

STATEMENT

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Remarks by Hon. Julian Fraser Minister of Environment, Natural Resources and Climate Change

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Panel Opening Remarks by Hon. Julian Fraser

Minister of Environment, Natural Resources and Climate Change

Virgin Islands Focus

Finance and Capacity: Mobilisation of Resources and Partnerships; Regional Sustainable Financing Mechanism – Highlighting The Virgin Islands Climate Change Trust Fund

Greetings from the people of The Virgin Islands. I'd like to sincerely thank the OECS Commission for organising this Panel and providing the opportunity to showcase The Virgin Islands Climate Change Trust Fund as a Sustainable Island Solution for accessing international climate finance.

As an Overseas Territory, by default, we often end up on the margins of the climate finance conversation, notwithstanding our very constrained position however, we live in a highly interconnected region and building a climate-resilient Caribbean requires that all islands are brought along - able to access the resources needed to adapt.

So, before exploring our Climate Change Trust Fund as a model, I'd like to first bring some awareness to the situation around Overseas Territories and international support for climate action. While an Overseas Territory of the United Kingdom, The Virgin Islands has internal self-governance and, constitutionally, we are responsible for our socio-economic development.

We do not receive grant-in-aid from the UK. As such, the UK is not obliged to provide and currently only provides very limited support for climate action, focused on projects to increase the resilience of the natural environment through the Darwin Plus and Blue Belt programmes.

There is no access to structural funds to build resilient infrastructure, facilities and communities and to climate-proof our economies or to support our transition to renewable energy and a low carbon economy. In summary, the current level and scope of support from the UK is a far cry from what is actually and urgently

needed.

Additionally, our status as Overseas Territories makes us automatically ineligible to access the Global Environment Facility, Adaptation Fund or Green Climate Fund.

This is fundamentally because **the United Nations Framework Convention on Climate Change does not recognise the special and distinguished case of the Overseas Territories.**

In the eyes of the Convention, we do not exist. But we exist in reality and, from the perspective of climate change vulnerability and adaptive capacity, the key characteristics of “small island”, “internal self-governance” and “responsibility for socio-economic development” put Overseas Territories in exactly the same boat as all Small Island Developing States.

Short of access to established international climate finance mechanisms or **concessional loans**, The Virgin Islands has had to take climate finance matters into its own hands – carving out a mechanism to raise international funds to support our climate change adaptation and mitigation ambitions. This mechanism is The Virgin Islands Climate Change Trust Fund.

The Trust Fund is part of The Virgin Islands’ wider climate change response architecture which has evolved since 2008 with the support of the Caribbean Community Climate Change Centre (5Cs) and the OECS. There are three key pillars:

1. Our multi-sectoral Climate Change Committee which is responsible for updating our Climate Change Policy and coordinating its implementation, among other functions. The Committee is comprised of Government agencies and statutory bodies representing all sectors impacted by climate change;
2. Our Climate Change Policy which contains specific policy directives for adaptation across 12 impacted sectors as well as mitigation actions; and
3. The Climate Change Trust Fund as a sustainable financing mechanism.

The idea of the Trust Fund was born at COP15 in Copenhagen when a small UK Overseas Territories delegation attended COP for the very first time under the support and accreditation of the **5Cs**. We came away understanding the very

marginalized position of Overseas Territories in the global conversation on climate change, including finance. So, with the leadership and technical support from the 5Cs, the Overseas Territories attending all decided to establish climate change trust funds to raise monies from sources outside of the Conventions' mechanisms.

The Virgin Islands has led the way with our Trust Fund legally established by The Virgin Islands Climate Change Trust Fund Act of 2015. The Trust Fund is currently being operationalised.

The Trust Fund is established as a body corporate with the mandate to raise, manage and on-grant donor funds to eligible actors to support climate change adaptation and mitigation priorities in line with our Climate Change Policy. The Trust Fund is built on the core principles of independence, transparency, blended funding sources, responsible resource management, and fair and equitable access.

In the balance of my time, I will seek to give a quick appreciation of how these design principles are expressed in the Act as well as the pathway to operationalisation of the Trust Fund.

The Act makes the **independent status** of the Trust Fund clear, stating that “The Trust Fund is not a Government fund of the Territory and the capital and revenue of the Trust is not public money of the Virgin Islands...” The Trust Fund maintains its own bank accounts, separate from Government, and is governed at the highest level by a 9-member Board of Trustees, including 6 non-Government members representing specific stakeholder sectors, two ex-officio Government members for oversight (those being the Financial Secretary and Permanent Secretary of the Ministry responsible for Climate Change) and the Trust Fund's Chief Executive Officer.

The Board makes final decisions on projects and programmes to be funded by The Trust Fund. **No Minister or the Premier has the power to veto decisions made by the Board.**

The Act includes various mechanisms and checks and balances, including provisions for removal of Board members, to ensure that the Board discharges its duties in the public interest, in alignment with the climate change adaptation and

mitigation priorities expressed by Government through the Climate Change Policy and in accordance with the law.

A Secretariat, headed by the CEO, is responsible for the day-to-day operations of the Trust Fund. Operations of the Trust Fund are guided by an Operational Manual and various planning documents, including its Business Plan, Medium-Long Term Investment Strategy and Annual Operational/Work Plan.

The Trust Fund's Operational Manual was developed to meet Green Climate Fund accreditation standards and was approved by the Board in 2018. Development of the Operational Manual was supported by the EU-funded OECS iLAND Resilience Project. We remain grateful for this key support along the path towards operationalisation.

The Operational Manual is comprehensive, covering everything from Governance to the requirements for the various planning documents, details of project cycle management and financial management, environmental and social safeguard policies, and more.

The First Board of Trustees was appointed by Cabinet in 2017 through a **transparent**, public process. After some dormancy of the Board and delay in access to locally committed seed funding, the Board has been reconstituted and is now actively operationalising the Trust Fund in preparation for its **international launch at COP30 in Brazil this November**. The Trust Fund will launch with over \$5.2 million US dollars in seed funding - 40% of the \$10 Environmental and Tourism Levy charged on visitors to the Territory since 1st September 2017, with the exception of cruise ship passengers.

This substantial seed funding provides the opportunity for the Trust Fund to celebrate its international launch with the local launch of its First Call for Proposals. The form and focus of this Call will be determined over the next few months as the Trust Fund's Annual Operational Plan is developed.

The Virgin Islands looks forward to learning from the experiences of other regional funds, including **Antigua and Barbuda's Sustainable Island Resource Framework Fund (the SIRF Fund)** as our Trust Fund operationalises and grows.

The seed funding also ensures a stable baseline from which the Secretariat and at least a small grants programme can be supported while creating great leveraging opportunities for potential donors to multiply and scale their impact.

We also look forward to actively engaging potential donors that will be formally identified in the Trust Fund's Business Plan to make commitments at least matching our local seed funding at the international launch. The legal framework is very flexible in respect to the sources of funds, encouraging **blended funding sources**.

This key design feature not only helps to ensure the sustainability and success of the Fund but will allow the Trust Fund to be nimble, creative and rapidly capitalize on innovative climate financing mechanisms as they evolve. Section 33 of the Act states: "The funds and resources of the Trust shall comprise:

1. gifts and bequests;
2. donations;
3. such monies as may be appropriated by the House of Assembly for the purposes of the Trust;
4. any fees, levies, taxes and fines that are specifically allocated to the Trust;
5. revenues from investments, proceeds from the sale, lease or transfer of tangible and intangible property, or other income derived from the assets of the Trust;
6. proceeds from services provided by the Trust; and
7. any other sources of revenue deemed appropriate by the Board."

The Trust Fund seeks to raise millions of dollars per year. Funds contributed to the Trust Fund can be ring-fenced and applied for specific purposes. This gives donors a great degree of control over how their funds are applied to support the priority projects and programmes that are identified in the Trust Fund's Annual Operational Plan and Medium-Long Term Investment Strategy.

This provision would be attractive to the pool of high-net worth individuals who own real property in The Virgin Islands and who are an important potential source of donors to the Trust Fund. Additionally, the Board has

the power to invest money of the Trust not immediately required for the furtherance of its objectives.

The Act includes a number of provisions to ensure that there is **responsible resource management**. In addition to ensuring that expenditure is aligned with the various planning documents and the Climate Change Policy, the Act requires:

- the preparation of an annual budget;
- limits on administrative expenses (up to 15% after the first year);
- submission of Quarterly Financial Statements to the Minister responsible for Climate Change, the Minister of Finance and any interested party;
- inspection of Bank accounts, as desired, by the Board, Minister for Climate Change and Minister for Finance;
- publication of annual externally audited financial accounts; and
- engagement of an internationally recognised Asset Manager.

Transparency is ensured in the governance and operations of the Trust Fund through various requirements, including the public publishing of the Trust Fund's Annual Report, the contents of which are specified in the Operational Manual. Underlying the design of the Trust Fund is the appreciation that, if we are to be successful in our climate change response, all facets of society must be engaged and provided resources to act.

As such, in addition to Government, **NGOs, registered organisations and private sector entities** are eligible to apply for grants from the Trust Fund and the law ensures that there is **fair and equitable access** among these eligible actors.

As we continue to chart the course to operationalise and launch the Trust Fund this year, we look forward to it being a successful model of a sustainable financing mechanism that other Overseas Territories and independent Small Island Developing States alike can learn from and replicate, tailored to their own context.