INVESTING IN ANTIGUA & BARBUDA

SIRF FUND: FOCUS AREAS

Investing across a range of environment and climate projects.

- **Biodiversity**
  - Protected areas management, biodiversity, bio-prospecting

- **Adaptation**
  - Energy resilience, flooding, drought, coastal zone management

- **Mitigation**
  - Energy efficiency, renewable energy, carbon sinks

The SIRF Fund will monetize and attract investments in traditional knowledge for the uses and health benefits of indigenous biological resources, where a portion of the proceeds will support communities and biodiversity protection.

Capitalization Rationale for the Sustainable Island Resource Framework (SIRF) Fund

**SUMMARY**

The Government of Antigua and Barbuda is developing a national fund, the Sustainable Island Resource Framework (SIRF) Fund, to serve as the primary channel for environmental, climate mitigation and adaptation funding from international and domestic sources. Legislated through the Environmental Protection and Management Act of 2015 (EPMA), the SIRF Fund will provide the framework financial mechanism to implement the Act,¹ and is the primary means for implementing Antigua and Barbuda’s ambitious climate action targets.² By serving as the National Implementing Entity for all environmentally-related finance and technical assistance, the **SIRF Fund will catalyze internal and external funding sources to enable the country to meet its climate and sustainability goals in a coordinated, systematic and cost-effective manner.**

**THE CHALLENGES**

The SIRF Fund is essential for Antigua and Barbuda to respond to the range of sustainability challenges facing the country. Specifically, successful implementation of the SIRF Fund will support goals relating to:

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic sustainability</strong></td>
<td>Estimates for Antigua and Barbuda’s national debt range from 87% - 130% of its GDP.³ At these levels, financing is unaffordable, making the country particularly vulnerable to global macroeconomic swings (e.g. fossil fuel price volatilities). Further, with tourism comprising over 70% of the economy, sustainable management of natural resources is critical to long-term economic growth and prosperity.</td>
</tr>
<tr>
<td><strong>Climate change</strong></td>
<td>As a small island developing state, the financial needs of Antigua and Barbuda (A &amp; B), to respond to and prepare for climate change are mounting every year. The government estimates an annual requirement of XC$ 33 million (~US$ 12.2 million) per year over the next ten years, to meet adaptation and mitigation needs.</td>
</tr>
<tr>
<td><strong>Biodiversity</strong></td>
<td>The islands’ Protected Areas system has an estimated annual US$5 million budget requirement, but currently A &amp; B’s government is able to support less than half of its needs for biodiversity protection. The island has already witness local extinctions of valuable flora and fauna.</td>
</tr>
<tr>
<td><strong>Coordination</strong></td>
<td>With over US$ 1 million received annually for environmental and climate funding, the country has lacked a single pathway for receiving, coordinating and managing incoming financial flows in an efficient and systematic manner. The SIRF Fund will be a first for A &amp; B, creating a streamlined platform to work with all external climate and environment financing sources, with access provisions for government, NGOs, and the private sector.</td>
</tr>
</tbody>
</table>

¹ This overarching environmental legislation sets up effective environmental management administrative responsibilities, consolidates multilateral environmental agreements, and establishes a framework financial mechanism to implement the Act (the SIRF Fund).
² [Link](http://www4.unfccc.int/submissions/INDC/Published%20Documents/Antigua%20and%20Barbuda/1/INDC_Antigua_Barbuda.pdf)
³ SPPARE Document and [Link](http://antiguaobserver.com/pm-says-ab-may-become-second-highest-debtor-nation/)
SIRF FUND DESIGN

Capitalization and Fund Management

Funding Sources
External (incl. potential)
- THE WORLD BANK
- UNEP
- gef
- UNDP
- IDB

Internal (potential)
Pollution charges, renewable energy returns, water levy, protected areas visitor fees, carbon credits, etc.

Antigua & Barbuda’s Sustainable Island Resource Framework (SIRF) Fund

Funding windows / Project categories
- Adaptation
- Mitigation
- Risk management
- Biodiversity and genetic resources
- Research and development

Disbursals
- Investments arm*
- Revolving fund*
- Insurance*
- Small & medium loans*
- NGO facility
- Debt for nature swaps

Governance

Project Management Committee (PMC)
- Budget Office Rep. MoF
- Permanent Secretary of Ministry of Health & Environment
- PS Energy
- PS Agriculture
- Donor Representative

Technical Advisory Committee (TAC)
- Relevant expertise from Ministries & Departments Barbuda rep NGOs Community Interest Rep

Audit Sub-Committee

Project manager
Project coordinator
Procurement unit

Project Management Unit (PMU)
- Technical officers
- Administrative staff
- Project assistants

Figure 1: Proposed Design of Antigua and Barbuda’s Sustainable Island Resource Framework Fund (SIRF Fund)
WHAT DOES THE SIRF FUND DO?

The SIRF Fund invests across a wide range of adaptation, mitigation and environmental management projects. Adaptation projects include protected areas management and biodiversity, while mitigation projects will focus on the nexus of energy and water. 4

The SIRF Fund has six main elements, known as disbursal mechanisms. Listed below in Table 1 are the elements, its purpose, how these mechanisms work and who is eligible to access funding.

<table>
<thead>
<tr>
<th>Element</th>
<th>Purpose</th>
<th>How it works</th>
<th>Who is Eligible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments arm</td>
<td>Invest in renewable energy, bioprospecting, protected areas and other green project</td>
<td>SIRF will use grant and concessional financing not available to APUA or the private sector to invest in on- and off-grid electricity. The electricity will be sold to the Government, APUA Water Unit and the other entities designated by the Cabinet of Antigua and Barbuda. The Government has passed legislation to provide the framework to attract research in bioprospecting. The SIRF will further provide the enabling environment needed for this to succeed.</td>
<td>SIRF is the investor and primary national benefactor of the investments</td>
</tr>
<tr>
<td>Revolving fund</td>
<td>Provide concessional (e.g., low-interest) loans to vulnerable groups to implement climate adaptation and mitigation and to implement the Environmental Management Act (2015)</td>
<td>Small loans disbursed to traditionally high-risk groups, such as home and building owners, farmers and fishers, and loan payments are re-disbursed to maximize impact</td>
<td>Vulnerable populations that cannot access financing from the traditional banks</td>
</tr>
<tr>
<td>Small and medium loans</td>
<td>Promote energy efficiency, renewable energy, and reduce credit risk to lender</td>
<td>Loans channelled via credit unions or banks starting at a 3% interest rate. These rates of the loans will allow for the transition to a low carbon economy and build resilience in the building sectors.</td>
<td>Key sectors, including farms, small businesses, and homeowners</td>
</tr>
<tr>
<td>NGO facility</td>
<td>Support non-profits engaged in adaptation mitigation and general implementation of the Environmental Management Act (2015)</td>
<td>• Funded from 15% of the return on all investments • Funding decisions made by board consisting of NGOs and observers</td>
<td>All NGOs provided projects are consistent with the national legislation and the GEF’s criteria as well as the National Environmental Management Strategy</td>
</tr>
<tr>
<td>Insurance</td>
<td>Provide the enabling environment and access to risk instruments provide by the GCF</td>
<td>Work with local insurance companies and the Green Climate Fund to provide an opportunity to access affordable insurance</td>
<td>Farms, coastal areas and watersheds and Government installations</td>
</tr>
<tr>
<td>Debt for nature and/or climate adaptation swaps</td>
<td>Reduce Antigua and Barbuda’s financial burden and achieve sustainable development and conservation goals</td>
<td>A financial transaction in which the country’s sovereign debt may be repaid by a third party or forgiven in exchange for investments in conservation and other eligible impacts</td>
<td>Through bilateral arrangements with donors, including countries or NGOs</td>
</tr>
</tbody>
</table>

---

4 Energy-intensive desalination accounts for the single largest use of energy in Antigua & Barbuda.
THE SIRF FUND ADDS VALUE

The fund will be a coordinated, systematic initiative that will reduce costs in the long term. The fund’s design will serve many purposes.

Streamlining finance  The SIRF Fund will streamline international finance and implementation processes. Acting as the National Implementing Entity, the SIRF Fund will reduce duplication across agencies, consolidating efforts under one umbrella.

Strategic, long-term approach  A&B cannot do much to reduce incidence of natural events, but a predictable, consistent source of financing for planning and contingency at the ecosystem and infrastructure level reduces vulnerability. This approach will also address institutional barriers and capacity issues. In the past, the country has found institutional arrangements to be fragmented and turf issues are not uncommon. It has also been difficult to attract and retain talent. The SIRF fund will address this challenge.

Resiliency  The SIRF Fund will focus on various issues around resilience. For example, the government has recognized the important nexus between water and energy. The United Nations Convention to Combat Desertification (UNCCD) National Action Program for Antigua and Barbuda indicated incidences of dry spells and droughts occurring too quickly for the country to cope. At the same time, sixty percent of water for domestic use is generated by reverse osmosis requiring a continuous average 2 MW of electric capacity. In this regard, working on renewable energy and watershed management will improve resilience for A&B.

Long-term financial stability  A&B is burdened with a high debt to GDP ratio and budgets of various ministries, including environment, health, and other social programs have been cut. Reducing public sector energy costs can provide immediate and long-term savings for the country. At the same time, there are large users on the grid that only pay their bills partially. SIRF will support diversifying A&B’s electricity mix to include renewable energy technologies. This will serve as a hedge against volatile fossil fuel prices and reduce GHG emissions. Additionally, investment in measures to make electricity supply more resilient, such as grid hardening, clean back-up power and storage options will support long-term financial sustainability goals for the utility and the country.

Support non-profits  Non-profits in A&B have the capacity to implement their own projects, but co-financing requirements along with slow rates and proportions of disbursements make the process difficult. SIRF intends to alleviate this problem by leveraging and supporting the work of NGOs.

Support to vulnerable groups  Currently, home and building owners, farmers, fishers and other groups that are vulnerable to climate change do not have access to measures that will help them mitigate their impacts and build resilience. The SIRF Fund will develop a range of solutions that will allow these groups to access financing and insurance products through a range of suppliers.

CAPITALIZATION

Currently, the fund has commitments of about US$9 million from a variety of sources (see Box 1). It also has linkages to various regional and international initiatives. Moving forward, the fund will be capitalized through three main vehicles:

1. **International & Regional Funding Agencies** such as
   - Green Climate Fund
   - Adaptation Fund
   - Global Environment Facility (GEF)
   - Caribbean Biodiversity Fund
   - Bilateral and other sources

2. **Public Private Partnerships**
   The SIRF Fund will catalyze private sector financing for sound environmental business initiatives and ecosystem services such as:
   - Research and development of traditional knowledge and use of genetic resources, with the sharing of benefits to support conservation and management of biodiversity.

3. **National funding sources**
The SIRF Fund will be capitalized by levies and fees, including but not limited to:

- Fee for tourist visits to protected areas
- Water levy to pay for protected areas/watershed/waterways
- Carbon tax to pay for adaptation (priority: drought / hurricanes / insurance for uninsurable areas)
- Interest on providing small and medium loans

**SUMMARY**

The Sustainable Island Resource Framework (SIRF) Fund will serve as the primary channel for receiving international funding for the environment and climate in Antigua and Barbuda. The SIRF Fund will strategically address some of the country’s key challenges by investing in biodiversity, ecosystem services, adaptation, mitigation and risk management solutions to support the goals of economic sustainability and climate change resilience through a coordinated approach.

**CONTACT INFORMATION:**

H.E. Mrs. Diann Black-Layne
Ambassador for Climate Change
Director, Department of the Environment
Ministry of Health and the Environment
Botanical Gardens, Factory Road
St. John’s, Antigua
Office: +1.268.462.4625 or +1.268.562.2568
Mobile: +1.268.464.6410
antiguaenvironmentdivision@gmail.com
dcbblack11@gmail.com
[website](mailto:website) | [facebook](https://www.facebook.com) | [twitter](https://www.twitter.com)

**CONCEPT NOTE PREPARED BY:**

Meister Consultants Group
[www.mc-group.com](http://www.mc-group.com)

**WITH SUPPORT FROM:**

Clean Energy Solutions Center
[www.cleanenergysolutions.org](http://www.cleanenergysolutions.org)

Organization of American States
[http://www.oas.org](http://www.oas.org)

**COMMITMENTS**

**SPPARE:** US$ 2.6 million

**Caribbean Biodiversity Fund:** US$ 0.2 million/year

**Inter-American Development Bank:** US$ 1 million

**UNEP’s Special Climate Change Fund:** US$ 5 million

**Energy for Sustainable Development:** US$ 0.94 million

**IWEco:** US$ 0.94 million

**CREW (small grants):** US$ 0.1 million

---

**FINANCIAL LINKAGES**

Via UNEP:

- UNEP Regional Gateway for Technology Transfer and Climate Change Action (REGATTA)
- Caribbean Community Climate Change Center (CCCCC) Global Climate Change Alliance (GCCA) Projects

Others include IUCN, EC-JRC, ABS Capacity Development Initiative, SIRRM’s Ridge to Reef Demo project and OECS Protected Areas and Associated Livelihood (OPAAL) project.