and local and marginalised and vulnerable communities. Examples include mainstreaming CC issues into national and local governments' planning and budgeting systems, and increasing the amount of finance available to local authorities and actors for implementing climate strategies.
Sectors	Priority support areas include (a) accessing the carbon market, (b) CC mainstreaming and poverty reduction, (c) increasing resilience to climate related stressed and shocks, (d) mainstreaming CC into monitoring systems, (e) reduction of emissions from deforestation and forest degradation, (f) climate adaptation, (g) Disaster risk reduction, (h) mainstreaming CC into budgetary systems, (i) mainstreaming CC into government strategies, policies and plans, (j) sector based CC adaptation and mitigation measures.

	Priority areas supported mirror the priorities elaborated in the Seychelles Climate Change Strategy, including sectors like tourism, agriculture and fisheries. GCCA+ has an active project in the Seychelles including two components (2015-20). One enhances the country's capacity to support climate action via assistance vis-à-vis policy, climate finance and capacity building. The other supports adaptation to CC in coastal areas on La Digue.[19] It will be important to evaluate the results achieved in 2020, which could inform the formulation of a new project proposal based on a national consultative process in liaison with the European Union.
Level of funding	€420M (2014-2020) globally
Financing mechanism	All funding is awarded via grants. The potential maximum allocation of GCCA+ funds to recipient countries depends on the available annual budget under the global programme, the type/size of the proposed intervention, the country's population, and geographic balance in the allocation of funds in the previous years, among others.
Pathway for application	Any new application for GCCA+ funding will require initiating a dialogue with the European Union Commission Delegation in Mauritius. It will also require launching a national consultation process to analyse results achieved to date and identify gaps that could be addressed in a future project proposal. Any such process should be led and coordinated by the MEECC. Formulation of a future project could be supported by the GCCA+ Support Facility. Additional short-term technical support is also available under the GCCA+ Intra ACP in the following areas: 1. Mainstreaming CC into poverty reduction and development strategies 2. Climate adaptation 3. Reducing emissions from deforestation and forest degradation (REDD) 4. Enhancing participation in climate mitigation efforts 5. Disaster risk reduction (DRR) Public or private sector, NGOs, CSOs and universities are eligible to apply to the GCCA+ Intra ACP for short-term technical support in these areas.
Website and contact	• GCCA+ website: www.gcca.eu • GCCA+ Support Facility: Mr Christophe Legrand, christophe.legrand@gcca.eu • European Union Commission Delegation, Mauritius: Delegation-Mauritius@eeas.europa.eu • GCCA+ Intra ACP programme: gccaintraacp@acp.int
Year since operation	Started as GCCA in 2007, then became GCCA+ in 2014 (in line with the EU's new multi-annual financial framework)

[19] This includes providing the financial support and technical assistance to complete this mapping exercise.

Table 8: Africa Climate Change Fund

Name of fund	***Africa Climate Change Fund (ACCF)***
Overview	The ACCF provides financial support to regional member countries of the African Development Bank (AfDB). Its aims include: • Prepare to access greater amounts of climate finance and use the funds received more efficiently and effectively • Address CC systematically in their development strategies and policies in order to promote low carbon development, resource use efficiency & building climate resilience • Develop climate-resilient and low-carbon investment plans and projects • Co-finance climate-resilient and low-carbon projects and programmes • Support capacity building for climate change, climate finance and green growth • Support implementation of the AfrDB's CC and green growth priorities
Type	Multilateral
Administered by	African Development Bank
Public / private / philanthropic	Public
Eligibility	Seychelles as a country is eligible for ACCF, in its capacity as a regional member country of the AfDB. ACCF grant recipients may include government entities, NGOs, research institutions and National Climate Change Trust Funds. However, the eligibility of NGOs and research institutions depends on their credibility and track record in CC, among other criteria. Such institutions must also be based in Seychelles. Other requirements for recipient institutions include: • Provide evidence of legal registration and a certificate to conduct development work • Have proof of entity's existence at least two years prior to the onset of activities and have appropriate organizational and management capacity, including a governing board • Demonstrate existence of a sound financial system, including accounting and budgeting standards, financial statements, a transparent budgeting process, audited accounts and other indicators to show capacity to assume fiduciary responsibility for ACCF resources • Provide evidence of competence based on past performance to carry out proposed activities • Demonstrate knowledge of the local values, networks and structures required to carry out the proposed activities • Be a mission-driven institutions committed to advancing national development priorities
Field	The ACCF seeks innovative and impactful proposals that will support African countries to transition to climate resilient, low carbon development or will help scale-up access to climate finance. Priority will be given to the following themes: • Facilitating direct access to climate finance, notably by supporting the development of bankable projects aligned with countries' CC policies or adaptation strategies, and strengthening national institutions to help them access the GCF • Supporting pilot adaptation initiatives to build resilience of vulnerable communities with a focus on (a) promoting access to clean energy, water and sanitation; (b)

	fostering climate-smart agriculture and economic diversification; (c) creating opportunities for youth and women in low-carbon sectors Proposals should also be aligned with the priorities of the AfDB as well as the development and CC priorities of the targeted country. For Seychelles, the ACCF could help the country to develop a pipeline of bankable CC adaptation and mitigation projects aligned with the country's policies. It could also help to build the capacity of Development Bank of Seychelles to enable it to be accredited, thus securing direct access to financing opportunities from leading funds like the Green Climate Fund.
Sectors	Prioritised intervention areas include: • Climate finance readiness and other preparatory activities • Mainstreaming CC and green growth into development • Preparation and financing of CC adaptation and mitigation projects aligned w/ the INDC • Capacity building and institutional strengthening • Preparation of climate resilient and low-carbon strategies and policies • Analytical work related to green growth Prioritised activities include recruitment of national and international consultants; trainings; workshops and international meetings; communication, outreach and advocacy; translation services; studies and analytical pieces; office equipment and transportation
Level of funding	The ACCF was established in 2014 and has received €11.4M of contributions to date.
Financing mechanism	All funding is awarded via grants. ACCF only funds projects in response to calls for proposals. Its last call was in 2017, but is now closed. That call prioritised enabling African countries to directly access climate finance, and supporting pilot climate adaptation initiatives to build the resilience of vulnerable communities. The funding envelope available for this call was $5M, and it requested concept notes for projects and programmes in the range of $250,000 –$1M. No information is yet available on ACCF's next call for proposals.
Pathway for application	Project proponents should await the launch of the next call for proposals. Project proponents will need to develop a concept note using the ACCF template. The concept notes will be screened by the ACCF Secretariat. Shortlisted project proponents will be asked to develop a full project proposal that will be reviewed and evaluated by the secretariat. The assessment criteria of the concept note are as follows: • Alignment with ACCF and AfDB priorities • Alignment with national CC and development policies • Quality of logical framework • Transforming / catalysing impact • Technical capacity of proponent • Financial / administrative capacity of propoponent • Co-financing arrangements
Website and contacts	• Website: https://www.afdb.org/en/documents/document/africa-climate-change-fund-supporting-africa-countries-to-access-international-climate-finance-2018-100949/ • Contacts: ACCF Coordinator, Louise Helen Brown: l.brown@afdb.org
Year since operation	Since 2014

Table 9: Africa Water Facility

Name of fund	***Africa Water Facility (AFW)***
Overview	The AWF is a multilateral fund that provides grants and technical assistance to enable governments, NGOs and private-public partnerships to secure investments and implement sustainable water projects throughout Africa. It focuses on three core areas, namely project preparation, water governance and water knowledge.
Type	Multilateral
Administered by	African Development Bank
Public / private / philanthropic	Public
Eligibility	Seychelles as a country is eligible for AWF, in its capacity as a regional member country of the AfDB. AWF grant recipients may include central government, district government, NGOs and CBOs. Other requirements for recipient entities include: • Demonstrated committed to the national development priorities of Seychelles • Seychelles-based or in partnership with a Seychelles-based institutions • Evidence of registration under Seychelles law and permission to work in target area • Appropriate organisational and management capacity, including governing board • Sound financial systems including clear accounting and budgeting standards, financial statements, a transparent budgeting process, audited accounts and other indicators that confirm their capacity to assume fiduciary responsibility for AWF resources • Evidence of competence to carry out proposed activities based on past performance • Proven capacity, networks and structures required to carry out the proposed activities
Field	The preparation of bankable proposals constitutes the bulk of AWF's portfolio, and requests to support work are prioritised. AWF also provides financial and technical assistance for: • Preparation of high quality pre-feasibility and feasibility studies, investment plans, and structured public, private and public-private partnership operations • Design and implementation of national water policies and strategies so that the platform for good water governance is in place before projects begin. • Development and implementation of water information systems for better informed management of water resources and improved decision-making at national levels
Sectors	Thematic priorities supported include • Planning for CC via projects that tackle current or predicted CC impacts based on climate models • Supporting integrated water resources management (IWRM) projects to maximise the use of water resources, notably in regions facing high water stress • Supporting water knowledge and information projects for effective collection and dissemination of key water and hydro-meteorological information for planning and increased preparedness • Supporting flood protection to reduce the impact of changing water patterns in coastal regions, river basins and urban areas where sanitation and water routing and supply are being adversely affected by CC • Supporting water storage projects to secure better access to water in areas at high risk of droughts for domestic use, drinking, agriculture and industry

	Such activities are highly relevant to Seychelles and have been prioritised in the INDC, which recommends adoption of an integrated approach to water security that covers water treatment and supply, waste management, sewage, agriculture, and ecosystem health. The technology needs assessment report for CC adaptation of 2017 includes a focus on the water sector, and proposes measures such as rooftop rainwater harvesting and water-efficient appliances.
Level of funding	Since 2006, the AWF has mobilised €151M from 15 donors
Financing mechanism	All funding is awarded via grants. AWF awards grants of between €50,000 and €5,000,000 to qualifying projects, which must need financial and/or technical assistance for implementation. It also awards grants to help project proponents meet the strict funding criteria expected by many donors and the global investment community.
Pathway for application	AWF has clear procedures for requesting financial support, and there is no deadline for applications. Project proponents should first check if they meet the AWF's eligibility criteria and then obtain a letter signed by the Ministry of Environment, Energy and Climate Change indicating that the country supports the request and that it is consistent with national priorities. This letter must be sent together with the application for support. The second step is to develop the project proposal (15 pages maximum) by completing the application form. The key elements of this form area as follows: • **Background:** Project rationale and origin, sector status, beneficiaries and stakeholders • **Proposed project:** Activities, outputs, outcomes, goal, risks and assumptions, environmental / social / gender aspects, water knowledge issues, expected costs • **Implementation:** Executing agency, implementation arrangements, financial management arrangements, monitoring and reporting plans • Results-based logical framework The application form can found in the link below: Download the AWF Funding Project proposal Form
Website and contacts	• Website: https://www.africanwaterfacility.org • Contacts: africanwaterfacility@afdb.org
Year since operation	Since 2006

Table 10: Energy and Environment Partnership

Name of fund	***Energy and Environment Partnership (EEP)***
Overview	The Energy and Environment Partnership is a multi-donor fund supporting clean energy access for sustainable and inclusive green growth. Its regional focus is Southern and Eastern Africa, and it takes particular interest in finding solutions that benefit poor and underserved groups. Its donors to date include Austria, Finland, Nordic Development Fund, and United Kingdom. EEP Africa is the subdivision of EEP that focuses on Africa.
Type	Multilateral
Administered by	Nordic Development Fund (since 2018)
Public / private / philanthropic	Public
Eligibility	Seychelles is among the countries eligible for EEP, and the specific branch of EEP relevant to them is EEF Africa. Entities that can apply include private companies, start-ups, NGOs, social enterprises, and research institutes. In order to be eligible, all proposed projects should be aligned with the host country's national development plans. They must also fit with EEP Africa's cross-cutting objectives, namely CC, poverty reduction, development effectiveness, inclusive development, gender equality and human rights. Projects must fall under one of the following categories: feasibility study, pilot project, demonstration project, replication project, scale up project. Some types of projects are excluded. This includes projects that solely aim to create an enabling environment for the promotion of renewable energy and/or energy efficiency. It also includes projects whose main focus is on market studies, technology research, capacity building/training, or policy development.
Field	EEP provides funding in the following thematic areas: • Business development, namely improving investment readiness through business advisory expertise and facilitating linkages between projects and interested investors. • Knowledge, namely develop and disseminate knowledge policy, knowledge products and lessons learnt.
Sectors	Financing is available for clean energy projects and business models using the following technologies: Liquid biofuels, biogas, cook stoves, energy efficiency, geothermal power, hydropower, solar PV, solar thermal, solid biomass, waste-to-energy, and wind power. EEP is relevant to Seychelles, since its priority activities fit with the country's INDC report. Notably, the INDC prioritises action on energy security and specifies three pathways for achieving enhanced climate resilience in this area, namely: • Greater use of RE to secure more resilient energy supplies • More efficient fuel-based land transport and more use of electric vehicles charged using renewable energy technologies • Strengthened cooperation between government entities vis-à-vis energy security
Level of funding	Since 2010, EEP has financed over 200 projects with a total budget of €57M

Financing mechanism	EEP Africa has two distinct financing windows: • **EEP Innovation** provides both early stage grants and repayable grants of €200,000-1M, with a co-financing share of at least 30% of the project budget. Financing requests below €500,000 are usually treated as grants. Any financing exceeding €500,000 is automatically considered a repayable grant and requires a 50% co-financing share. • **EEP Catalyst** provides risk sharing finance to selected established projects in the form of concessional loans of up to €2M, yet these loans can cover no more than 25% of the new investment planned.
Pathway for application	EEP Africa issues regular calls for proposals to identify projects for funding. It follows a competitive, two-stage application process. In stage one, all eligible applicants are invited to submit concept notes. In stage two, selected applicants are invited to submit a full proposal. Project implementation period is limited to 24 months. Submitted proposals will be evaluated using three equally weighted categories, namely concept innovation, development impact, and business model / financial sustainability. Co-financing for the project is required in order to demonstrate credible ownership and risk sharing. This can be in the form of equity, loan(s) or grant(s), and is required to be in place and verified prior to disbursement of EEP financing. Repayable grant components are treated as no interest loans. Repayment is expected to be achieved within five years of project start, and applications featuring a repayable component will be assessed in part on the credibility of the repayment plan. More information on application procedures for EEP Africa can be found at https://eepafrica.org/wp-content/uploads/EEP_CfP_Guidelines_2018_June.pdf
Website	• Website: https://eepafrica.org • Contacts: info@eepafrica.org
Year since operation	Since 2010

Table 11: Global Environment Facility

Name of fund	***Global Environment Facility Trust Fund / Climate Change Focal Area (GEF 7)***
Overview	The Global Environment Facility was established in 1992 to help tackle our planet's most pressing environmental problems. It has provided over $17.9B in grants and mobilized an additional $93.2B in co-financing, and has supported over 4,500 projects in 170 countries. Today, the GEF is an international partnership to address global environmental issues that comprises 183 countries, international institutions, CSOs and the private sector. GEF 6 is the funding period from 2014-18, while GEF 7 is the funder period beginning in 2019. GEF funds are available to developing countries and economies in transition to meet the objectives of the international environmental conventions and agreements. It supports country priorities that aim to tackle the drivers of environmental degradation in an integrated fashion. GEF focal areas include biodiversity, CC Mitigation, land degradation, international waters and chemicals & waste.
Type	Multilateral
Administered by	GEF

Public / private / philanthropic	Public/Private
Eligibility	Seychelles is among the countries eligible for the GEF. This support is available to a wide array of potential project proponents, including government agencies, CSOs, private companies, and research institutions.
Field	The GEF 7 focal area on CC mitigation has three programme objectives: **Promote innovation and technology transfer for sustainable energy breakthrough** • Entry points: De-centralized renewable power with energy storage, accelerating energy efficiency adoption, electric drive technologies / electric mobility, cleantech innovation **Demonstrate CC mitigation options w/ systemic impacts through its impact programmes**: • Programmes: Sustainable Cities Impact Programme, Food Systems, Land Use and Restoration Impact Programme, Sustainable Forest Management Impact Programme. **Foster enabling conditions for mainstreaming CC mitigation concerns into sustainable development strategies** • Entry points: Capacity building, Initiative for Transparency, NDC preparation (building on the INDC), enabling activities For Seychelles, the programme objectives on sustainable energy and enabling conditions to mainstreaming CC mitigation concerns into sustainable development are particularly relevant. This follows because both issues were flagged in the country's INDC as priority action areas.
Sectors	Sectors supported under GEF 6 include biodiversity; chemicals and waste; CC; energy efficiency; forestry; infrastructure; land degradation; land use; renewable energy; transport; water. The specific sectors to be supported under GEF 7 were finalised in April 2018[20]. These include grid modernization and integration of energy storage; low-carbon transport; energy efficiency; decentralised renewable power systems; clean transport; innovation in energy, water and buildings; capacity building for transparency; NDC preparation. Based on the country's policy documents, supported sectors that are among the most relevant for Seychelles are energy efficiency, renewable energy and sustainable transport and climate-smart agriculture.
Level of funding	GEF 6 mobilised $4.43B globally for the period 2014-2018. GEF 7 will be launched in 2019. 30 countries have jointly pledged $4.1B for GEF 7 thus far. Seychelles has an indicative total budget allocation from GEF 6 of $7.592M, which includes $2M for CC.
Financing mechanism	All funding is awarded via grants. The GEF provides grant funding through four modalities, as listed below. The selected modality should be the one that best supports the project objectives. Each of the following modality options requires completion of a different template. • **Full-sized Project**: Requires a GEF project financing of more than $2M. • **Medium-sized Project:** Requires GEF Project Financing of less than or equal to $2M. • **Enabling Activity:** Involves funding for the preparation of a plan, strategy or report to fulfil commitments under one of the Rio Conventions. • **Programmatic approach:** A longer-term and strategic arrangement of individual yet interlinked projects that aim to achieve large-scale impacts on the global environment.
Pathway for application	GEF resources can be accessed through accredited GEF Agencies. In Seychelles, such agencies are African Development Bank, World Bank, UNDP, UNEP, UNIDO, IFAD, and FAO. Required steps to apply for funding include: 1. The project proponent forges a partnership with a GEF Agency then develops a project concept 2. The project proponent submits the concept note to the GEF Operational Focal Point (OFP). The OPF reviews the project idea, checks it against the eligibility criteria,

[20] https://www.thegef.org/sites/default/files/publications/GEF-7%20Programming%20Directions%20-%20GEF_R.7_19.pdf

	and ensures the project would not duplicate an existing project. If satisfied, the OFP issues a signed Letter of Endorsement for the project. 3. The project partners develop the project concept using the Project Identification Form (PIF). They can also request a project preparation grant at this stage, if funds will be needed to support preparation of a full proposal. 4. If their project concept is provisionally accepted, then the project partners prepare a full proposal. This should be done as soon as possible following approval of the PIF, but no later than 18 months from this approval date. More details on applying for GEF funding can be found at: https://www.thegef.org/gef/climate_change
Website and contact	• Website: https://www.thegef.org/gef/climate_change • Contacts: The GEF focal point in Seychelles is Wills Agricole, Principal Secretary, Ministry of Environment, Energy and Climate Change, w.agricole@meteo.gov.sc.
Year since operation	GEF was first launched in 1991

Table 12: Sustainable Energy Fund For Africa

Name of fund	***Sustainable Energy Fund for Africa (SEFA)***
Overview	SEFA is multi-donor trust funded by the governments of Denmark, the United States, and the United Kingdom. Its mission is to support small- to medium-scale renewable energy (RE) and energy efficiency (EE) projects in Africa. In many African countries, smaller clean/renewable energy projects are potentially viable from a commercial perspective, but the initial development costs often prevent these projects from accessing necessary financing. SEFA is founded on the premise that reliable, clean and affordable energy can contribute to strong African economies and can have a positive impact in creating employment opportunities across the continent.
Type	Multilateral
Administered by	African Development Bank
Public / private / philanthropic	Public
Eligibility	As a member of the African Development Bank, Seychelles is eligible for SEFA. Eligible project proponents are government entities and private firms who wish to promote projects with a total investment commitment in the range of $20 – 200M. Other eligibility criteria include: • Beneficiaries are expected to provide at least 30% of the total pre-investment costs. • Projects should be sponsored by private sector or public sector agencies where the final project is to be an Independent Power Producer (IPP) or Public –Private Partnership (PPP). State owned utilities are not eligible for direct support. • Some evidence of government endorsement, for instance via awarded permits, concessions, Memoranda of Understanding, Power Purchase Agreements, etc.
Field	The objective of SEFA is to support sustainable private-sector led economic growth in African countries through the efficient utilization of presently untapped clean energy resources.

Sectors	SEFA was designed to operate under three financing windows, namely project preparation, equity investments, and enabling environment support. **Project preparation**: This window offers financial and technical assistance to facilitate preparation and pre-investment activities for commercially viable private sector RE and EE projects. The goal is to maximise the chances of attracting the necessary investment to fully fund the project. This finance typically funds activities required for the project to reach full funding, such as feasibility studies, environmental and social impact assessments, or engineering studies. **Equity investment**: Via this window, SEFA provides start-up or growth capital and managerial know-how for RE and EE projects administered by small- and medium-sized entrepreneurs and developers. This window acts as a finance enabler, in addition to providing equity to the developer. Other types of support provided include providing capacity building in project design, structuring and execution; and optimizing capital structures to ensure sustainability and financial viability of projects. SEFA equity capital and dedicated technical assistance resources are deployed by the Africa Renewable Energy Fund (AREF), a pan-African Private Equity Fund solely focused on small- and medium-sized independent power projects co-sponsored by SEFA. **Enabling environment support:** Via this window, SEFA provides grants to support public sector activities to improve the enabling environment for private sector investments in the sustainable energy space in Africa. One focus is delivery of legal, regulatory and policy regimes that provide clear and predictable rules for project development, implementation and operation. Another focus is capacity-building activities to allow the public sector to act as a reliable and creditworthy counterparty in energy projects and programmes. This window is not bound by project size limits, and includes interventions spanning the off-grid, mini-grid, and grid-connected segments. For Seychelles, SEFA could enable the government to better support the engagement of private sector actors in RE production and securing EE gains. It could also help develop an appropriate enabling environment to address energy security issues and meet the ambitious national targets for RE production.
Level of funding	$95M mobilised in 2016
Financing mechanism	Funding is provided via several different mechanisms: • **Preparation grant**: Grant co-funding can be requested for up to $1M, yet beneficiaries are expected to provide at least 30% of the total pre investment costs. • **Equity investment**: Equity capital of $10-30M is available to qualifying projects. Investment decisions are the sole responsibility of AREF's Fund Manager - Berkeley Energy LLC - subject to the terms of the AREF fund agreements. • **Enabling environment grant:** Grant co-funding of up to $1M is available to public sector institutions, with a minimum co-financing requirement of 5%.
Pathway for application	Prospective project proponents for preparation grants and enabling environment grants should complete the funding request questionnaire and submit it to SEFA. Projects that meet eligibility criteria for grant funding are referred to AfDB. On the basis of their completed funding request questionnaire, AfDB investment officers develop a Preliminary Evaluation Note (PEN) describing key project parameters, which is then reviewed and endorsed by SEFA and the African Development Bank. AfDB investment officers then develop a full project proposal, which is reviewed and endorsed by the SEFA Technical Committee. Proposals under $1M can be approved at the Infrastructure Operations Vice President level. Proposals for grants over $1M are referred to the SEFA Oversight Committee and AfDB Board for final approval.

	Equity investments in projects ranges between $10M and $30M. These proposals are reviewed by the Africa Renewable Energy Fund. More information is available via the link below.
Website	• Website:https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/sustainable-energy-fund-for-africa/ • Contact: SEFA@afdb.org, Delphine Clerc Toure, d.clerc-toure@afdb.org
Year since operation	2011

7. Private or blended climate finance options for Seychelles

7.1 Context

Given its newfound high-income status, Seychelles now faces increasing difficulties with mobilising ODA funding. It will therefore be important to find ways to mobilise private finance to support key national priorities, including climate response actions. Specifically, it will be important to direct private finance away from 'business as usual' investments and towards alternatives that are 'climate smart', including both investments to build climate resilience (i.e., CC adaptation) and ones to help secure a low-carbon future (i.e., CC mitigation). The private climate finance flows harnessed could include both domestic and international sources, i.e., private sector actors in Seychelles and overseas.

Public action can play a major role here by creating an enabling environment for mobilising private finance to support 'climate smart' actions. Such public action could include regulatory, legislative, and/or jurisdictional measures.

There are various pathways by which international private climate finance could potentially support climate actions in Seychelles. Some require active government facilitation to encourage private sector actors to make 'climate smart' investments, while others do not. The following section lists the main different types of private or blended climate finance options.

This discussion could help the government of Seychelles identify ways to better encourage 'climate smart' investments in the country by the private sector, in order to help scale up such investments over time. It could also identify possible options for government or charitable stakeholders from Seychelles to partner with private sector actors. These mechanisms can be used to target private finance from domestic investors, overseas investors, or both.

7.2 Private or blended climate finance – Possible options for Seychelles

Private finance to support climate actions in Seychelles could come from any of various pathways. Such finance is potentially available to different stakeholders in Seychelles, namely public institutions, the private sector and non-governmental organisations. The suitability of any specific stakeholder to a specific funding option must however be determined via discussions with the prospective funder.

Carbon Offsetting

Carbon offsetting is an action by a country, company, individual or other entity to compensate for their GHG emissions by financing a reduction in GHG emissions in another location. The premise is that one ton of carbon dioxide gas has precisely the same effect on the global climate regardless of where or how it is produced. It follows that so as long as any increased emissions in location are 'offset' by reduced emissions in another location, then there is no net gain and hence no adverse effect on the climate.

The most basic way for countries, companies and individuals to reduce their emissions is to do so "in-house", via changes to their own systems, processes and habits. Offsetting provides an alternative option for such actors to reduce their GHG emissions. Specifically, it provides an effective option for sectors where the potential for further emissions reductions is limited or costly. On critical caveat, however, is that the emissions reductions fostered must be 'additional', or over and above what would have happened under a 'business as usual' scenario, i.e., in the absence of the offset funding. While logically sound and potentially beneficial to both parties, offsetting remains controversial due to questions about the integrity of offsets and the ethics of paying others to offset one's own pollution.

There are two broad parts to the global carbon market.

- The compliance market is associated with government schemes by industrialised nations, which have been net contributors to global warming historically. It involves setting a 'cap' on GHG emissions from certain types of entities, such as major companies or municipalities. These entities must then either comply with this cap via changes to their own operations or purchase carbon offsets in order to ensure compliance with this cap. The most important compliance market is the Clean Development Mechanism (CDM), while the European Union's Emissions Trading Scheme is an initiative under the CDM.
- The voluntary market, in which individuals, companies or other entities can purchase carbon offsets to mitigate their own GHG emissions from transportation, electricity use, and other sources on a voluntary basis, for instance due to corporate citizenship or ethical concerns.

Options within each of these two broad parts of the carbon market will be elaborated below. Specifically, the most important compliance market will be described, namely the Clean Development Mechanism, as will how the voluntary carbon market offers complementary prospects.

The GHG emissions reduction and blue economy targets adopted by the Seychelles government provide a conducive backdrop for stakeholders from the country to engage in carbon offsetting.

Seychelles has ambitious targets to reduce its GHG emissions by 2030. These include reducing electricity consumption by 15-30% via implementing energy efficiency measures, securing 15-20 % of its electricity production from renewable sources, and flaring of 50% of the methane from its landfill sites. All told, it aspires to reduce the country's total GHG emissions by 188ktCO^2e per year by 2030[21] by implementing such projects.

Seychelles also recently adopted a blue economy strategic policy framework and roadmap that advocates both CC adaptation and mitigation actions in the country's ocean and coastal zone.[22] When degraded or destroyed, components of marine and costal ecosystems such as mangroves and seagrasses emit the carbon they have stored for centuries into the atmosphere, meaning the ocean becomes a source of GHG emissions. Experts have estimated that as much as 1.02 billion tons of carbon dioxide are being released annually from degraded coastal ecosystems worldwide, which is equivalent to 19% of global annual emissions from tropical deforestation[23]. By contrast, when protected or restored, ocean or coastal ecosystems can sequester and store carbon. Seychelles has a large Marine Economic Exclusive Zone (EEZ) of 1.4 million km^2. Seagrass and coral reef are cover a significant proportion of this area,[24] and their protection or restoration could offer large potential for carbon offsetting in the country.

[21] Seychelles INDC, 2015
[22] Seychelles Blue Economy, Strategic Policy Framework and Road map (2018-2030)
[23] The Blue Carbon Initiative, http://thebluecarboninitiative.org/
[24] NBSAP 2015-2020: The extensive shallow sea banks in the Seychelles support significant expanses of seagrass. One particularly large sea grass bed (estimated to be 45 km long and 15 km wide at its widest) lies on the

Offsets operate via the sale and purchase of certified emissions credits, each of which represents 1 ton of carbon dioxide emissions. Market prices for the credits have varied over the years, due partly to design problems plaguing some of the main carbon offset markets. Recently some of these problems have been resolved, which has led to rising prices. To illustrate, Certified Emissions Reduction credits peaked in 2008 at \$20/tCO_2e before tumbling to just \$0.19/tCO_2e in 2014, but recently reached a seven year high at \$18.7/tCO_2e. The World Bank has estimated that prices will have to reach \$40-80/tCO2e by 2020 in order to catalyse enough mitigation for the global community to comply with the commitments of the Paris Agreement.[25]

Clean Development Mechanism (CDM)

The CDM, established under the Kyoto Protocol of the UNFCCC, is the largest global offset (or crediting) mechanism for GHG emissions. It provides the framework for 'offset' projects in developing countries that reduce, avoid or sequester GHG emissions and hence generate tradable carbon credits that can be sold for cash on carbon markets. This revenue stream – which supplements any direct benefits delivered by the project to local users – can enhance the overall financial viability of the project. Carbon credits are typically sold to a high-emitting country or company that can use them towards meeting their GHG emissions reduction obligations or for voluntary trading objectives.

A project must go through the CDM project cycle, a rigorous and public process designed to ensure that a project has produced real, measurable and verifiable emission reductions. These credits must also be 'additional' to what would have occurred in the 'business as usual' case, where certified carbon credits had not been harnessed as a supplementary revenue stream. Project proponents will need first to define a baseline against which project emissions can be measured. The project idea note, the baseline study, and other relevant details are submitted for validation by an independent agency identified by the CDM Executive Board as a Designed Operational Entity. This process, overseen by the CDM Executive Board, involves documentation of project design, host-country approval, formal validation, registration, monitoring and verification. Carbon credits issued via this process are then tracked by the Executive Board of the CDM Registry.

The CDM project cycle includes the following steps:

- Develop a project identification note to briefly frame the project concept
- Secure host country approval from the Designated National Authority
- Develop a detailed project design document providing details about the proposed project using the selected CDM methodology to calculate the anticipated GHG emissions reductions
- Secure validation of the project by an accredited independent auditor, called a Designated Operational Entity
- Register the validated CDM project with the CDM Executive Board
- Monitor the GHG emissions reductions secured in accordance with the project design document, and secure verification of these secured emissions reductions by a DOE
- Secure issuance and registration of certified carbon credits by the CDM Executive Board.

One institutional innovation would be needed before a CDM project could be developed for Seychelles. Namely, a focal point agency would have to be developed to approve and coordinate national CDM project activities. The most likely candidate is the Ministry of Environment, Energy and Climate

Providence-Cerf bank. Many of the outer islands, such as the lagoons of Aldabra, Cosmoledo and Astove, support large sea grass beds. Sea grass habitats are also common around the granitic islands, notably in the St Anne Marine National Park and off the Grand Anse-Amities coast of Praslin. Seychelles also has some 1,700 square kilometres of coral reef, the vast majority of which occurs around the south eastern islands.

[25] State and Trend of Carbon Pricing, World Bank Group, 2018.

Change. Beyond this, various measures to build relevant national capacity and establish an appropriate institutional and legal framework could help stakeholders from Seychelles to take full advantage of CDM opportunities. These enabling measures could include:

- Define regulatory, legal and financial guidelines for CDM project activities in the country
- Strengthen the capacity of key public and private actors to design and deliver CDM projects
- Facilitate investment for CMD projects with the support of Seychelles Investment Bureau

Several existing financial and technical support schemes could help stakeholders from Seychelles to access the CDM, namely:

- UNFCC'S loan scheme, which provides loans with 0% interest for qualifying project developers
- The African Carbon Asset Development Initiative, which provides grants for early stage project development, technical assistance for project developers, and training for financial institutions involved with CDM projects.
- The World Bank, which provides training on CDM to diverse stakeholders

Further information relevant to Seychelles can be found in the following publication on CDM opportunities for Africa:
https://unfccc.int/resource/docs/publications/pub_cdm_africa_finance_2012.pdf

Methodologies are a critical component of the carbon market, since each represents a specific pathway via which funding proposals can be submitted. Funds can only be requested for activities that are covered by an approved methodology. Ninety CDM methodologies have already been approved and utilised by projects or programmes in different parts of the world. This includes methodologies for different types of activities relevant for Seychelles, such as renewable energy, energy efficiency, reducing methane emissions and afforestation/reforestation[26].

In some activity areas, simplified methodologies have also been approved, with 97 developed to date. These cover small-scale projects and use streamlined application procedures. Such methodologies could be important for Seychelles, since they provide an easier pathway to obtain carbon finance. Potentially, they could help make funds accessible to stakeholders with less expertise in proposal writing, such as domestic businesses or NGOs or government bodies[27].

Seychelles has not yet submitted any projects to the CDM, but this could represent an interesting source of funding for the country. This being said, transaction costs with CDM tend to be high, averaging $165,000 per project)[28] so this mechanism is more appropriate for medium- and large-scale projects.

One promising option for Seychelles is a CDM project on waste management, which could provide funding for waste management facilities while also reducing methane emission from landfill and converting these emissions into a valuable resource. Such a project would reduce methane emissions, which are 20 times more harmful than carbon dioxide emissions. It could also secure two distinct revenue streams. Most simply, it could generate revenue through selling the electricity produced from flaring the methane. It could also mobilise finance from the carbon market based on the level of methane

[26] The list of methodologies approved and details can be found on the UNFFCC website https://cdm.unfccc.int/methodologies/PAmethodologies/approved
[27] Methodologies for small scale CDM project https://cdm.unfccc.int/methodologies/SSCmethodologies/index.html
[28] Source: https://www.ecostarhub.com/wp-content/uploads/2017/06/State-of-European-Markets-2017-Voluntary-Carbon.pdf

emissions reduction achieved. The CDM Mare Chicose Landfill Gas Project in Mauritius[29] offers an example of a successful CDM waste management project that resembles this concept.

Another interesting option for Seychelles would be to explore biogas production from pig farms. There are a number of large pig farms in Seychelles which produce large quantities of manure that are polluting the country's water table while also emitting methane. This manure could form the basis of one or more CDM projects that collect this manure then process it in an anaerobic digester, thus producing electricity by flaring the methane generated by the manure. A critical co-benefit of such a project is that it would avoid this manure polluting the water table. Again, this concept has potential to secure two distinct revenue streams, namely selling electricity and securing carbon finance, while also securing major environmental co-benefits.

One other particularly interesting option for Seychelles would be if the country could pursue carbon market finance to support investments in the blue economy. This follows because the country's EEZ covers 1.4 million km^2, meaning the opportunities in this sector could potentially be huge, at least in the medium- and long-term. One big obstacle to such opportunities remains, namely the fact that no methodology has yet been approved by any of the main carbon market registries to calculate carbon sequestration by marine ecosystems. Thus, no approved methodology yet exists with any of the main carbon market registries for generating carbon credits in marine ecosystems.[30] Relevant methodologies are currently being developed and tested by various actors, however, notably the Blue Carbon Initiative.[31] Any future work in this area could complement innovative environmental finance work already underway in Seychelles, most notably SeyCCAT (see Annex 2).

The Voluntary Carbon Market

As noted above, the voluntary carbon market is distinct from compliance schemes linked to the CDM. Instead of undergoing approval from a government registration and verification process linked to the UNFCCC, carbon credits from the voluntary market are generated based on industry-created standards. In reality, however, the methods and practices applied in the voluntary market tend to closely resemble those applied in the CDM and other compliance markets.

One major advantage of the voluntary carbon market is lower transaction cost, which average just $25,000,[32] making this part of the market especially attractive to those smaller projects, for which the UNFCCC certification process may be too expensive. Another advantage of this market is that some buyers of voluntary carbon credits are willing to pay premium prices for these credits under certain conditions. This is most likely with activities that generate carbon credits while simultaneously delivering strong economic, social and/or environmental benefits to local communities.

The voluntary carbon market is an interesting opportunity for Seychelles, since most projects in the country are likely to be considered small by international standards, given the relatively small land size and population of the country. In such cases, transaction costs must remain minimal in order for projects to be financially viable. The one potential exception is projects in the blue economy, which could potentially be large, but would require that suitable methodological pathways be secured. One major

[29] https://cdm.unfccc.int/Projects/DB/SQS1294757635.48/view
[30] Registries checked for relevant methodologies include Chicago Climate Exchange, European Climate Exchange, NASDAQ OMX Commodities Europe, PowerNext, Commodity Exchange Bratislava
[31] http://thebluecarboninitiative.org/
[32] https://www.ecostarhub.com/wp-content/uploads/2017/06/State-of-European-Markets-2017-Voluntary-Carbon.pdf

advantage for Seychelles in this market is the country's pristine image, which could potentially be leveraged among entities concerned with corporate social responsibility and global citizenship.

Relative to the compliance markets, the total size of the voluntary carbon market is small. Credits originating from the voluntary carbon market are mostly purchased by companies looking to voluntarily offset emissions generated by their business in order to show social responsibility and establish a green corporate image. In addition to buying certified voluntary carbon credits, an increasing number of companies are investing in voluntary carbon market projects in order to reduce their carbon footprint and reach a "zero emission" status.

More information on the voluntary carbon market can be found in the publication: *The State of European Markets, Voluntary Carbon 2017* [33].

Crowdfunding for Climate Change Projects

Crowdfunding is an innovative 'grassroots' funding strategy that involves individuals pooling their resources to support initiatives by community groups, NGOs, businesses or individuals. Via social networks, such initiatives have raised billions of dollars for worthy causes over the past decade. The funds raised in this way can take different forms, including debt, equity, and donations.

Crowdfunding emerged from technological innovations that made it possible for interested parties to secure funding with limited or no intermediation. The crowdfunding market in developed countries has grown steadily in recent years, and totalled $35B in 2015[34]. Thanks in part to rapid expansion of mobile access and the internet, it is now expanding in developing countries as well. In 2015, crowdfunding raised $430M in developing countries, with India, the Philippines, and Nepal the three largest recipients. To date, Seychelles has only had one project developed with support from crowdfunding, namely a renewable energy project by the NGO Nature Seychelles, which raised $42,000 in this way.

Four different models of crowdfunding have emerged:

1. **Donations-based**: Crowdfunders donate funds without expecting any return, for instance via JustGiving or GoFundMe. Supported initiatives include things like education and disaster or famine relief.
2. **Rewards-based**: Crowdfunders transfer funds based on expectations of a specific reward, for instance via Kickstarter or Indiegogo. Rewards may be in the form of a token gift or an early/exclusive release of a product or service offered by the start-up company.
3. **Lending-based or Peer-to-Peer (P2P)**: Crowdfunders lend money to those behind an initiative in return for interest, for instance via KIVA. While some platforms target socially-oriented lending, the majority operate as commercial platforms in direct competition with other financial intermediaries.
4. **Equity-based crowdfunding**: Crowdfunders purchase equity in a company, for instance via Seedrs in the UK. Because equity crowdfunding involves investment into a commercial enterprise, it is often subject to securities and financial regulations.

In the Seychelles, crowdfunding could represent an interesting source of funding for 'climate smart' investments or CC projects, given the number of annual visitors to the country coupled with its strong international image as a leader in environmental sustainability and the blue economy. Its status as a

[33] https://www.ecostarhub.com/wp-content/uploads/2017/06/State-of-European-Markets-2017-Voluntary-Carbon.pdf
[34] Crowdfunding Industry Report, Crouwdsourcing.org, 2015.

high-end tourist destination could also be leveraged towards this end. Donations-based crowdfunding projects seems to have the most potential for Seychelles, especially for initiatives by local non-governmental organisations. There are online platforms connecting crowdfunders with prospective beneficiaries or investments. Crowdfunding platforms involve costs, however. For instance, they may charge a commission for participation or require interest/dividend payments ranging from 3 to 8%.

Pursuing funding via crowdfunding involves several steps, namely:

- Develop a project proposal that has a compelling concept and specific target outcomes
- Prepare a realistic budget with a clear funding target
- Develop a short video explaining the project, its financial needs, and its expected results
- Identify a crowdfunding platform. Good options include www.nesta.org.uk, https://gridshare.com/ and https://crowdfunding.gent. Stakeholders interested in renewable energy or clean technology might also wish to consider www.cooleffect.org.
- Identify a community or network of people to target as potential funders
- Start a campaign by inviting the target community to back the project via email and social media, and invite them to share the campaign with others
- Provide periodic updates to the target community on progress of the campaign

Establishing the crowdfunding campaign and producing the video to attract the necessary number of crowdfunders may require seed funding, especially since mobilisation of the required funds could take several months.

Analysis of crowdfunding to date shows that it has generally been used to support initiatives in several broad areas. These include business and entrepreneurship (40%), social causes (20%), film and performing arts (12%), and real estate (6%). Environmental projects remain a relatively minor focus for now. One exception is renewable energy, which attracted an estimated €200M in crowdfunding transactions in 2015 via specialized platforms[35].

More information on crowdfunding can be found in the publication: *Review of Crowdfunding for Development Initiatives*, 2013[36].

Climate Bonds

Climate bonds are innovative financial instruments whose proceeds are invested exclusively in green projects that generate climate benefits, such as renewable energy, sustainable land use or clean transportation. Green/climate bonds can raise large amounts of financial resources to support environmental projects for which funding might otherwise not be available, or which might be uneconomic if they had to rely on more expensive capital. The volume of bonds categorised as green bonds' or 'climate bonds' has grown steadily since 2013, reaching $221B[37] in 2017. Climate bonds must undergo third-party verification/certification to establish that the proceeds are funding projects that deliver clear climate benefits. The Climate Bond Initiative is an international non-profit organisation that has developed procedures to standardise certification of climate bonds, including nomination of approved verifiers[38]. Despite this, there is still a lack of global consensus regarding what

[35] Crowdfunding Industry Report, 2 Crouwdsourcing.org, 2015.

[36] https://assets.publishing.service.gov.uk/media/57a08a1540f0b652dd00055c/EoD_HD061_Jul2013_Review_CrowdFunding.pdf

[37] Bonds and climate change ,the state of the market , Climate Bond Initiative, 2017

[38] In 2007, the Caribbean Catastrophe Risk Insurance Facility was formed as the first multi-country risk pool in the world, and was the first insurance instrument to successfully develop parametric policies backed by both traditional and capital markets. It was designed as a regional catastrophe fund for Caribbean governments to

constitutes a green or climate bond. Other state-led initiatives are also seeking to address this gap. For example, the European Union is currently exploring the possibility of developing an EU green bond standard as well as creating an official EU green bond label.

Green/climate bonds could represent an interesting funding option for stakeholders from Seychelles who are interested in pursuing 'climate smart' investments. One reason is the country's strong international image as a leader in environmental sustainability and the blue economy, while another is its status as a high-end tourist destination. Taken together, these characteristics mean that the country is of interest to wealthy individuals, including investors, and that it is a suitable place for 'futuristic' green investments.

Seychelles is currently in the process of issuing a blue bond for $15M with support from the World Bank and GEF, with 'blue' bonds representing a variation on the green bond concept. Part of this sum – $3M – will be channelled via Seychelles Conservation and Climate Adaptation Trust **(**SeyCATT) and will then be disbursed as grants for projects related to CC adaptation and conservation. Transaction costs were high, but were partially funded by development partners. In addition to continued focus on the blue economy, other areas where green bonds could potentially be developed for Seychelles include renewable energy, energy efficiency, waste management and clean transport.

More information on climate bonds can be found on Climate Bonds Initiative: www.climatebonds.net.

Climate Risk Insurance

Seychelles is highly vulnerable to CC impacts due to being a tropical small island state, especially since 100 of its 115 islands are low-lying. These impacts include increased magnitude and frequency of natural hazards, notably tropical cyclones, coastal flooding, and storm surges. Meanwhile, the country's three main islands -- Mahé, Praslin, and La Digue -- have mountains with steep slopes, and here CC impacts also include inland flooding, erosion and water shortages.

Such climatic hazards have generated significant damage to Seychelles in recent years. In 2013, Tropical Storm Felleng brought heavy rainfall, which led to severe flooding and landslides causing estimated damages and losses of $8.4M, or 0.77% of Seychelle's 2012 GDP. In April 2016, Tropical Cyclone Fantala passed near the Seychelles, causing widespread damage to buildings and significantly impacting communities and livelihoods in the archipelago.

CC poses major risks to the economy of Seychelles. This follows from the climate sensitivity of its two leading economic sectors, tourism and fisheries. Specifically, coastal flooding, coastal erosion and sea-level rise are growing threats that directly affect the narrow coastal zones where a large majority of the nation's economic activity and livelihoods are concentrated.

Climate risk insurance is a category of finance designed to help affected parties cope with such risks. It includes a suite of instruments for financial risk transfer to provide protection from risks arising from CC impacts. These mechanisms can offer different types of protection to governments, companies, NGOs, households and individuals affected by CC impacts. Examples include protection of assets or livelihoods and coverage in case of loss of life. Such mechanisms ensure rapid post-disaster payments to the insured parties to help compensate for and remedy any losses incurred.

Climate risk insurance schemes for developing countries often involve partnerships between governments, international organizations and the insurance industry. These schemes come in various forms. Specifically, they can be either private or public, and either mandatory or voluntary. Another

limit the financial impact of devastating hurricanes and earthquakes by quickly providing financial liquidity when a policy is triggered

key distinction is that schemes can be either direct or indirect. An insurance scheme is direct when policy holders are individuals, households or businesses. Policies could be sold at the local level and retailed through various channels, such as farmers' associations, NGOs, and local banks or insurance companies. Insurance against CC impacts like storm surges or coastal flooding entitles policy holders to a claim on the basis of predefined parameters.

An insurance scheme is indirect when the contractual arrangement between the insured entity and the insurer is intermediated by a third party. The intermediary can be a government (e.g. through regional risk insurance pools) or an institution that has negotiated insurance cover for its clients (e.g. credit unions, microfinance institutions, savings clubs). Pooling schemes often offer better terms that direct schemes, since they involve collective bargaining, which confers leverage to drive down prices.

The InsuResilience Global Partnership for Climate and Disaster Risk Finance and Insurance Solutions was launched at the 2017 UN Climate Conference in Bonn. Since its launch, more than 40 members from across different institution types have joined. Notably, this partnership brings together countries, civil society, international organizations, the private sector, and academia. It aims to strengthen the resilience of developing countries and protect the lives and livelihoods of poor and vulnerable people against the impacts of disasters. Its central objective is to enable more timely and reliable post-disaster response and to better prepare for climate and disaster risk through the use of climate and disaster risk finance and insurance solutions. Specific objectives include reducing humanitarian impacts, helping poor and vulnerable people recover more quickly from natural disasters, and increasing the adaptive capacity and strengthening the resilience of local stakeholders. This complements ongoing efforts in countries to avert, minimize and address climate and disaster risks.[39]

The establishment of regional risk facilities to cope with CC risk is a new but growing branch of climate risk insurance. Such facilities already exist in the South Pacific, Caribbean region and parts of Africa[40]. Countries that join such schemes can receive pay-outs in the event of CC shocks that can be invested in rehabilitation programmes for priority needs such as public buildings, roads, maintaining police forces, and keeping ministries running following a major catastrophe. For instance, African governments can join African Risk Capacity[41], a continent-wide pooled risk mechanism that is funded by a combination of member contributions and donor support. Seychelles should explore the possibility of signing a Memorandum of Understanding with this organisation in order to benefit from the protection it offers.

The Indian Ocean Commission has held discussions with its member states (Madagascar, Mauritius, Comoros, Seychelles and La Réunion) to have a regional convention on disaster risk management. One of the objectives of this convention was to improve the financing of disaster risk management in all its aspects, including the mobilisation of resources from insurance companies and re-insurance companies[42]. There is a strong regional interest to further explore and operationalise this option.

Ideally, climate risk insurance schemes are designed using quality weather data for the insured localities, including both historical and up-to-date data. This follows because climate risk insurance schemes are typically defined based on a specific parameter (e.g., wind speed, rainfall amount) reaching a certain predetermined level in order to trigger a payout.

[39] https://www.insuresilience.org
[40] For example, the Caribbean Catastrophe Risk Insurance Facility (CCFIF) helps to mitigate the short-term cash flow problems small developing economies suffer after major natural disasters. CCRIF's parametric insurance mechanism allows it to provide rapid pay-outs to help members finance their initial disaster response and maintain basic government functions after a catastrophic event. https://www.ccrif.org
[41] http://www.africanriskcapacity.org/
[42] Elaboration des procédures exceptionnelles en case de crise dans les pays membre de la COI, Projet COI-AO PGRNC, 2014, AFD

The availability of such data represents a challenge in the Seychelles, since collection of meteorological data has been limited historically. As such, there is a need to improve collection of such data while also incorporating observations and insights from scientific and traditional sources (including anecdotal data). There is a need as well to improve understanding of extreme weather events, notably the frequency and severity of tropical cyclones.[43]

Seychelles has an underdeveloped insurance industry, with two main insurances companies, namely SACOS and H. Savy Insurance. The government does not currently buy insurance. While hotels have mandatory insurance and bigger businesses tend to have insurance, beyond this there is relatively little engagement in insurance markets besides vehicle and mortgage insurance. A small scheme for farmers was established, but it ran into difficulties following an unexpectedly large payout to farmers in 2016 after heavy rains[44]. This example shows the importance of such risk insurance for CC-related disasters in the country. It also highlights the potential for further expansion of insurance products, although these may require a tailored design as well as public support, since the market remains small.

More information on climate risk insurance can be found in the publication: *Climate Risk Insurance for the poor and vulnerable, Munich Climate Insurance Initiative,* 2016.[45]

Climate Impact Investment

Impact investment is a category of private investment that involves aiming to make a positive impact on society while also earning a financial return. When applied in the developing world, it represents a challenge to the view that development is best achieved by charitable endeavours, whether by donors, international organisations or non-governmental organisations. On the contrary, the premise of impact investment is that business and investment are important drivers for achieving more inclusive and sustainable societies in the developing world.

Climate impact investment is distinguished from other forms of investment by three characteristics:

1. Impact investors expect to earn a financial return on the capital invested. Depending on the investment, this return can vary. Sometimes it will mirror the prevailing market rate, but it can also be either above or below this rate, depending on factors such as the realistic returns on the investment in question and how this relates to its positive impact on society.
2. In addition to a financial return, climate impact investors aim to achieve a positive impact on social or environmental challenges, but this must include helping to deliver on climate adaptation and/or climate mitigation objectives.
3. Impact investors commit to measure and report on their performance using standardized metrics. The Global Impact Investing Network (GIIN) advocates using the Impact Reporting Investment Standard (IRIS)[46] to help track the performance of impact investments, and offers a choice of nearly 500 different social, environmental and financial performance targets.

Impact investment is growing quickly. According to GIIN, the 226 leading impact investment organizations had nearly $228B in assets under management in 2018[47]. Types of investments commonly targeted include innovative businesses and enterprises in sectors such as sustainable agriculture,

[43] Seychelles Second National Communication
[44] Seychelles Climate Change Policy Assessment, IMF, 2017
[45] http://www.climate-insurance.org/fileadmin/mcii/documents/MCII_2016_CRI_for_the_Poor_and_Vulnerable_full_study_lo-res.pdf
[46] IRIS is an initiative of the Global Impact Investing Network (GIIN), a non-profit organization dedicated to increasing the scale and effectiveness of impact investing. https://iris.thegiin.org/
[47] Annual Impact Investor Survey ,Global Impact Investment Network, 2018

affordable housing, healthcare, energy and financial services for the poor. Housing projects are the most popular type of impact investing, while energy projects are the second most popular type.

Impact investing occurs across asset classes; for example, private equity/venture capital, debt, fixed income, and development impact bonds. Private equity and private debt are the most common investment products used.

Seychelles has a private sector which is developing rapidly. Large companies from the construction, financial, communication, trade and tourism sectors are likewise looking for investment opportunities. One key step that is needed to fully harness this potential is developing an appropriate policy and regulatory framework for the country. This must be done in consultation with key players in this space, notably the Seychelles Chamber of Commerce and Industry, the Seychelles Investment Board, and major private sector actors. Such an approach could increase flows of climate impact investment to Seychelles, while also helping to channel such investments towards addressing national priorities for climate action.

An interesting example of impact investment fund is Althelia Climate Fund,[48] which invests in projects that reduce deforestation, mitigate CC, protect biodiversity and provide a fair and sustainable living to rural communities, whilst offering investors a fair return on capital. Project proponents in Seychelles could seek to access investments via this financing mechanism. Another possibility is that entities from Seychelles could seek to replicate this model locally.

More information on impact investment can be found in the publication *Investing in Development in Africa: How Impact Investment Can Contribute to Meeting Sustainable Development Goals in Africa*[49], as well as the website of the Global Impact Investing Network https://thegiin.org/impact-investing/need-to-know/#s7.

Enterprise Challenge Funds for Innovative Climate Projects

Enterprise challenge funds are established by a public entity, foundation or development partner in order to provide financial contributions to CC projects delivered by the private sector. Each fund 'challenges' private firms to innovate for the public good by reducing the risks and costs of relevant investments. Challenge funds possess three characteristics: (1) the private sector drives the solution's design, co-financing and implementation; (2) subsidies are awarded through a competitive process; and (3) the fund focuses on innovations that meet both commercial and development objectives.

Once capitalized, challenge funds operate through calls for proposals. Each call provides templates and specifies eligibility criteria as well as the selection process. Bids are then assessed competitively, and performance-based grants or concessional financing is offered to the winning bids. Challenge funds do not usually provide support to cover the costs of project preparation. Submitted projects must demonstrate they can deliver measurable CC outcomes while maintaining commercial viability.

An interesting example is the Africa Enterprise Challenge Fund (AECF),[50] which started operations in 2008 and provides grants and conditional loans to businesses who wish to implement innovative, commercially viable, high impact projects in Sub-Saharan Africa. The AECF supports businesses working in agriculture, financial services, renewable energy and technologies for adapting to CC. It

[48] https://althelia.com/althelia-climate-fund/
[49] http://www.ferdi.fr/sites/www.ferdi.fr/files/publication/fichiers/study-sdgs-gb.pdf
[50] https://www.aecfafrica.org/

also supports initiatives in media and information services where they relate to these sectors. Project proponents in Seychelles could seek to access finance from AECF.

Seychelles created a Ministry of Employment Entrepreneurship Development and Business Innovation (MEEDBI) in 2016 whose remit is to support business innovation in the country. The government of Seychelles has also established a start-up grant scheme to help the country develop and grow the small businesses sector. This scheme aims to provide start-up capital to assist small businesses in the early stages of developing their business. The maximum amount for this grant is SCR 50,000. Given this grant scheme and MEEDBI's mandate, support for business innovation is already strong.

One complementary prospect that could further support business innovation in the country while encouraging innovations that are 'climate smart' would be to establish an enterprise challenge fund specifically dedicated to fostering 'climate smart' innovations and investments. Such a fund could catalyse scaled up climate action by the private sector, while using competition among stakeholders as a lead principle in order to foster dynamic and effective enterprises.

More information can be found on Enterprise Challenge Funds in the publication: *Guidelines for Challenge Funds*.[51]

Public Guarantee

A public guarantee covers private lenders or bond investors against payment defaults by a borrower. Two key objectives of guarantees are to mobilize finance that would not otherwise be forthcoming and to lower financing costs for investors. Guarantees can catalyse private financing that is many times larger than the value of the guarantee, making them a highly efficient use of public funds.

Public guarantee schemes typically aim to catalyse lending to priority sectors or classes of borrowers, such as small and medium-sized enterprises (SMEs), low-income households (e.g., for mortgages) or "green" investments (e.g., energy-efficient equipment). They can become a substitute for the collateral that businesses might otherwise have needed in order to access commercial lending. As such, they expand available credit for their target beneficiaries.

Each guarantee contract specifies the terms and conditions of the guarantee provided. Key elements include the extent of loss coverage, types of risks covered, financial instruments covered, and the guarantee fee.

Seychelles has developed a domestic guarantee scheme for renewable energy and energy efficient appliances, namely the Seychelles Energy Efficiency and Renewable Energy Programme (SEEREP). This loan scheme is based on a memorandum of understanding between the Ministry of Finance, Trade and Economic Planning (MFTEP) and commercial banks. It is used to finance acquisition of clean energy technologies by private households, namely renewable energy technologies like solar PV systems and energy efficiency technologies like energy-saving household appliances.

The key elements of the SEEREP are:

- MFTEP guarantees up to 50% of the loan amount to the individual borrower, and will therefore cover up to 50% of any losses due to loan defaults by consumers
- MFTEP provides an interest rate subsidy where it pays the difference between the interest paid by the client (5%) and the average Prime Lending Rate of the country's commercial banks for the previous month, as published by the Central Bank of Seychelles (CBS)

[51] https://www.sida.se/contentassets/3aa2456211934e8dac038ea55fcddccd/guidelines---challenge-funds_3466.pdf

- A loan term of 1-5 years
- A limit of SR100,000 (approximately $8,000) per household, though households can of course negotiate additional funding with their bank outside the scheme.
- Households make a mandatory contribution to this investment, yet this contribution is modest, since it cannot exceed 2.5% of the value of the loan
- The borrower's collateral (e.g., home mortgages, wages) shall not exceed 100% of the value of the loan provided
- The country's commercial banks have agreed to waive their normal loan processing fees to any applicant under the scheme as a further incentive to the borrower.

The SEEREP originally targeted 8,500 households but its results to date have been disappointing. Constraints include limited awareness of CC issues among households, limited availability of technologies on the market, and the high cost of technologies. Another obstacle is that household debt tends to be high, while commercial banks do not allow more than 30-50% of the borrower's income to be used to service all their loans combined. One intriguing prospect is to expand the scheme's scope, for instance to include CC adaptation technologies in the water and coastal management sectors.

Enhanced use of public guarantee schemes holds promise for Seychelles. This mechanism is perhaps best suited to businesses aiming to adopt green practices, such as energy efficient and renewable energy technologies. Any public guarantee schemes must be based on analysis of the relevant market potential and is best promoted by the Development Bank of Seychelles than commercial banks.

More information can be found in the paper *Guarantees for Development*[52] from Overseas Development Institute.

8. Recommandations for Seychelles vis-à-vis climate finance

Based on the preceding analysis, several recommendations follow for the government of Seychelles. These highlight possible measures to ensure the country is well-positioned to take advantage of emerging climate finance opportunities.

1) Seychelles should contribute actively to the high-level debates on climate finance through the appropriate channels. Specifically, it should join other SIDS to push for a review of the rules governing access to concessionary finance by stressing the importance of including vulnerability considerations when assessing funding eligibility. Supporting arguments include the high vulnerability of SIDS to CC impacts and the historical obligation of industrialised countries to compensate non-industrialised countries for CC damages.

2) Given its newfound high income status, Seychelles should no longer rely on ODA to finance its climate actions, and should instead begin exploring alternative funding options. One alternative is to look at opportunities to fund these actions via mainstreaming climate actions into national budgetary processes. Another is to fund these actions via engagement with the private sector either domestically or internationally.

3) Seychelles should seek to foster a 'pipeline' of promising project and programme concepts for climate actions in Seychelles. This would require establishing an appropriate institutional framework and building the capacity of key support entities in order to enable interested stakeholders to develop strong concept notes, which could then attract support from either donors or private investors.

[52] https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9398.pdf

4) An enabling framework to support stakeholders from Seychelles to access finance from the carbon market should be established. This could include (a) designating a focal point agency to approve and coordinate project activities, (b) developing regulatory, legal and financial guidelines for project activities in the country and (c) strengthening the capacity of key public and private actors to design and deliver 'offset' projects, whether via short trainings or providing technical assistance to interested stakeholders.

5) Building on the present report, a national mechanism should be established to provide regular updates on nationally relevant sources of international climate finance, given the rapidly changing climate finance landscape.

6) Given the vulnerability of Seychelles to climate hazards such as flooding and tropical storms, Seychelles should seek to increase climate risk insurance coverage to safeguard the country from major damages. Notably, Seychelles should explore the possibility of developing a national climate risk insurance scheme, and should join the Africa Risk Capacity mechanism.

7) The newly launched Carbon Offsetting and Reduction Scheme for International Aviation offers exciting opportunities for Seychelles to access climate finance, but could also impact the costs of travel and cargo shipments to and from Seychelles. The different options for Seychelles to engage with CORSIA should be explored in greater detail, and the anticipated costs and benefits of each option should be estimated. Such analysis is needed in order to generate specific recommendations for the country.

9. Carbon offsetting for international aviation

9.1 Introduction

The Paris Agreement on Climate Change sets out CC mitigation targets for each participating country based on their estimated GHG emissions. In most cases, it also sets out CC adaptation targets. Its mitigation commitments cover the domestic GHG emissions of each country. In the air travel sector, this includes emissions from domestic aviation services as well as stationary facilities such as airports, air traffic management centres and airline head offices. International aviation, however, is not covered.

Since the Paris Agreement was concluded, the body responsible for international air travel, the International Civil Aviation Organization (ICAO), has been working on designing a sector-specific pathway to address international aviation emissions. During their deliberations, members of the ICAO agreed on setting a headline goal, namely keeping the global net GHG emissions from international civil aviation at or below 2020 levels. ICAO has elaborated four strategies to reach this goal:

- Improve fuel efficiency of aircraft and foster use of sustainable aviation fuel
- Adopt operational measures to reduce fuel consumption
- Implement infrastructure measures to reduce flight time
- Apply market-based measures to offset GHG emissions (i.e., carbon offsetting)

The work by ICAO on seeking to address GHG emissions from international aviation culminated in the launch of a new scheme, namely Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). This scheme was formally adopted by the ICAO Assembly in October 2016. It aims to address any increases in total GHG emissions from international civil aviation that exceed its 2020 baseline levels.

9.1 Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)

Context and anticipated impacts of CORSIA

The global aviation industry supports over 63 million jobs and accounts for 3.5% of global GDP, or $2.7 trillion based on 2014 data. The benefits of air travel are clear, but aviation has also created an environmental challenge. Global emissions from aviation were 814 million tonnes of CO2 in 2016[53]. This is roughly 2% of the man-made GHG emissions contributing to the global CC problem.

Moreover, despite major improvements in aircraft fuel efficiency, fuel consumption by international aviation is estimated to continue increasing strongly under current trends. Specifically, total annual emissions are estimated to be between 2.8 and 3.9 times above 2010 levels by 2040 under the 'business as usual' scenario**.** This latter scenario is the point from which CORSIA departs, and which it aims to mitigate.

Given these estimated increases in GHG emissions from aviation, it is estimated that CORSIA will have to offset 2.6 billion tonnes of CO2e between 2021 and 2035. To convey the magnitude of this challenge, this is more than the total volume of offsets ever issued under the CDM and the voluntary carbon market combined since offset schemes were first launched in the early years of the 21st century. [54]

According to an analysis conducted by International Air Transport Association (IATA), the anticipated costs of offsetting under CORSIA are expected to have a much smaller impact on the total costs of international aviation than fuel price volatility. The estimated offsetting costs payable in 2030 are equivalent to a rise in the price of jet fuel of $2.6 per barrel. This means that a fuel price rise of $10 per barrel would cost the industry approximately four times the estimated cost of offsets in 2030. To set this estimate in context, over the past decade the standard *annual* deviation of the jet fuel price has been almost $40 per barrel, meaning that airlines have managed to cope with oil price volatility – mostly upwards – of more than 15 times the size of the estimated offsetting costs in 2030. All this being said, estimates of total offsetting costs depend critically on the assumptions used, notably regarding the price of carbon credits. As such, this comparative analysis between offsetting costs and fuel price variability remains speculative despite seeming clear-cut at first glance.

Participation and implementation modalities

CORSIA has a phased implementation approach, with a pilot phase from 2021-2023; a first phase from 2024-2026; and a second phase from 2027-2035. For the period 2021-2026, participation of nation states in helping to meet offsetting targets is voluntary. Nonetheless, 72 states representing 87.7% of international aviation traffic have already announced their intention to participate in CORSIA from 2021.

For the second phase beginning in 2027, most remaining nation states will be required to join the scheme. Whether or not this is required depends on a metric that assesses the degree to which a country's international aviation contributes to total global emissions from international aviation. Yet such calculations are not relevant for Seychelles, since it is excluded from the scheme thanks to its status as a SIDS. Seychelles could nonetheless volunteer to participate.

CORSIA is based on a route-based approach. This means that GHG emissions from international flights between two states where both the origin and destination states participate in CORSIA are covered by the scheme's offsetting requirements. On the other hand, emissions from international flights between two states where the origin and/or destination states do not participate in CORSIA are excluded from the scheme's offsetting requirements.

Flight operators from across the world will have to report emissions for all international flights beginning 1 January 2019, irrespective of the state where the operator is based. In order to be prepared for monitoring, reporting and verification (MRV) of its emissions, each operator must develop an emissions monitoring plan in 2018. This will ensure operators are ready to begin reporting emissions in

[53] Carbon offsetting for international aviation, International Air Transport Association, March 2018
[54] Carbon offsetting for international aviation, International Air Transport Association, March 2018

2019. Only operators that emit less than 10,000 tonnes of carbon dioxide equivalent (CO2e) per year will be exempt from the obligation to monitor emissions.

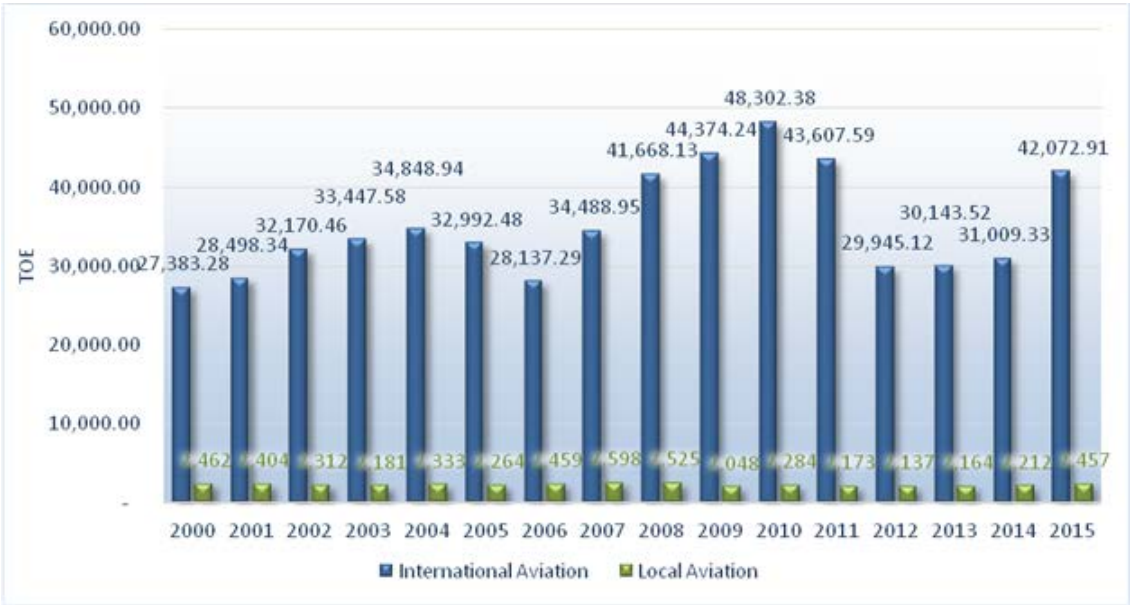
CORSIA relies on aviation operators purchasing eligible GHG emissions units (i.e., tons of CO2e) in order to demonstrate compliance with the scheme. As such, it will be necessary to ensure there is sufficient supply of eligible emissions units at all times for purchase by these operators. Ideally, operators should have access to a range of types of emissions units that meet ICAO's eligibility criteria, since this will enable them to support offset activities that fit with their corporate image and the social and environmental priorities of their stakeholders.

Various types of activities can help secure GHG emissions reductions (e.g., clean energy technologies, improved waste management, 'climate smart' agriculture, green transport), and many of these activities bring social, environmental or economic benefits in addition to offsetting GHG emissions. However, the types of activities allowed under any given CC mitigation scheme may be restricted. That is, sometimes only certain activities can be used as offsets. International deliberations are ongoing about which types of project activities can be used as carbon offsets under the CORSIA scheme. The outcome of these deliberations will inform discussions about how the CORSIA scheme could be relevant to Seychelles.

In order to prepare for CORSIA, the major carbon markets must be informed about ICAO's eligibility criteria (i.e., the types of activities allowed as the basis for carbon offsets) and also the anticipated demand for offset credits from international aviation. This will allow these markets and the project / programme proponents who generate credits for them to make the necessary preparations, notably by ramping up project / programme activities in the prioritised activity areas.

Estimation of total GHG emissions from international aviation in Seychelles

A leading fuel used by international airplanes is Jet Fuel A1, which is designed for use by gas-turbine engines. The total amount of Jet A1 used by international aviation for the period 2000-2015 is provided in the table below.



Demand of Jet A1 by International and Domestic Aviation
(Energy Report 2015, Seychelles Energy Commission)

In Seychelles, total energy consumption by international aviation in 2015 was 42,072 tonnes of Jet A1, representing 32% of the country's total energy consumption in this year[55]. Calculations of the GHG emissions generated with this level of energy consumption are provided below.

First, the carbon dioxide emission factor of the Jet Fuel A1 must be established using the following formula:

$$\mathbf{EF = CEF \times (1 - FCS) \times FCO \times 44/12}$$

Where

EF (t CO2/TJ)	: Carbon emission factor of fuel used
FCS	: Percentage of carbon stored for fuel used (0%)
FCO	: Fraction of carbon oxidised (99%)
44/12	: Ratio of molecular weight of carbon dioxide (CO_2) and carbon (C)

- The carbon emission factor for Jet A-1 is 19.5 tonnes C/TJ
- The fraction of carbon oxidized during combustion is assumed to be 99%
- The carbon emission factor for Jet Fuel A1 is 19.5 x (1-0) x 0.99 x44/12=70.78

Next, total GHG emissions generated by this energy consumption are calculated using the formula below:

$$\mathbf{CO_2 \text{ Emissions} = M \times NCV \times CEF}$$

Where

CO_2 emissions (t): Amount of carbon dioxide emitted in metric tonnes

M (t): Amount of fuel consumed in metric tonnes

NCV (TJ/1000 t): Net calorific value of fuel in TetraJoule/ kilotonne of fuel

CEF (t CO_2/TJ): Carbon emission factor for CO_2 in tonnes of CO_2 per TetraJoule

The net caloric value of Jet A-1 is 44.59 TJ/1000 tonnes

Running these calculations shows that total GHG emissions from international aviation in 2015 was 134,779 tonnes CO2e for Seychelles. The equation used to generate this figure is 42,702 x 44.59/1000 x 70.78 =134,779.

The market price for one tonne of CO2e on 5 July 2018 was €15.35. If the entirety of these emissions were to be offset, this would involve a cost of approximately €2,000,000 per year for Seychelles. This figure was generated based on multiplying total emissions by the price of a tonne of CO2e. The equation used is 134,779 x 15.35 = 2,068,857.

9.3 Recommendations for Seychelles vis-à-vis the CORSIA scheme

Joining the CORSIA scheme on a voluntary basis remains an option for Seychelles, but one that would have consequences for the country.

On the one hand, participation in this scheme would increase the costs of international air travel to and from Seychelles. This could be challenging for the country, given that a large majority of goods used by its residents are imported. Participation in the scheme could thus lead to an increase in the cost of living. It could also impact the competitiveness of Seychelles as tourism destination, due to the anticipated cost increases in air travel.

[55] Seychelles Energy Report, 2015.

On the other hand**,** participation in the scheme could generate large amounts of funding for climate adaptation and climate mitigation initiatives in Seychelles. This could include investments in initiatives that simultaneously deliver co-benefits such as job creation (e.g., via more dynamic fisheries), improved health status, and enhanced biodiversity. Participation in CORSIA could also help bolster the country's image as a leader in environmental sustainability, which is a precious asset, albeit one that is difficult to quantify.

These different potential costs and benefits of participation in the CORSIA scheme need to be examined in greater detail in order to generate specific recommendations for the country. Notably, more in depth analysis would be needed to answer the crucial question of how these costs compare with the benefits of participation**.**

Even if it doesn't volunteer to join CORSIA, Seychelles could still benefit from this scheme by generating carbon credits for purchase by aviation operators participating in CORSIA. This would involve developing proposals for carbon offset projects or programmes in approved activity areas, then implementing these initiatives and securing validation and verification of the carbon credits generated.

In order to prepare for this opportunity, the Seychelles government could take various steps to help foster a pipeline of suitable projects and programmes. This could include establishing a mechanism to provide technical assistance to project developers, and systems to evaluate and approve projects and programmes. Other steps could include active engagement in this process by the country's National Climate Change Committee in order to guide development of this pipeline, and providing capacity building for selected key stakeholders. Any such steps should be aligned with the requirements of key carbon market standards such as the CDM, for instance by appointing a national designated authority.

ICAO has also developed strategic partnerships to support CC mitigation measures that could benefit Seychelles by supporting its efforts to develop a pipeline of suitable offset projects / programmes. One example is the ICAO-European Union project, which seeks to facilitate carbon offset (i.e., climate mitigation) initiatives in various ways, such as operational improvements, use of renewable energy for aircraft at airport gates, and feasibility studies on the use of sustainable aviation fuels. A second partnership with the United Nations Institute for Training and Research (UNITAR) has seen development of dedicated training materials, including an e-learning course and e-books on state action plans and mitigation measures. A third partnership involves the United Nations Development Programme (UNDP) and Global Environmental Facility (GEF). It aims to provide SIDS with guidance documents on cost-benefit analysis for CC mitigation measures, developing clean energy projects, and environmental governance.

Annexes

Annex 1: List of public climate funds and eligibility of stakeholders from Seychelles

Table A.1: Full listing of dedicated public climate funds and eligibility of Seychelles[56]

Name of funds	Type	Public/private /philanthropic	Region of activity	Eligibility	Potential Seychelles eligibility
Acumen	Donations	Philanthropic	India Pakistan East Africa West Africa Latin America	Be an early-mid stage company which deliver a service that addresses critical need for the poor in Acumen sectors and geographic focus	No
Adaptation for Smallholder Agriculture Program	Multilateral	Public	Worldwide	Smallholder farmers in developing countries (Existing and new IFAD investment programmes in poor developing countries which are vulnerable to climate impacts)	No
ADB Carbon Market Initiative	Multilateral	Private	Asia	ADB Developing member countries	No
ADB Clean Energy Financing Partnership Facility	Multilateral	Public	Asia	ADB Developing member countries	No
ADB Climate Change Fund	Multilateral	Public/Private	Asia	ADB Developing member countries	No
Africa Climate Change Fund	Bilateral	Public	Africa	African governments, NGOs, research organisations based in Africa and regional institutions For projects of USD 250,000 or above	yes
Africa Enterprise Challenge Fund: Renewable Energy and Adaptation to Climate Technologies	Private Sector	Private	Africa	For-profit companies Applicant companies are required to match the AECF REACT funding with an amount equal to or greater than 50% of the total cost of the project	yes
Africa Water Facility	Multilateral	Public	Africa	Regional member countries of the African Development Bank (ADB), political subdivisions or agencies working within these countries, or regional agencies or institutions concerned with water resource development in Africa	yes
African Carbon Asset	Multilateral	Public/Private	Sub-Sahara Africa	Sub-Saharan Africa and eligible for CDM investment	yes

[56] Climate Fund Inventory, (OECD): https://qdd.oecd.org/subject.aspx?subject=climatefundinventory

Development Facility					
ASEAN Infrastructure Fund	Multilateral	Public	Asia	Sovereign/sovereign guaranteed national and sub-regional projects of ASEAN developing member countries (also AIF shareholders)	no
Australia's International Forest Carbon Initiative	Bilateral	Public	Asia-Pacific region	Developing countries with important forest reserves	no
BioCarbon Fund	Multilateral	Public/Private	Worldwide	A/R CDM projects and REDD+ and sustainable land management projects	yes
Canada Climate Change Program	Multilateral	Public	Global	UNFCCC Non-Annex I Parties to the Convention/DAC/ODA Eligible countries	no
Canada Fund for African Climate Resilience	Bilateral	Public	Ethiopia, Ghana, Mali, Mozambique, Senegal, Tanzania; other eligible countries: Burkina Faso, Cameroon, Democratic Republic of the Congo, Kenya, Nigeria, Rwanda, South Africa, Zambia	Focus countries: Ethiopia, Ghana, Mali, Mozambique, Senegal, Tanzania; other eligible countries: Burkina Faso, Cameroon, Democratic Republic of the Congo, Kenya, Nigeria, Rwanda, South Africa, Zambia	no
Canada Fund for the Private Sector in the Americas	Multilateral	Public	Latin America and the Caribbean (LAC)	UNFCCC Non-Annex I Parties to the Convention/IDB Developing member countries	no
Canadian Climate Fund for the Private Sector in Asia	Multilateral	Public	Asia - Low, lower-middle income and small island developing countries	Low and lower-middle income ADB developing member countries and small island states	no
Carbon Finance for Agriculture, Silviculture, Conservation, and Action against Deforestation	Multilateral	Public	Sub-Saharan Africa	African pilot countries of Bénin, Cameroon, Dem. Rep. of the Congo, Gabon, Madagascar, Mali, and Sénégal	no
Carbon Initiative for Development	Multilateral	Public	Least Developed Countries	Low-carbon investments in LDCs; Projects that increase access to energy using clean and efficient technologies	no
Caribbean Catastrophe Risk Insurance Facility (CCRIF)	Multilateral	Public/Private	Caribbean	CARICOM members	no

Clean Technology Fund	Multilateral	Public	Worldwide	Middle-income and developing countries. Countries that have an active MDB country program (World Bank and Regional Development Banks) including Algeria (MENA), Colombia, Egypt (Country and MENA), Indonesia, Jordan (MENA), Kazakhstan, Mexico, Morocco (Country and MENA), Philippines, South Africa, Thailand, Tunisia (MENA), Turkey, Ukraine, Viet Nam.	no
Climate and Development Knowledge Network	Multilateral	Public	Latin America & Caribbean, Asia and Africa	Developing countries	Yes
Climate and Land Use Alliance	Donations	Philanthropic	Four geographically focused initiatives (Brazil, Indonesia, Mexico and Central America, and the United States) and one Global Initiative that focuses on relevant public and private sector policies and finance that are international in scope	To realize the potential of forested and agricultural landscapes to mitigate climate change, benefit people, and protect the environment.	no
Climate Catalyst Fund	Multilateral	Public/Private	Global	Emerging Markets	yes
Climate Finance Innovation Facility	Multilateral	Public	Asia-Pacific region	Financial Institutions	no
Climate Insurance Fund	Bilateral	Public/Private	Worldwide	Qualified insurance and reinsurance companies, as well as to other companies active in the value chain of insurance and reinsurance, based in ODA recipient countries	yes
Climate Investment Funds	Multilateral	Public	See individual funds	Low emissions and climate resilient development	yes
Climate Public Private Partnership	Bilateral	Public/Private	Asia	The objective of the Climate Catalyst Fund is to stimulate the development of Climate Funds and climate friendly projects and companies which are expected to play a key role in accelerating the growth of investment in renewable	no

				energy and other low-carbon solutions.	
Climate Technology Initiative (CTI) Private Financing Advisory Network (PFAN)	Multilateral	Public/Private	Asia, Latin America, Africa	PFAN screens business plans, selects the most economically viable and environmentally beneficial projects, and provides extensive coaching and guidance before projects are presented to investors at Clean Energy Financing Forums hosted across Asia, Latin America and Africa.	yes
ClimDev-Africa Special Fund	Multilateral	Public	Africa	African countries of dedicated institutions, as well as NGOs, CSO, and CBOs.	yes
Congo Basin Forest Fund	Multilateral	Public	Congo Basin Region	10 Central African Countries with REDD+ policy implementation, NGO, Organisations: aimed to protect Congo basin forest	no
Danish Climate Investment Fund	Bilateral	Public/Private	Developing countries Emerging economies	Danish company must participate in the project (or that it contains a Danish economic interest) in developing countries and must be commercially sustainable and employs known climate technology	no
DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH	Bilateral	Private	Worldwide	Developing and emerging market countries for profitable projects that contribute to sustainable development goals.	yes
EIB Climate Change Technical Assistance Facility	Multilateral	Public/Private	Worldwide	Projects under CDM or JI	yes
EIB Post-2012 Carbon Credit Fund	Multilateral	Public	EU and EIB countries of operation	Fund are domiciled in an EU Member State. Credits acquired by the Fund are from projects located in any EIB country of operation that has ratified the Kyoto Protocol. The Post-2012 Carbon Credit Fund will consider projects under the auspices of the CDM or JI, in any operational stage, from planning to operation construction stages, and from PIN to registered CDM development stage. Eligibility is determined by staff teams on economic, financial, technical and environmental banking criteria.	yes
EIB-KfW Carbon Programme II	Multilateral	Public	Worldwide, with focus on LDCs	Least Developing Countries or Programmatic Approach. If country is not LDC or PoA, then only sectors: Renewable Energy, Energy	no

				Efficiency, Methane Avoidance (incl. landfill gas)	
End-User Finance for Access to Clean Energy Technologies in South and South-East Asia (FACET)	Multilateral	Public/Private	South and Southeast Asia	Commercial banks that aim to build up loans portfolios of around 10 000 loans to technology suppliers	no
Energy and Environment Partnership	Multilateral	Public	Andean region, Central America, Indonesia, Mekong region, Southern and Eastern Africa	NGOs, public and private companies as well as research and education institutions are eligible to apply	yes
FMO Entrepreneurial Bank (IDF and AEF)	Bilateral	Public	Worldwide	The AEF supports private sector projects that provide long-term access to energy services (generation, transmission and distribution).The IDF is aimed at long-term financing for large infrastructure projects.	yes
Forest Carbon Partnership Facility	Multilateral	Public/Private	Africa, Latin American and Caribbean, Asia	Developing countries having demonstrated REDD+ activites	no
Forest Investment Program	Multilateral	Public/Private	Developing countries	Active in 8 pilot countries: Brazil, Burkina Faso, Democratic Republic of Congo, Ghana, Indonesia, Lao PDR, Mexico, Peru.	no
Fund Solutions for Climate Finance (KfW & Partners)	Bilateral	Public/Private	Worldwide	GGF: Southeast Europe region including Turkey (Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia, Kosovo, and Turkey). GCPF: Focus on countries which already have a significant industrial basis and a large population like Brazil, Chile, China, India, Indonesia, Mexico, Morocco, Philippines, South Africa, Tunisia, Turkey, Ukraine and Vietnam.	no
GEF Small Grants Programme	Multilateral	Public	Developing countries	NGO/CBO working in developing countries with project corresponding to GEF focal areas	yes
GEF Trust Fund - Climate Change focal area (GEF 6)	Multilateral	Public/Private	Worldwide	Countries eligible to receive World Bank (IBRD and/or IDA) financing or UNDP technical assistance through its target for resource assignments from the core (specifically TRAC-1 and/or TRAC-2).	yes
Germany's International	Bilateral	Public	Developing countries	Projects in IKI's four areas of support: mitigation, adaptation,	yes

Climate Initiative			Emerging economies	conservation of carbon sinks and biodiversity	
Global Climate Change Alliance+	Multilateral	Public	LDCs SIDs	To be among the 73 LDCs or SIDS that are recipients of official development assistance	yes
Global Climate Partnership Fund	Multilateral/ Private Sector	Public	Brazil, Chile, China, India, Indonesia, Mexico, Morocco, South Africa, the Philippines, Tunisia, Turkey, Ukraine and Vietnam	Financial Institutions or ESCOS (small scale renewable energy and energy efficiency service and supply companies that serve energy efficiency and renewable energy market in the target countries). Require financing of between USD 5m and USD 30m for on-lending to green energy projects	no
Global Energy Efficiency and Renewable Energy Fund	Multilateral	Public/Private	Worldwide	Private equity funds investing in private sector projects in RE and Energy Efficiency	yes
Global Facility for Disaster Reduction and Recovery	Multilateral	Public	Worldwide	Consistency with the GFDRR Mission, Government Commitment (There must be clear evidence of country ownership of country-specific activities), Co-financing (All proposals should include co-financing with a target of at least 10% financing from the proponent or the relevant low- or middle income country government, as well as from other sources)	yes
Global Index Insurance Facility	Multilateral	Public/Private	Worldwide	Governments and properly registered banks and primary insurers in developing countries.	yes
Green Climate Fund	Multilateral	Public	Worldwide	All developing country parties to the UNFCCC	yes
IDB Regional Fund of Agricultural Technology	Multilateral	Public	Argentina, Bolivia, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Honduras, Nicaragua, Panama, Paraguay, Peru, Spain, Uruguay and Venezuela.	The projects are ranked on the basis of points assigned by external reviewers and presented to the Board of Directors (BOD) for consideration and decision.	no
IDB's Infrastructure Fund	Multilateral	Public/Private	Latin America and the Caribbean (LAC)	Entities from national, sub-national, and local governments, and service providers (public, private, mixed-capital, and cooperative associations) that must operate or implement an infrastructure project in Latin America or the Caribbean	no
IDB's Sustainable Energy and	Multilateral	Public	Latin America and the Caribbean (LAC)	Activities must be consistent with the initiative's fundamental objectives:	no

Climate Change Initiative				-To facilitate an expanded application of renewable energy and energy efficiency technologies in LAC countries, -To finance and support greenhouse gas emission reduction projects and biofuel development, and -To promote and finance adaptation strategies and actions to reduce vulnerability risks presented by climate change in the LAC countries.	
IFC Partial Credit Guarantees	Multilateral	Public	Worldwide	In accordance with IFC investment guidelines	yes
IFC Risk Sharing Facility	Multilateral	Public	Worldwide	Bank or corporation	yes
Interact Climate Change Facility	Multilateral	Public	Developing countries Emerging economies	Private sector projects in developing countries (African Caribbean Pacific countries, Asian and Latin American countries) and emerging markets in the sector of climate change proposed by any of the EDFI shareholders is eligible for ICCF funding.	yes
International Climate Fund (UK)	Bilateral	Public	Developing countries	ICF will fund projects that display consistency with the DAC definition of ODA and ensure open and transparent project performance. Other critical eligibility factors include the choice of instrument and appropriate enabling environment.	No
International Climate Initiative (Germany)	Bilateral	Public	Worldwide	Climate and biodiversity projects in developing and new industrialising countries, countries in transition	yes
International Development Association	Multilateral	Public	LDCs Blend countries	77 eligible countries: 59 IDA countries, 18 blend countries and India for the time of transition.	yes
IRENA / Abu Dhabi Fund for Development	Bilateral	Public	IRENA member countries and states in Accession	Submitted by the Members of IRENA, Signatories of the IRENA Statute or States in Accession which are included as developing countries in the "OECD DAC List of ODA Recipients". Preference will be given to project proposals submitted by IRENA Members and deploy renewable energy as defined in the Statute of IRENA: bioenergy, geothermal energy, hydropower, ocean energy, solar energy, and/or wind energy	yes
Japan's Fast Start Finance	Bilateral	Public/Private	Worldwide. Approximately 50% of Japan's grant aid	Developing countries who have entered into direct, bilateral discussions with the Government of	yes

			is focussed on adaptation activities in Africa and Least Developed Countries (LDC).	Japan are eligible for FSF, although some private sector actors may also be considered.	
KfW Development & Climate Finance	Bilateral	Public	Worldwide	Public and private entities Depending on contract	yes
Korea Green Growth Trust Fund	Multilateral	Public/Private (WBG and IFC)	Worldwide	IBRD/IDA country members	yes
Least Developed Countries Fund	Multilateral	Public	Worldwide	All LDC Parties to UNFCCC	no
MDB Pilot Program for Climate Resilience	Multilateral	Public/Private	Bangladesh, Bolivia, Cambodia, Mozambique, Nepal, Niger, Tajikistan, Yemen, Zambia; Dominica, Grenada, Haiti, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, Papua New Guinea, Samoa, Tonga	MDB eligibility (Regional Development Banks, International Development Association (IDA)) in the following countries/regions: Bangladesh, Bolivia, Cambodia, Mozambique, Nepal, Niger, Tajikistan, Yemen, Zambia; Dominica, Grenada, Haiti, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, Papua New Guinea, Samoa, Tonga.	no
Mediterranean Investment Facility	Multilateral	Public	Mediterranean Region (Tunisia, Egypt, countries of former Yugoslav republic, Montenegro and Morocco)	renewable energy and energy efficiency projects throughout the Mediterranean region, including Solar Water Heating (SWH) systems, CFLs and other efficient end-user energy solutions.	no
Multilateral Carbon Credit Fund	Multilateral	Public	Wolrdwide, mostly Eastern Europe to Central Asia	Focus on JI but with some CDM and EUAs projects (provided that the reductions result from investment in a project) and AAUs in CEE and the FSU. Carbon credits must originate from EBRD and/or EIB-financed projects located in EBRD's 29 countries of operation	no
Multilateral Investment Fund (MIF) of the IDB Group	Multilateral/ Private sector	Public	South American and Carribean	Private sector institutions (small and micro enterprises) in Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, Uruguay, Venezuela	no

Nationally Appropriate Mitigation Action facility (UK and Germany)	Multilateral	Public	Worldwide	Bankable projects support the implementation of NAMAs, submission by a national government or qualified Delivery Organisation; financing volume between EUR 5-20 million; qualification as ODA	no
Nordic Climate Facility	Multilateral	Public	Africa: Benin, Burkina Faso, Cape Verde, Ethiopia, Ghana, Kenya, Malawi, Mozambique, Rwanda, Senegal, Tanzania, Uganda, Zambia, Zimbabwe Asia: Bangladesh, Cambodia, Kyrgyz Republic, Lao PDR, Maldives, Mongolia, Nepal, Pakistan, Sri Lanka, Vietnam Latin America: Bolivia, Honduras, Nicaragua	Applicant must be an active institution, organisation, company or authority holding a registered place of operations in Denmark, Finland, Iceland, Norway or Sweden with relevant experience. Applicant must have one or more partners in eligible countries. Average turnover of the applicant must exceed twice the NFC funding applied for.	no
Nordic Environment Finance Corporation (NEFCO) Carbon Finance and Funds	Multilateral	Public/Private	The principal target markets are the Russian Federation, Ukraine, People's Republic of China, South East Asia and India although other regions will also be considered.	Projects should be in line with the requirements of the Kyoto Protocol, in particular the fulfilment of the requirements of the JI Supervisory Committee and CDM Executive Board of the UNFCCC Secretariat, and the second trading period of the EU ETS (and subsequent periods).	no
Norway International Climate and Forest Initiative	Bilateral	Public	Brazil, Indonesia, Gyana, Ethiopia, Peru, Liberia, Tanzania, Mexico, Viet Nam	Eligibility criteria of projects is subject to selection criteria of four multilateral channels used by NICFI: Congo Basin Forest Fund, Forest Carbon Partnership Facility, Forest Investment Program, Guyana's REDD+ Investment Fund and UN REDD Programme; or on bilateral basisin countries where multilateral initiatives and/or multi-donor cooperation already exist.	no
Norwegian Investment Fund for Developing Countries	Bilateral	Public	Central America: Guatemala, El Salvador, Nicaragua, Honduras, Panama and Costa Rica. Regional office in San José, Costa	Countries with GDP per capita of less than USD 6885 (OECD DAC-list)	no

			Rica. Southern Africa: Angola, Namibia, South Africa, Lesotho, Swaziland, Mozambique, Zimbabwe, Zambia, Madagascar and Malawi. Regional office in Johannesburg, South Africa and Maputo, Mozambique. East Africa: Kenya, Tanzania, Uganda, Burundi, Rwanda and South Sudan. Regional office in Nairobi, Kenya. Southeast and South Asia: Bangladesh, Vietnam, Laos, Cambodia and Myanmar. Regional office in Bangkok, Thailand.		
Partnership for Market Readiness	Multilateral	Public	Brazil, Chile, China, Colombia, Costa Rica, India, Indonesia, Jordan, Mexico, Morocco, South Africa, Turkey, Thailand, Ukraine, and Vietnam.	Countries must be participants in the PMR	no
Pilot Program for Climate Resilience	Multilateral	Public	Worldwide	ODA-eligibility (according to OECD/DAC guidelines); and Existence of active multilateral development bank (MDB) country programs.	no
Public-Private Infrastructure Advisory Facility	Multilateral	Public	Worldwide	Developing or transition economies on the Organization for Economic Co-operation and Development (OECD) Development Assistance Committee's (DAC) I to IV Aid recipients are eligible for PPIAF funding.	no
Renewable Energy and Energy Efficiency Partnership	Multilateral	Public	Worldwide	REEEP invites direct proposals from governments, energy regulators, and development financial institutions , and development agencies focusing on the REEEP	no

				priority countries. REEEP priority countries include Brazil, China, India, Indonesia, South Africa and several sub-Saharan African states.	
Scaling-Up Renewable Energy Program for Low-Income Countries	Multilateral	Public/Private	Worldwide	Low-income countries prioritised, must be qualified for MDB funding. Preference is given to projects with strong poverty alleviation benefits.	no
Seed Capital Assistance Facility	Multilateral	Public	Worldwide	early stage clean energy enterprises and projects	yes
Special Climate Change Fund	Multilateral	Public	Worldwide	All developing country Parties to UNFCCC	yes
Strategic Climate Fund	Multilateral	Public	See individual funds	Framework fund of the FIP, PPCR and the SREP	yes
Sustainable Energy Fund for Africa	Multilateral	Public	Africa	Private project developers/promoters to facilitate pre-investment activities for renewable energy and energy efficiency projects	yes
UN Reduced Emissions from Deforestation and Forest Degradation Programme	Multilateral	Public	Developing countries	Must be a partner country of the UN REDD programme	no
UNDP Green Commodities Facility	Multilateral	Public/Private	Developing countries	Focuses on bulk traded goods of cocoa, coffee, cotton, and tuna, but will expand into a wider array of agricultural, forestry and fisheries products including rice, soy, palm oil, lobster, shrimp, beef, and timber.	yes
UNDP/MDG Carbon Facility	Multilateral	Public	Developing countries	No specific exclusions	yes
UNDP/Spain MDG Achievement Fund	Multilateral	Public	Select countries and members of the UN Development Group	Select countries	no
UNEP Renewable Energy Enterprise Development	Multilateral	Public	China, Brazil, Ghana, Mali, Senegal, Tanzania, and Gambia	SMEs that deal in clean energy products and services	no
UNFCCC Adaptation Fund	Multilateral	Public/Private	Developing countries	Developing countries must be Parties to the Kyoto Protocol and must be particularly vulnerable to the adverse effects of climate change	yes
US Global Climate Change Initiative	Bilateral	Public/Private	50 developing countries, including least-developed	Developing countries	yes

			African nations, glacier-dependent nations, small island developing states and other vulnerable countries.		
World Bank Carbon Funds and Facilities	Multilateral	Public/Private	Worldwide	IBRD/IDA member countries; CDM or JI-eligible project activities (also voluntary window mainly for forestry and agriculture-based projects) and AAU transactions (through GIS)	yes
World Bank Group Catastrophic Risk Management	Multilateral	Public	Worldwide	All IBRD-eligible borrowers (upon meeting pre-approval criteria)	yes

Table A.2: Summary of public climate funds potentially accessible to stakeholders from Seychelles

Total number of funds potentially accessible by Seychelles	42
• **Of which public**	26, of which 20 are multilateral funds
• **Of which public/private or private**	16, of which 12 are multilateral funds

Annex 2: Seychelles Conservation and Climate Adaptation Trust

Seychelles Conservation and Climate Adaptation Trust (SeyCCAT) is an innovative public-private trust operating in the blue economy space. It was initially capitalised with blended capital proceeds from the Government of Seychelles' debt restructuring completed in 2015. This debt restructuring deal enabled the Government of Seychelles to make a commitment to safeguard 30% of its exclusive economic zone in marine protected areas by 2020 via a national Marine Spatial Planning process. SeyCCAT has since attracted other capital inflows, and continues to seek and develop other innovative mechanisms to boost its assets.

SeyCCAT manages three cash flows, namely to repay the impact investor, to annually distribute assets via a Blue Fund, and to capitalise an endowment fund that will mature after 21 years. Funds are dispersed in alignment with SeyCCAT's strategic objectives, namely (a) support new and existing marine and coastal protected areas and sustainable use zones; (b) empower the fisheries sector with robust science and knowhow to improve governance, sustainability, value, and market options; (c) promote the rehabilitation of marine and coastal habitats and ecosystems that have been degraded by local and global impacts; (d) develop and implement risk reduction and social resilience plans to adapt to the effects of CC; (e) trial and nurture business models to secure the sustainable development of Seychelles' blue economy.