Remittance to resilience

A SIDS-owned endowment model for climate finance and development

Ritu Bharadwaj, N Karthikeyan and Balakrishnan Ananda Kumar



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About ALL ACT

ALL ACT is an initiative working to optimise existing finance, expertise and delivery mechanisms to support agile responses to loss and damage, led by communities made vulnerable by climate change.

About the SIDS Centre of Excellence

The SIDS Centre of Excellence is a SIDS-led institution that translates global commitments into national and regional delivery. The centre supports coordination, technical alignment and long-term capacity across SIDS.

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Cover photo: 'Atatā, an island in Tonga, which was partially submerged and severely damaged by a tsunami following the 2022 Hunga Tonga–Hunga Ha'apai volcanic eruption, leading to the permanent relocation of the island's residents. Credit: Matthew Abbott/Panos Pictures

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Contents

Foreword 6

Abbreviations 8

Summary 9

1 Why the current development and climate finance system is failing SIDS 12

1.1 Climate shocks, rising debt and a shrinking aid landscape 12
1.2 An untapped sovereign asset 14
1.3 Aims of this report 14

2 The untapped asset: remittances and diaspora capital in SIDS 15

2.1 Scale, structure and macro significance of remittances 15
2.2 The hidden tax on diaspora: transfer fees and foreign exchange margins 17
2.3 Why this asset has not yet been mobilised 21

3 The SDRF: a SIDS-owned remittance endowment fund 23

3.1 The core concept of the SDRF 23
3.2 The governance and sovereignty dimension 25
3.3 The platform: viability, pricing and cost structure 26
3.4 Regulatory and compliance requirements 32
3.5 The endowment: accumulation, scenarios and permanent sovereign yield 34

4 Bolstering the fund through complementary revenues, matched capital and leverage 36

4.1 The climate funds and philanthropies as co-investors 36
4.2 Complementary revenue streams that SIDS could mobilise 38
4.3 Using the endowment as leverage to draw in MDB and private finance 40
4.4 What the bolstered fund would look like 42

5 SDRF implementation pathway 46

5.1 A phased action agenda: Years 0–10 46
5.2 Three specific asks: FFD4, seed capital and regulatory facilitation 48
5.3 Conditions for replication beyond SIDS 49

6 Next steps 50

Appendix 1. Assumptions used in the development of the SDRF endowment model 51

References 56

Figures

Figure 1. Total cost of sending US$200 across the top ten SIDS corridors versus the SDG 10.c.1 target of 3% 18
Figure 2. SDRF financial flow architecture 24
Figure 3. SDRF platform market capture for three scenarios, 2026–2035 31
Figure 4. SDRF endowment accumulation for nine scenarios, 2026–2035 35
Figure 5. Total finance mobilised through three leverage mechanisms under a moderate/base scenario, 2026–2035 42
Figure 6. SDRF endowment growth under three configurations, 2026–2035 43
Figure 7. Annual finance mobilised under the bolstered case by leverage component, 2026–2035 45
Figure 8. Phase implementation timeline for SDRF 46

Tables

Table 1. Top ten SIDS remittance corridors, 2023 16
Table 2. Transfer costs across top SIDS remittance corridors, Q1 2025 18
Table 3. Annual fee drain on SIDS remittance corridors 20
Table 4. Platform viability assessment for the top ten SIDS corridors 27
Table 5. Platform operating cost structure (US$ million per year) 29
Table 6. Regulatory licensing requirements by jurisdiction (Year 1) 33
Table 7. SDRF endowment accumulation over nine scenarios (Year 5 and Year 10) 35
Table 8. Complementary revenue streams for SDRF capitalisation 38
Table 9. SDRF at Year 10: platform only vs bolstered vs bolstered with leverage (moderate/base scenario) 43
Table 10. SDRF phased action agenda, 2025–2035 47
Table A1. Assumptions and values used in the development of the SDRF endowment model 51

Foreword

At the Fourth International Conference on Small Island Developing States, held in Antigua and Barbuda in 2024, the world's Small Island Developing States (SIDS) made a generational commitment. Through the Antigua and Barbuda Agenda for SIDS (ABAS), we set ourselves on a path towards resilient prosperity and committed to building the institutions and mechanisms necessary to translate that ambition into practical results.

The SIDS Centre of Excellence, created by SIDS for SIDS, mandated through ABAS and endorsed by the United Nations General Assembly, embodies that commitment. It is more than an institution headquartered in Antigua and Barbuda. It represents a promise and a platform — a deliberate shift from advocacy to implementation, and from identifying our vulnerabilities to building the instruments necessary to overcome them.

Through its four pillars, the centre is designed to advance that mission. The Global Data Hub places island-driven data and evidence at the heart of decision making. The Innovation and Technology Mechanism seeks to transform local ingenuity into scalable solutions. The Island Investment Forum provides a platform to connect SIDS with investors, partners and new sources of capital. And the Debt Sustainability Support Service (DSSS) responds directly to one of the most persistent constraints on SIDS development: debt burdens that diminish fiscal space and compel many of our countries to borrow repeatedly to recover from increasingly frequent and severe external shocks.

The SIDS Diaspora Resilience Fund (SDRF) proposed in this report represents, in my view, a natural extension of this emerging architecture.

Every year, our diaspora communities transfer billions of dollars to their families and communities across SIDS. The scale of these flows deserves particular attention. Organisation for Economic Co-operation and Development (OECD) analysis found that, between 2015 and 2018, remittances from Development Assistance Committee (DAC) countries accounted for approximately 62% of external finance to SIDS, compared with 28% from official development assistance (ODA). In proportional terms, remittance flows were therefore more than twice the level of ODA — approximately 121% greater.

This comparison is important. Foreign aid remains indispensable to many SIDS, but it is determined by external policy and eligibility decisions and may fluctuate over time. Remittances, by contrast, arise directly from the enduring commitment of our own diaspora communities to their families and countries of origin. They are not charity; they are an expression of connection, responsibility and confidence in home.

These funds are among the clearest demonstrations of the enduring connection between our people abroad and the countries they continue to call home. Yet substantial value is lost through transaction fees, foreign-exchange margins and other intermediation costs. The proposition advanced in this report is both simple and potentially transformative: capture a portion of that value for SIDS themselves and convert it into permanent, collectively owned capital.

The SDRF proposes a platform that could reduce the cost of transferring money, deliver greater value to families, and simultaneously build a long-term endowment anchored within the SIDS Centre of Excellence for the benefit of participating SIDS. In this sense, the SDRF and the DSSS are complementary instruments. Where the DSSS addresses our liabilities, the SDRF builds our assets. Together, they offer the possibility of addressing both sides of the fiscal challenge confronting SIDS.

This is precisely the kind of innovation for which the SIDS Centre of Excellence was conceived: creating a trusted institutional home in which SIDS can design, develop and govern sophisticated financial mechanisms responsive to our particular circumstances and development ambitions.

I find the proposal especially compelling for three reasons. First, it is sovereign: the capital would be held for the benefit of participating SIDS and governed in their collective interest. Second, it is permanent: the model envisages preserving the principal while deploying its investment returns to build resilience and development capacity over time. Third, it is actionable: this report examines the costs, regulatory requirements, risks, governance arrangements and potential returns with sufficient rigour to allow governments, finance ministries, regulators, development partners and financial institutions to engage seriously with the proposition.

The seed capital required to begin is modest when measured against the potential long-term value of the mechanism. The political decision required is also within our reach. SIDS have repeatedly demonstrated that, when confronted by common challenges, we can develop innovative solutions and build international consensus around them.

I therefore commend this report to my fellow representatives and governments of SIDS; to our partners across the United Nations and the wider multilateral system; to international financial institutions, philanthropies and the private sector; and, above all, to the diaspora communities whose loyalty and commitment to home have sustained our families and economies through generations of change and crisis.

Our diaspora has been sending resources home for generations. It is now time to explore how that extraordinary commitment can also help us build something permanent: an asset owned by SIDS, governed by SIDS, and dedicated to the resilience and prosperity of generations to come.



His Excellency Dr Walton Aubrey Webson

Ambassador Extraordinary and Plenipotentiary

Permanent Representative of Antigua and Barbuda to the United Nations

Abbreviations

ABAS	Antigua and Barbuda Agenda for SIDS
AIS	Atlantic, Indian Ocean and South China Sea (SIDS regional grouping)
AML	Anti-money laundering
AOSIS	Alliance of Small Island States
AUSTRAC	Australian Transaction Reports and Analysis Centre
CAGR	Compound annual growth rate
CARICOM	The Caribbean Community
DAC	Development Assistance Committee (OECD)
DIA	Department of Internal Affairs (New Zealand)
DSSS	Debt Sustainability Support Service
EMI	Electronic Money Institution
FATF	Financial Action Task Force
FCA	Financial Conduct Authority
FDI	Foreign direct investment
FFA	Forum Fisheries Agency
FFD4	Fourth International Conference on Financing for Development
FinCEN	Financial Crimes Enforcement Network
FRLD	Fund for Responding to Loss and Damage
GCF	Green Climate Fund
GDP	Gross domestic product
GNI	Gross national income
IFC	International Finance Corporation
ISA	International Seabed Authority
KYC	Know your customer
LAC	Latin America and the Caribbean
LDCs	Least Developed Countries
MDB	Multilateral development bank
MIGA	Multilateral Investment Guarantee Agency
MTO	Money transfer operators
ODA	Overseas development assistance
OECD	Organisation for Economic Co-operation and Development
PACT	Protected Areas Conservation Trust
PNA	Parties to the Nauru Agreement
PSD2	Second Payment Services Directive
RPW	Remittance Prices Worldwide
SDG	Sustainable Development Goal
SDRF	SIDS Diaspora Resilience Fund
SIDS	Small Island Developing States
SWF	Sovereign wealth fund
Q1	First quarter
USAID	United States Agency for International Development
WDI	World Bank World Development Indicators

Summary

This report proposes the SIDS Diaspora Resilience Fund (SDRF) as a response to the financing crisis facing Small Island Developing States (SIDS). Millions of people from SIDS live and work overseas, and every year they send billions of dollars in remittances back home to their families. A substantial portion of this money is charged as fees by private money transfer companies before it reaches the families. The SDRF would create a SIDS-owned digital remittance platform where the diaspora would pay less than they pay today and recipients would receive more than they receive today. The margin between the old and new price, rather than flowing to a commercial operator headquartered in New York or London, would be redirected to create a permanent sovereign endowment fund investing in climate resilience and development. This report sets out why existing finance is failing SIDS, explains how the SDRF would work, demonstrates its feasibility and outlines the actions needed to operationalise it.

The climate crisis is intensifying and SIDS are experiencing the gravest impacts, despite contributing less than 1% of global greenhouse gas emissions. SIDS account for two-thirds of the countries that experience the highest relative annual losses from natural disasters, amounting to between 1% and 9% of gross domestic product (GDP) each year. As the crisis unfolds, developed countries are stepping back from the responsibilities they have long acknowledged. Aid budgets are being cut, climate finance commitments are slipping and a global financial architecture designed for major economies is penalising SIDS.

Overseas development assistance (ODA) fell by 23.1% in 2025 to a total of US$174.3 billion, the largest annual contraction the Organisation for Economic Co-operation and Development (OECD) has ever recorded. More than 40% of SIDS are now in or near debt distress. Climate finance is slow and heavily skewed towards loans rather than grants. Between 2016 and 2020, 22 SIDS paid 18 times more in debt service than they received in climate finance.

The Sevilla Commitment adopted at the Fourth International Conference on Financing for Development (FFD4) in July 2025 (UN, 2025) acknowledged the scale of the problem but did not resolve it. Incremental reform of the existing system cannot deliver what SIDS need.

The asset already exists in SIDS

SIDS require a different financial foundation to address their needs. SIDS already hold a large, growing and resilient financial asset that dwarfs the climate finance they receive. That asset is diaspora remittances. Across the 35 SIDS, total annual flows reached approximately US$22.1 billion in 2023. This is more than three times the ODA all SIDS received combined. Flows have grown at a compound annual rate of 7% from 2010 to 2023 and have proved more reliable through crises than any external financial flow.

These flows are heavily concentrated. The top ten transfer corridors (defined by a primary sending country and a SIDS destination) account for 92.6% of total volume. For some SIDS, remittances have huge macroeconomic significance. Tonga receives remittances equivalent to 43% of GDP, Samoa around 25% and Jamaica 17%.

Yet between US$657 million and US$1.32 billion is charged on these flows annually in transfer fees and foreign exchange margins. This is capital paid by low-income migrant workers to commercial intermediaries headquartered in New York and London. Data shows that the global average cost of sending remittances is 6.49%. In nine of the top ten SIDS corridors, the average cost exceeds 5% and in Guyana it reaches 9.15%, more than three times the ceiling set under Sustainable Development Goal (SDG) target 10.c, which seeks to reduce remittance transfer costs to less than 3% by 2030. Even the lower end of this range, US$657 million a year, is roughly three to four times the total annual climate finance approved for SIDS by all multilateral climate funds combined in 2023.

A SIDS remittance platform creating a permanent endowment fund

This report proposes creating the SDRF to convert this drain into permanent sovereign capital through a three-layered architecture.

The first layer will be a digital remittance platform, owned by SIDS, that would charge senders approximately 3% in total, around 3 percentage points below current corridor average pricing. The platform will target approximately 55% of total remittance flows. (The remaining flows, mostly to remote areas, will continue to move through cash agents and have not been included in our projections.) From this 3% price, the platform would meet its running costs and the remainder — approximately 2 to 2.5 percentage points of each transaction — will be used to build the endowment fund.

The endowment fund is the second layer. It will be owned and governed jointly by participating SIDS governments. The principal of this fund will not be spent but invested in equity, bonds and gold. Only the annual returns from investing the fund will be used for resilience building. This is the same model used by sovereign wealth funds, university endowments and philanthropies such as the Wellcome Trust.

The third layer relates to how the money will be distributed. Each year, 85% of the investment returns will be paid out to participating SIDS. The remaining 15% will be held back as an emergency reserve that can be released quickly after a climate disaster. The annual payout would be shared among participating SIDS through a formula designed and controlled by SIDS themselves, taking into account each country's vulnerability, exposure to climate risk, implementation capacity and recent disaster impacts.

Why the platform is viable

The platform is proposed to be launched in four Caribbean corridors and then expanded to Pacific and African island corridors in Years 2 and 3. Our calculation shows that it would reach operating break-even in Year 1 and recover seed capital fully by Year 2. Operating costs considered in our model fully account for licensing fees in the United States, United Kingdom, European Union, Australia and New Zealand, as well as anti-money laundering and customer verification systems, technology and payment processing infrastructure, cybersecurity, fraud insurance and staffing. Total operating costs are projected to scale from approximately US$10 million in Year 1 to US$51 million by Year 10.

We have calibrated an S-curve to project market capture across three scenarios: 40% (conservative), 60% (base) and 80% (optimistic).

Under the moderate base case, with a 6.5% blended portfolio return on a 15% bonds, 60% equity, 25% gold allocation, the endowment fund is projected to grow to US$2.6 billion by Year 10. This would generate an annual investment yield of approximately US$169 million, of which around US$143 million would be available for distribution to participating SIDS each year. Under the conservative projection, the fund would grow to US$1.46 billion and under the optimistic projection to US$3.89 billion by Year 10. The seed capital required to launch is US$17.5 million as a one-time commitment, which would cover the cost of obtaining licences in sending-country jurisdictions, Year 1 operating costs before break-even and the working capital buffer needed to bridge the start-up period. This seed capital would be fully recovered from platform earnings by Year 2, after which the platform would no longer require any external support.

How this fund can be bolstered

The SDRF can be substantially expanded through three complementary mechanisms.

Matched capital from existing climate funds or philanthropies on a 1:1 basis over Years 1 to 5 would lift the Year 10 endowment principal from US$2.6 billion to US$3.18 billion, a 22% uplift. The annual distributable surplus would rise from US$143 million to US$176 million. Matched capital committed in Year 1 would have ten years of compounding by Year 10; the same capital committed in Year 5 has only five. Thus, a front-loaded matching grant would provide better returns.

Five categories of additional revenue can be channelled into the endowment, each with strong precedents.

- Tourism departure and accommodation levies generate income for SIDS, for example, the Maldives Green Tax (which raised over US$110 million in 2025) and similar levies in Belize and Barbados
- Blue economy revenues from fishery access fees and seabed royalties, with the Pacific Vessel Day Scheme, run by the Parties to the Nauru Agreement (PNA), alone generating approximately US$500 million annually

- Voluntary carbon and biodiversity credits, in a market that reached US$1.4 billion globally in 2024
- Diaspora bonds inviting voluntary investment beyond remittance flows, and
- Digital economy levies aligned with the OECD Pillar One framework requiring multinational enterprises to pay taxes in the countries where their end-users are located.

Three blended finance leverage mechanisms could mobilise additional capital once the endowment matures. A multilateral development bank (MDB) guarantee instrument could generate US$506 million at Year 10, sovereign green bond issuance could generate US$389 million from Year 5 and a first-loss facility could unlock US$430 million in private blended finance. Together, they can mobilise approximately US$1.32 billion in additional annual capital, none of which would add to the sovereign debt of individual SIDS. This represents a multiplier of approximately ten on the direct distributable surplus, turning the endowment into a platform that could draw in capital well beyond what it directly disburses.

The ask from four groups

The SDRF would need three groups of actors to move together.

SIDS governments would need to come together as a founding group of four to six countries from different regions and make a formal political decision to establish the SDRF governance framework. The institutional architecture for this decision already exists. The SDRF endowment is proposed to be anchored within the SIDS Centre of Excellence, the SIDS-led institution created through the mandate of all SIDS under the Antigua and Barbuda Agenda for SIDS (ABAS) and launched in Antigua and Barbuda in March 2026, with its assets held by a collective sovereign vehicle for participating governments. The remittance platform would be a separate operating company established or selected by the Alliance of Small Island States (AOSIS). The Centre already houses the Debt Sustainability Support Service (DSSS) as one of its four pillars, which demonstrates that collective sovereign action by SIDS on sophisticated financial infrastructure is achievable.

Multilateral development banks and climate funds would need to commit US$15–20 million in seed capital. The Fund for Responding to Loss and Damage (FRLD) and the Green Climate Fund (GCF) should structure a five-year matched capital facility with a US$50–100 million upfront threshold.

Philanthropies with climate and development mandates, including the Gates Foundation, the Children's Investment Fund Foundation, Bloomberg Philanthropies and the Bezos Earth Fund, have the flexibility to take a catalytic first-mover role. Early philanthropic commitment would compress the launch timeline and signal credible backing to other co-investors.

These asks are different from conventional climate finance advocacy. The SDRF would require no new replenishment cycle, no donor conditionality and no continued external commitment after seed and matched capital. It would build a permanent sovereign fund that would compound in SIDS' favour indefinitely. By Year 10 in the bolstered case, the model is projected to mobilise approximately US$3.13 billion per year, around 1.5 times the public adaptation finance currently flowing to all SIDS combined. We have designed the financial architecture and have costed it in this report. There is a need now for international commitment to make it possible.

1

Why the current development and climate finance system is failing SIDS

1.1 Climate shocks, rising debt and a shrinking aid landscape

SIDS contribute less than 1% of global greenhouse gas emissions. Yet they face some of the most severe climate impacts on Earth. They are caught between a crisis they did not create and a system of international support that is contracting when they need it most.

1.1.1 Climate and debt crisis

While the absolute financial losses suffered by SIDS from individual climate events may appear modest in global terms, the relative impact on their economies is immense. SIDS account for two-thirds of the countries that experience the highest relative annual losses from natural disasters, equivalent to between 1% and 9% of GDP each year (Bharadwaj et al., 2023; Bettencourt et al., 2014). A single major event can be economically catastrophic. For example, in 2017, while Dominica was still recovering from Tropical Storm Erika, which had caused damages and losses equivalent to 90% of GDP in 2015 (Government of the Commonwealth of Dominica, 2015), Hurricane Maria struck, causing losses equivalent to 226% of GDP (Government of the Commonwealth of Dominica, 2017).

Each disaster sets in motion a fiscal spiral that becomes difficult for SIDS to manage. Immediate reconstruction and recovery spending requires emergency borrowing, predominantly in foreign currencies. More than 40% of SIDS are currently either highly indebted or pushing towards debt distress, with six countries, namely Dominica, Cabo Verde, Barbados, Suriname, Maldives, and Antigua and Barbuda, carrying debt-to-GDP ratios exceeding 100% (Bharadwaj et al., 2023). Currency depreciation compounds the burden further. By 2022, the average annual additional debt servicing cost attributable to currency depreciation had reached US$682 million per SIDS country, with cumulative additional costs to SIDS of US$10.25 billion over the 1991–2022 period (Bharadwaj et al., 2025).

1.1.2 Unfulfilled climate finance promises

The international climate finance system was supposed to help SIDS break this cycle. But it has not. In the five years from 2016 to 2020, 22 SIDS collectively paid more than US$26.6 billion to external creditors in debt service, which is almost 18 times the US$1.5 billion in climate finance they received over the same period (Eurodad (European Network on Debt and Development), 2022). The US$100 billion annual climate finance commitment made by developed countries in 2009 was not met until 2022 at the earliest, when developed countries provided and mobilised US$115.9 billion (OECD, 2024a) and even then, the methodology for counting contributions has been disputed.

At the 2024 United Nations Climate Change Conference (COP29) in Baku, developed countries agreed on a New Collective Quantified Goal of at least US$300 billion per year by 2035 — a figure that SIDS, Least Developed Countries (LDCs) and the African Group widely criticised as inadequate and that came with no binding delivery mechanism (LDC Group, 2024; Pettengell, 2024). At COP30 in Belém in 2025, the Belém Political Package committed to tripling adaptation finance by 2035. This was a welcome political signal, but it arrived without a specified baseline and without a 2030 interim target, as developing countries had sought (Gabbatiss, 2025). This also came against a backdrop of actual adaptation finance falling from US$28 billion to US$26 billion between 2022 and 2023 (UNEP, 2025). Much of what is classified as climate finance continues to arrive as loans rather than grants, adding to debt burdens rather than alleviating them. Access to the most concessional windows remains slow, bureaucratically demanding and structurally biased toward larger economies with established financial institutions.

1.1.3 A drastically shrinking aid landscape

What has changed most sharply is the sudden reduction in international aid at the moment when the climate crisis is intensifying. The effective shutdown of the United States Agency for International Development (USAID) following the 20 January 2025 Executive Order on foreign assistance led to the cancellation of 83% of its programmes by March 2025. USAID's formal absorption into the Department of State by 1 July 2025 removed the single largest bilateral donor for many SIDS, with hundreds of millions of dollars in committed programmes suspended or cancelled (Bruce, 2025; Moynihan and Zuppke, 2025). The UK has implemented cuts representing the steepest reduction of any G7 country. UK aid spending was set at 0.5% of Gross National Income (GNI) in 2024 and is further expected to fall to 0.48% in 2025/26, 0.37% in 2026/27 and 0.30% by 2027/28. This will be the lowest level since 1999 and approximately half the 0.7% target maintained from 2013 to 2020 (House of Commons Library, 2026). Several other European donors, including Germany and France, have announced or implemented ODA reductions in response to domestic fiscal pressures. OECD Development Assistance Committee (DAC) preliminary data for 2025 shows a decline in ODA by DAC members and associates of 23.1% in real terms, the largest annual contraction on record, bringing total ODA to US$174.3 billion, or 0.26% of combined GNI. The OECD projects a further 5.8% decline in 2026 (OECD, 2026).

1.1.4 MDB lending

MDB lending provides SIDS with access to capital at lower rates than commercial markets and, in some cases, through concessional windows that approach grant terms. Its role in financing infrastructure, disaster recovery and development programmes in SIDS is not insignificant. But for countries that are already carrying unsustainable debt burdens, additional borrowing, even at concessional rates, is not a solution to the financing gap.

The currency dimension of MDB lending is particularly costly for SIDS. Because most MDB loans are denominated in US dollars or other reserve currencies, their real cost rises as SIDS currencies depreciate against the dollar. The analysis presented in our earlier work on currency risk in SIDS and LDCs shows that even a 5% depreciation in a SIDS currency adds an estimated US$14.8 million in annual debt-servicing losses per country (Bharadwaj et al., 2025).

Beyond the cost, MDB lending carries conditionality. Often, policy requirements attached to loan agreements can constrain the fiscal and regulatory choices available to borrowing governments. For SIDS with limited negotiating capacity and few alternative sources of capital, MDB lending agreements are rarely negotiated on an equal footing.

The problem facing SIDS is not only that external finance is declining in volume. It is that the three instruments that dominate the landscape, namely ODA, climate finance and MDB lending, are architecturally misaligned with what SIDS actually need. The predictability, sovereignty and climate alignment that a genuinely effective instrument would provide are absent in all three cases. No combination of ODA, climate finance and MDB lending, even at increased volumes, can deliver the capital that SIDS need for resilience and development. The question is whether a fundamentally different financial foundation can be built — one that does not depend on donor political decisions, does not deepen debt and grows in SIDS' favour over time.

The argument for a different funding approach is not that existing instruments should be abandoned. They will remain important complements. But they cannot serve as the primary foundation for SIDS' financial resilience in an era of accelerating climate impacts and declining donor commitment.

1.2 An untapped sovereign asset

SIDS already have a large, growing, resilient and almost entirely unmobilised financial asset in the form of remittances, which meets all five criteria that existing instruments fail to provide, namely predictable, sovereign, grant-based, scalable and climate-aligned on SIDS' own terms.

Diaspora remittances flowing to SIDS totalled US$22.1 billion in 2023. For many SIDS, these flows provide a macroeconomic foundation. For example, Jamaica receives remittances equivalent to approximately 17% of GDP, Samoa 25% and Tonga 43% (World Bank, 2023a; World Bank, 2024d). Yet a substantial share of this capital is used to pay fees and exchange-rate margins charged by commercial transfer operators. The core proposition of this report is that SIDS can convert this financial drain into permanent sovereign capital, in the form of a SIDS Diaspora Resilience Fund (SDRF).

1.3 Aims of this report

In this report, we have provided both an assessment of why existing remittance transfer instruments are not working in favour of SIDS and a detailed feasibility analysis for setting up a SDRF, covering the following four steps:

- **Quantify the remittance assets which SIDS already hold but have not mobilised:** this includes the scale of diaspora flows, their macro significance for individual island economies and the extent of the fees that are incurred and deducted from these remittances.
- **Demonstrate the technical and financial feasibility of a SIDS-owned digital platform that could convert transfer fee savings into sovereign endowment capital for an SDRF:** this includes setting out what it would cost to build and operate the platform, regulatory requirements, how diaspora users could be acquired and what the endowment capital would look like under conservative, base and high scenarios over a ten-year horizon.
- **Show how the SDRF endowment can be bolstered and leveraged beyond the remittance platform alone:** this includes exploring complementary revenue streams, matched capital from climate funds and philanthropies and blended-finance leverage.
- **Provide a practical path forward for operationalising the SDRF:** this includes the seed capital requirement, phased action from platform launch to self-sustaining scale, specific asks of the international community, and the conditions under which the model could be replicated by LDCs and other developing countries facing similar structural financing challenges.

The report is addressed to SIDS finance ministers and heads of government, to philanthropies, to the boards of climate funds and MDBs and to the policymakers responsible for translating the commitments made at FFD4 into action.

1.3.1 Methodology

Our analysis combines two methods: first, an assessment of the remittance flows and the fees currently charged on them, and second, a feasibility analysis of the platform and endowment fund (SDRF) that could be built from it.

The first part of the analysis was carried out based on the published secondary data. Remittance volumes and their share of GDP are taken from the World Bank's World Development Indicators and Global Knowledge Partnership on Migration and Development (KNOMAD) data for 2023. Corridor-level transfer costs are taken from the World Bank's Remittance Prices Worldwide programme, Issue 53 (first quarter of 2025) (World Bank, 2025a), using the simple mean cost across every operator and payment instrument surveyed in each remittance corridor. We have used a single audited source for each figure and have not mixed data across different periods or releases, so that every number can be traced to one identifiable origin.

The second part of the analysis is a financial model built specifically to test feasibility. We have constructed the platform's operating costs from the bottom up, drawing on the published financial filings of similar operators (Western Union and Remitly) and documented market prices for each cost line, including payment processing, compliance, cybersecurity and staffing. We have projected user adoption using a standard S-curve calibrated to Remitly's market entry into the US to Latin America and Caribbean (LAC) corridors, and modelled the SDRF endowment growth across nine scenarios developed using three market capture assumptions with three investment return assumptions. We also developed a separate module to estimate the additional finance that could be leveraged through the SDRF endowment fund through guarantees, green bonds and blended finance. Throughout our modelling, we have used assumptions at the conservative end of the documented range. The full set of assumptions, their values and sources and the structure of the model are set out in Appendix 1.

2

The untapped asset: remittances and diaspora capital in SIDS

The SIDS already hold a large, growing and resilient financial asset that dwarfs the climate finance they receive, requires no donor commitment to sustain and has proved more reliable through crises than any external flow. That asset is diaspora remittances. In this section, we document the full scale of remittance flows to SIDS, their significance as a share of individual SIDS economies and the structural drain that commercial transfer fees impose on those flows before they reach their destination. We also examine why remittances have proved so resilient compared to other financial flows and why, despite their scale and reliability, they have not yet been mobilised as a foundation for climate resilience finance. These findings establish the basis for the SDRF and the digital remittance platform that would capitalise it.

2.1 Scale, structure and macro significance of remittances

Remittances of US$22.1 billion came into SIDS in 2023, which primarily included money sent home by diaspora communities living and working in the US, Canada, the UK, Australia, New Zealand, France, Portugal, Spain and a handful of other high-income economies. Based on our calculations, these flows in 2023 exceeded total ODA received by all SIDS combined by more than three times. We also found that they grew at a compound annual rate of approximately 7% during the period from 2010 to 2023. They did so over a decade that included the aftermath of the global financial crisis, a pandemic, a commodity price shock and a series of climate disasters that devastated the individual economies of countries receiving them.

The flows are heavily concentrated across a small number of corridors. We found that the top ten corridors, each defined by one or more primary sending countries and a SIDS destination, account for 92.6% of total SIDS remittance volume. The Dominican Republic corridor alone represents 48% of total SIDS volume at US$10.62 billion in 2023. The full corridor picture, showing sending countries, total flows, compound annual growth rate (CAGR) (2010–2023) and GDP share, is presented in Table 1.

Table 1. Top ten SIDS remittance corridors, 2023

Rank	Corridor	Sending country	Flow 2023 (US$ billion)	% of top ten	CAGR 2010–2023	% of GDP (2023)
1	**Dominican Republic**	US, Spain	10.619	51.9%	8.04%	8.82%
2	**Haiti**	US, Dominican Republic, Chile	3.753	18.4%	7.46%	18.91%
3	**Jamaica**	US, UK, Canada	3.601	17.6%	4.52%	16.81%
4	**Guyana**	US, Canada	0.546	2.7%	3.08%	3.22%
5	**Fiji**	Australia, New Zealand, US	0.479	2.3%	8.03%	8.75%
6	**Cabo Verde**	US, Portugal, France	0.316	1.6%	7.02%	12.63%
7	**Mauritius**	France, UK, US	0.315	1.5%	n/a*	2.24%
8	**Comoros**	France	0.306	1.5%	10.12%	23.03%
9	**Samoa**	New Zealand, Australia, US	0.265	1.3%	5.12%	25.35%
10	**Tonga**	New Zealand, Australia, US	0.252	1.2%	9.88%	42.61%
	Top ten total		**20.452**	**100%**	**7.12% (weighted)**	
	All SIDS aggregate		**~22.1**			

* Mauritius CAGR: The World Bank Mauritius inflow series has a documented balance of payments reporting break. 2001–2013 values are reported in single-digit millions, then jump to US$327 million in 2014. The 13-year CAGR from 2010 is therefore not meaningful. Source: Authors' calculation based on data from World Bank World Development Indicators (WDI), Personal remittances, received (current US$) https://data.worldbank.org/indicator/BX.TRF.PWKR.CD.DT and Personal remittances, received (% of GDP) https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS

Our assessment shows that the Caribbean cluster, which includes the Dominican Republic, Haiti, Jamaica and Guyana, dominates the remittance flow by volume. Based on our calculations, these four corridors together account for over 80% of total SIDS flows. These are large corridors with relatively mature digital infrastructure in both sending and receiving countries. The Pacific cluster (Fiji, Samoa and Tonga) is smaller in absolute terms but shows the highest growth rates and, critically, the highest GDP share figures of any corridor group in the world. Tonga's remittances at approximately 43% of GDP in 2023 are among the highest globally and the highest in our dataset. For Samoa, at approximately 25% of GDP, and Jamaica, at approximately 17% of GDP, the figures are similarly striking (World Bank, 2023a; World Bank, 2024d; World Bank, 2024b). The African island cluster, which includes Comoros, Cabo Verde and Mauritius, is between the two in growth rate terms, with Comoros recording the fastest CAGR in our dataset at 10.1% despite being the smallest corridor by volume.

The GDP share figures in Table 1 require some care in interpretation. A remittance-to-GDP ratio of 40% does not mean that 40% of a country's economic activity is financed by diaspora transfers. It means that flows of this scale pass through the economy in household income, consumption, savings and investment. But their macroeconomic significance is real and substantial. In Tonga and Haiti, remittances exceed the combined value of all goods and services exported by the country. In Jamaica, they are the single largest source of foreign exchange. In Cabo Verde, remittances, together with foreign direct investment (FDI), are central to maintaining international reserves and constitute one of the largest sources of external inflow in most years (World Bank, 2024a). In each of these cases, remittances are a structural pillar of the economy, sustaining household consumption, stabilising foreign exchange reserves and smoothing fiscal positions through shocks that would otherwise require emergency borrowing.

The resilience of remittance flows during shocks is one of their most distinctive features. When the COVID-19 pandemic struck in 2020, foreign direct investment to SIDS fell by approximately 40%, with the downturn affecting nearly all SIDS regions and reflecting the collapse of international tourism and contraction in demand for mining resources (UNCTAD, 2021). ODA flows to many SIDS were disrupted by the suspension of project-based activities. We found that remittances to SIDS held firm and, in fact, grew by 14% between 2019 and 2020, as diaspora communities increased transfers to support families facing job losses, healthcare costs and food insecurity. The same pattern has been observed following climate events. Evidence from Pacific corridors confirms this. In the immediate aftermath of Tropical Cyclone Winston, the strongest tropical cyclone in the Southern Hemisphere on record, the Reserve Bank of

Fiji documented a sharp rise in inward remittances driven by cash and gifts sent by Fijian workers, friends and relatives living abroad (Reserve Bank of Fiji, 2016). Yang and Choi's foundational analysis of this countercyclical pattern, drawing on rainfall shocks in the Philippines, demonstrates that it is not coincidental. Remittances compensate for nearly 65% of the loss in income from negative shocks, functioning as a form of informal household-level insurance (Yang and Choi, 2007). Yang's subsequent cross-country analysis of hurricanes and international financial flows confirms that for poorer countries, increased exposure to cyclones is associated with greater remittance flows (Yang, 2008). Diaspora communities respond to negative shocks at home by increasing transfers, a form of informal insurance that no external aid mechanism replicates.

This countercyclicality is important for the endowment fund model proposed in this report. The SDRF is proposed to be capitalised from remittance platform revenue, which is one of the most resilient large fund flows that SIDS receive. The same logic applies in reverse. When climate shocks intensify and the need for resilience finance is greatest, remittance-based revenue is most likely to hold or increase, even if ODA and FDI may contract in those periods.

2.2 The hidden tax on diaspora: transfer fees and foreign exchange margins

The amount that senders pay is always more than what their families receive. The difference, which is the combination of the transfer fee and foreign exchange margin charged by the operator, is not retained in the SIDS economy. It flows to the profit lines of financial intermediaries headquartered in New York, London and Brussels, with no connection to the development needs of the countries whose communities they serve. At the rates actually charged across most SIDS corridors, this amount is substantial.

The global average cost of sending US$200, the standard measurement unit used by the World Bank's Remittance Prices Worldwide (RPW) programme, stood at 6.49% in the first quarter (Q1) of 2025 (World Bank, 2025a). This global average masks significant variation. Legacy money transfer operators averaged 5.91% across their global network. Digital-only providers averaged 3.55%, already close in some corridors to the target set under SDG 10 (reduced inequalities), target 10.c, which seeks to reduce the transaction costs of migrant remittances to less than 3% by 2030. Banks remained the most expensive channel, at 14.55%, on average (World Bank, 2025a). Cash agents and over-the-counter services, which remain the dominant channel in most SIDS corridors, regularly charge between 5% and 10% of the amount sent. The gap between what a cash agent charges and what an efficient digital provider charges in the same corridor is substantial. This is due to their market dominance, limited competition and the structural disadvantage of small, remote economies whose corridors are too thin to attract aggressive price competition from financial technology (fintech) entrants.

In Table 2, we provide a corridor-by-corridor overview of the cost structure for the top SIDS remittance corridors. The figures are drawn from the World Bank RPW Q1 2025 dataset (Issue 53) (World Bank, 2025a), with one flagged exception (Mauritius) where the corridor falls outside RPW Q1 2025 coverage. For each corridor, the table shows the simple mean cost across every operator and payment instrument captured by the World Bank in that quarter. The accompanying range statistics (median, minimum, maximum) provide a robustness check on the average and reveal the spread of operator pricing within each corridor. The corridor average is the figure against which the SIDS-owned platform pricing must be benchmarked. It represents what the diaspora actually pays today, weighted across the mix of channels they actually use.

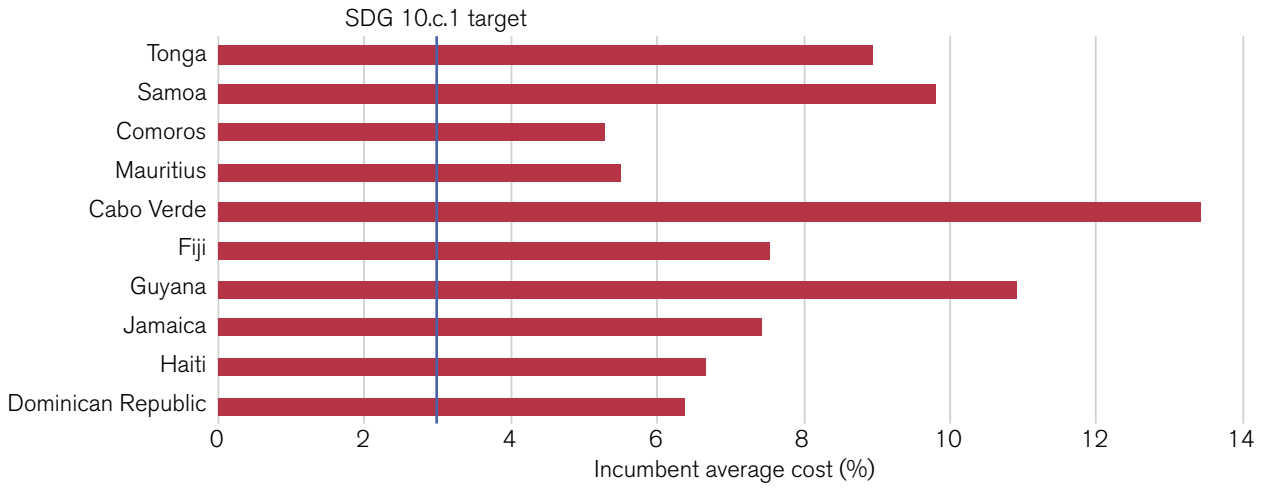
In Figure 1, we show the extent to which there is a gap in achieving the 3% target under SDG 10.c in the ten SIDS corridors. All ten corridors sit above the SDG floor, with eight at twice the target or higher and Cabo Verde and Guyana at more than three times the target.

Table 2. Transfer costs across top SIDS remittance corridors, Q1 2025

Corridor	Region	Flow 2023 (US$ billion)	Number of observations	Corridor average (simple mean, %)	Median (%)	Minimum (%)	Maximum (%)
US/Spain → Dominican Republic	Caribbean	10.62	42	5.58	4.88	−2.67	22.50
US/Canada/ Dominican Republic/France → Haiti	Caribbean	3.75	42	5.69	5.42	0.00	8.83
US/UK/Canada → Jamaica	Caribbean	3.60	56	5.85	5.94	−0.71	12.93
US/Canada → Guyana	Caribbean	0.55	37	9.15	9.74	2.53	13.31
Australia/ New Zealand → Fiji	Pacific	0.48	59	5.40	4.28	−1.34	21.02
US/Portugal → Cabo Verde	Atlantic/AIS	0.32	19	8.11	5.83	3.30	22.50
UK/France/US → Mauritius	Indian Ocean/AIS	0.32	–	8.46	–	–	14.55
France → Comoros	Indian Ocean/AIS	0.31	16	4.83	5.54	2.85	6.34
Australia/ New Zealand → Samoa	Pacific	0.27	49	7.96	6.93	1.11	22.91
Australia/ New Zealand → Tonga	Pacific	0.25	51	7.57	6.97	−0.03	22.46

Note: Negative minimum values (Fiji −1.34%, Jamaica −0.71%, Tonga −0.03%) are the promotional foreign exchange rates offered by digital entrants such as Remitly, which operate above the interbank reference rate as a market-entry strategy and do not represent steady corridor pricing. Mauritius is not in the RPW Q1 2025 corridor coverage. The figure shown is inferred from the RPW Q1 2025 Sub-Saharan Africa regional average from the same release. The number of observations are the distinct operator and payment instrument combinations captured by RPW in each corridor in Q1 2025. The corridor average is the simple mean across these. Sources: Author calculation based on data from three sources (World Bank, 2025a; Wise plc, 2026; Ratha et al., 2024). AIS denotes the Atlantic, Indian Ocean and South China Sea grouping, one of the three SIDS regions alongside the Caribbean and the Pacific.

Figure 1. Total cost of sending US$200 across the top ten SIDS corridors versus the SDG 10.c.1 target of 3%



Source: Authors' calculation based on World Bank RPW Issue 53, Q1 2025 (World Bank, 2025a)

Three trends stand out from the corridor audit presented in Table 2 and Figure 1.

- The Pacific corridors carry the highest historical costs and remain among the most expensive, even after recent digital entry. The Australia–Tonga corridor averaged 10.6% over the period 2009 to 2022, the highest long-run average of any corridor in our dataset, and more than three times the SDG 10.c target. The Australia–Tonga corridor averaged 10.6% over the period 2009 to 2022, the highest long-run average of any corridor in our dataset, and more than three times the SDG 10.c target. In the Q1 2025 RPW data, the combined Australia/New Zealand–Tonga corridor average stands at 7.57%, but the worst-case observation in the corridor still sits at 22.46%, typically a bank or premium cash pickup channel. The improvement in the headline average is real but partial. Cash agent pricing in the Tonga corridor still ranges between 5% and nearly 10% in Q1 2025, and in the Samoa corridor, cash channels average 8.4%, with the most expensive observation at 22.91%. The most striking demonstration of what efficient digital rails can deliver comes from Ave Pa'anga Pau, a cashless remittance voucher developed by the Tonga Development Bank with the International Finance Corporation (IFC), the World Bank and the governments of Australia and New Zealand. The product launched in New Zealand in 2017 and in Australia in 2020, and operates with no transfer fee, with an exchange-rate margin recorded at 2.36% in the Australia–Tonga corridor and 3.91% in the New Zealand–Tonga corridor in the RPW dataset (World Bank, no date; IFC, 2020). This is notable not only as evidence of the efficient frontier, but because it is itself a SIDS-owned instrument. The Tonga Development Bank product demonstrates that a domestically anchored operator can undercut global incumbents while keeping value within the Pacific economy. KlickEx Pacific, a money transfer operator licensed and prudentially supervised by the central banks of Tonga and Samoa, operates at similarly low margins in the Pacific (based on Reserve Bank of Tonga and KlickEx Pacific corporate disclosures), with observations as low as 1.11% in the Australia–Samoa corridor and 1.21% in the Australia–Tonga corridor in our Q1 2025 RPW extraction. The gap between current corridor average pricing in the Pacific and what these efficient operators have demonstrated remains 6 to 7 percentage points, which highlights pricing room that a SIDS-owned platform can capitalise on while delivering meaningful sender savings.
- The France–Comoros corridor is an outlier in the opposite direction. At a Q1 2025 corridor average of 4.83%, it sits closest to the SDG 10.c target of any corridor in the top ten and has the narrowest range of operator pricing (2.85% to 6.34%). Closer inspection of the underlying observations reveals an unusual pattern. The digital entrants observed in the corridor are not consistently cheaper than the legacy operators. Remitly's offered rates via France are 5.54% across all four observed payment instruments, while several Western Union and MoneyGram card-based channels are priced between 2.85% and 3.14% in the same period. This reflects very limited competition from digital native operators in the corridor and a flat pricing structure across operator types. The implication for the SIDS platform model is that Comoros is the one corridor in the top ten where the SIDS platform may face a tight margin under the standard 3-percentage-point platform spread, since the corridor average leaves only 1.83% above the operating cost floor for the platform target price. The platform analysis in Section 3.3 explicitly accounts for this.
- Guyana is the outlier in the Caribbean cluster. At a Q1 2025 corridor average of 9.15%, it is the highest-cost corridor in the entire dataset and more than three times the SDG 10.c target. The US–Guyana corridor is characterised by limited digital competition relative to other Caribbean markets. The RPW Q1 2025 data shows the corridor is dominated by traditional money transfer operators (MTOs), Ria, Western Union, MoneyGram and Walmart2World, with Xoom as the only digital native firm captured. Cash and over-the-counter channels remain the dominant transfer modes. Unlike the Dominican Republic, Haiti and Jamaica corridors, where digital providers (Remitly, WorldRemit, Xoom, JN Money) account for 19–27% of operators and have pulled corridor averages down towards 5.5–5.9%, Guyana has seen comparatively less fintech entry. This creates a structurally high-cost corridor despite the relatively mature financial infrastructure of the sending country.

Based on our corridor audit, the corridor average exceeds the SDG 10.c target of 3% in all top ten corridors and exceeds 5% in nine of the ten. This is a wide enough margin to permit a SIDS-owned platform to charge substantially less than current corridor pricing, deliver meaningful savings to senders and still retain a margin of approximately 3 percentage points to contribute to the SDRF endowment fund. Comoros sits closest to the floor at 4.83% and consequently offers the tightest margin of any corridor in the top ten. Fiji, while viable on the corridor average of 5.40%, carries an elevated competitive risk from active promotional pricing by digital entrants such as Remitly. This is explained in the corridor sequencing analysis in Section 5.1. The point established here is that the fees currently being charged across these corridors are not the cost of moving money. They are the cost of moving money through markets with limited competition and where the diaspora has few alternatives to legacy channels with embedded margins.

What does this mean in aggregate? Based on our calculations, we estimate that between US$587 million and US$1.20 billion is paid annually in transfer fees and foreign exchange margins across the top ten SIDS corridors. The corridor-level breakdown of these aggregate figures is provided in Table 3. In the table, the lower bound measures the excess paid above the SDG 10.c target of 3% in each corridor. That is the cost extraction that would disappear if every corridor met the international benchmark. The upper bound measures the total fee burden, that is, the sum of all transfer fees and foreign exchange margins extracted from these flows at current corridor average pricing. Extending this estimate to all 35 SIDS and adjusting for the higher cash agent transaction mix in smaller corridors, we estimate the total annual fee drain across all SIDS corridors at between US$657 million and US$1.32 billion. We derived this estimate by applying the RPW corridor cost figures to WDI formal flow volumes.

Table 3. Annual fee drain on SIDS remittance corridors

Corridor (by SIDS destination)	Region	Remittance flow 2023 (US$ billion)	Corridor average (simple mean, %) (RPW Q1 2025)	Lower-bound fee drain (US$ million)	Upper-bound fee drain (US$ million)
Dominican Republic	Caribbean	10.62	5.58	274.15	592.75
Haiti	Caribbean	3.75	5.69	101.02	213.52
Jamaica	Caribbean	3.60	5.85	102.74	210.74
Guyana	Caribbean	0.55	9.15	33.81	50.31
Fiji	Pacific	0.48	5.40	11.53	25.93
Cabo Verde	Atlantic/ AIS	0.32	8.11	16.34	25.94
Mauritius	Indian Ocean/ AIS	0.32	8.46	17.47	27.07
Comoros	Indian Ocean/ AIS	0.31	4.83	5.68	14.98
Samoa	Pacific	0.27	7.96	13.40	21.50
Tonga	Pacific	0.25	7.57	11.41	18.91
Total for top ten SIDS		**20.47**		**587.55**	**1,201.65**
All other SIDS combined	**Mixed**	**1.55**	**7.50**	**69.75**	**116.25**
Total for all SIDS		**22.02**		**657.30**	**1,317.90**

Note: The lower-bound fee drain is the excess above the SDG 3% target; the upper-bound fee drain is the total cost charged at current prices.

Even at the lower bound, the figure is striking in context. It is roughly three to four times the total annual approvals from all multilateral climate funds combined for SIDS in 2023. These stood at approximately US$202 million across all funds, of which the Green Climate Fund accounted for approximately US$133 million (Climate Funds Update, 2024). It represents money that diaspora communities, many of them low-income migrant workers, are paying simply to send earnings home; the money that flows not to the families waiting at the destination but to commercial operators in high-income countries. The SDG 10.c target of reducing transfer costs to 3% by 2030 was precisely intended to address this drain. The global average in Q1 2025 of 6.49% remains more than twice that target (World Bank, 2025a) and in the cash agent channels that dominate most SIDS corridors the gap is wider still.

The political framing of this issue is important here because transfer fees are often discussed as a technical regulatory matter, which is typically within the domain of payments specialists and financial inclusion teams. We argue that this framing systematically understates the significance of these fees. For SIDS, the annual fee drain of approximately US$0.6–1.3 billion is a structural factor that diverts capital from some of the world's most climate-vulnerable communities, flowing to intermediaries with no stake in those communities' resilience or development. Recapturing even a fraction of that drain through a more efficient platform that charges less and retains the difference as sovereign capital is the central proposition of this report.

2.3 Why this asset has not yet been mobilised

Given the scale of remittance flows and the fee drain, a reasonable question is why no SIDS government or collective institution has acted on this opportunity before. The answer lies in three structural barriers. Each one is now addressable and all of them are shifting simultaneously for the first time.

The first barrier is framing. Remittances have been consistently categorised in development policy as private household transfers — in other words, money belonging to migrant workers and their families, outside the proper domain of public finance instruments. This framing is institutionally entrenched. The World Bank's remittance data sits in its migration and development portfolio rather than its financial sector or sovereign finance work. Donor programmes on remittances focus on financial inclusion for individual recipients rather than aggregate mobilisation. SIDS governments themselves have largely treated remittance flows as background economic conditions rather than assets to be actively managed. These framings are not wrong. Remittances are household income and the autonomy of diaspora senders must be preserved in any model that works with these flows. But it has kept the question that deserves to be asked outside the remit of SIDS governments, namely whether the portion of those flows currently lost to transfer fees could be recaptured through a sovereign platform without touching a single dollar of what families actually receive.

The second barrier is the absence of a platform. Until the maturation of digital remittance technology in the 2010s, the infrastructure required to operate a competitive cross-border payments service at scale was prohibitively expensive for any new entrant, let alone a sovereign institution. Correspondent banking relationships, compliance systems, last-mile cash-out networks and foreign exchange management all required either huge investments or pre-existing banking infrastructure that SIDS governments did not have. That constraint no longer holds. Three technological developments have reduced the cost of building a remittance platform. A new operator can now connect to existing banking and payment networks through ready-made software links (known as application programming interfaces, or APIs), instead of building that infrastructure itself. The identity checks and transaction monitoring that regulators require can be bought as online subscription services rather than built in-house. And transfers can be settled almost instantly using stablecoins, which are digital tokens whose value is fixed to a hard currency such as the US dollar. The online remittance service Remitly, founded in 2011, began expanding into the LAC region around 2018 and reached approximately 23% market share in that region by 2024, within roughly six years of entering the market, operating at costs that a decade earlier would have been impossible for a non-bank entrant. Our corridor audit shows KlickEx Pacific delivering transfers at 1.11% in the Australia–Samoa corridor and 1.21% in the Australia–Tonga corridor in Q1 2025, against corridor averages of 7.96% and 7.57%, respectively, using modern digital rails. The technological barrier that made a SIDS-owned platform inconceivable in 2010 is not a barrier in 2026.

The third barrier is governance. Even if the framing had shifted and the technology had been available, the question of which institution would own, govern and operate a SIDS remittance platform had no credible answer until recently. No existing multilateral institution is designed for this purpose. The World Bank, the International Monetary Fund and the regional development banks are lenders and grant makers, not platform operators. AOSIS and CARICOM (the Caribbean Community) provide diplomatic coordination but not financial institution management. What has changed is the establishment of the Global SIDS DSSS, launched in May 2024 at the Fourth International Conference on Small Island Developing States (SIDS4) in Antigua and Barbuda. The DSSS was co-designed by IIED in collaboration with SIDS leaders, with its Strategic Advisory Group co-chaired by HE Gaston Browne, Prime Minister of Antigua and Barbuda, and HE Dr Mohamed Muizzu, President of the Maldives (Bharadwaj, 2024; UN, 2024b). It is a central component of ABAS, the ten-year plan for resilient prosperity adopted at SIDS4 (UN, 2024a), demonstrating for the first time that small island states can collectively design, establish and govern a sophisticated financial institution with a specific mandate. This governance architecture now has a permanent institutional home. The SIDS Centre of Excellence, called for by all SIDS in paragraph 20 of ABAS and endorsed by the UN General Assembly through resolution A/RES/78/317 (UN General Assembly, 2024), was launched in Antigua and Barbuda in March 2026 (UN DESA, 2026). It operates as a SIDS-led institution with four pillars, namely the Global Data Hub, the Innovation and Technology Mechanism, the Island Investment Forum and the DSSS. The Centre provides the institutional anchor within which the SDRF endowment is proposed to be established, while the remittance platform would operate as a separate company established or selected by AOSIS. The governance barrier that had no credible answer in 2010 now has one: an operational, SIDS-owned institution with a UN General Assembly-endorsed mandate, designed to house sophisticated financial mechanisms of this kind.

The political context also matters: FFD4, held in Sevilla, Spain, in 2025, placed the structural reform of development finance at the centre of international negotiations in a way that had no recent precedent. The conference adopted by consensus the Sevilla Commitment (Compromiso de Sevilla), the first intergovernmentally agreed financing-for-development framework since the Addis Ababa Action Agenda in 2015, with 130 initiatives launched under the Sevilla Platform for Action to begin closing the US$4 trillion annual SDG financing gap (UN, 2024a). The outcome from Sevilla acknowledged the scale of the challenge facing climate-vulnerable developing countries, but it did not resolve the structural problem this report addresses. The SDRF supports the mandate outlined in the Sevilla Commitment by addressing the financing gap through sovereign action rather than waiting for the international system to deliver what it has consistently promised yet consistently failed to provide.

3

The SDRF: a SIDS-owned remittance endowment fund

Remittances are a large, resilient and growing financial asset from which between US$0.7 billion and US$1.3 billion a year is being extracted commercially before it reaches its destination. This section sets out the mechanism for converting that loss into sovereign capital. We outline how the SDRF, a SIDS-owned digital remittance platform, can be established, with the operating margin capitalising a permanent sovereign endowment, governed and directed by SIDS governments themselves. We begin with governance because who owns and controls this fund will be important for governments considering joining the platform. We also provide details on how the digital platform would work, what it would cost, what regulatory requirements it would need to meet and why diaspora communities would use it. We then set out the endowment fund structure, the accumulation scenarios, the investment return assumptions and what the fund would generate in permanent annual income by Year 10.

3.1 The core concept of the SDRF

The gap between what diaspora senders currently pay to transfer money home and what an efficient digital platform would cost to deliver that service is large enough to benefit all parties (senders, recipients and the SDRF) simultaneously. Senders would pay less than they pay today. Recipients would receive more than they receive today. The margin between the new price and the cost of delivery would be retained by a platform owned by SIDS governments and directed into a permanent sovereign endowment fund for climate resilience and development.

The mechanism is proposed to operate through three distinct but interdependent layers, each with a defined role.

3.1.1 Layer 1: the platform

The first layer is a SIDS-owned digital remittance service operating competitively in the top SIDS corridors. It would charge senders a rate, combining transfer fee and foreign exchange margin, that would undercut the current corridor average pricing. From that price, the platform would cover the full cost of running a licensed, compliant and secure digital payments operation, with the remainder, approximately 2 to 2.5 percentage points of each transaction at scale, flowing to the endowment. This net margin is not a fee added on top of a competitive price. It is what remains after the platform has undercut the corridor average and paid all its operating costs.

The platform would not operate as a development project or a subsidised public service. It would compete in the open market on the strength of its pricing, user experience and community trust. If it cannot attract and retain users against Remitly, Wise and other established digital entrants, it will not generate endowment capital in a sustained manner. Our feasibility analysis in Sections 3.3 and 3.4 addresses this directly, showing that the platform can operate viably in all ten of the top SIDS corridors, with Comoros operating on a tighter margin than the others, and reach operating break-even from Year 1 in both the moderate and conservative scenarios. Full recovery of the seed capital would be achieved by Year 2 in the moderate scenario and by Year 3 in the conservative scenario. The endowment projections in Section 3.5 are based on the net margin generated thereafter.

3.1.2 Layer 2: the endowment

The second layer is a permanent sovereign endowment fund that would receive the platform's net operating margin, invest it according to a defined mandate and generate the annual yield from which disbursements would be made. The endowment will be capitalised incrementally from Year 1 of platform operation and compound through investment returns over time. The principal will not be spent. Only the annual investment yield will be distributed. This is the standard architecture that most endowment funds use, including sovereign wealth funds, university endowments and philanthropic foundations. It helps create a fund whose principal is preserved and grows larger each year, while its annual yield grows with it, without any further input from donors or external support.

Under the base case scenario, we have assumed a moderate market-share capture rate and a 6.5% annual investment return consistent with long-run benchmarks. We have estimated that the SDRF endowment principal will reach approximately US$2.6 billion by Year 10 and generate approximately US$169 million per year in investment yield. Of that, approximately US$143 million would be distributable to participating SIDS governments annually, on a permanent basis. The full scenario analysis, across conservative, moderate and optimistic market capture assumptions and low, base and high-return assumptions, is presented in Section 3.5.

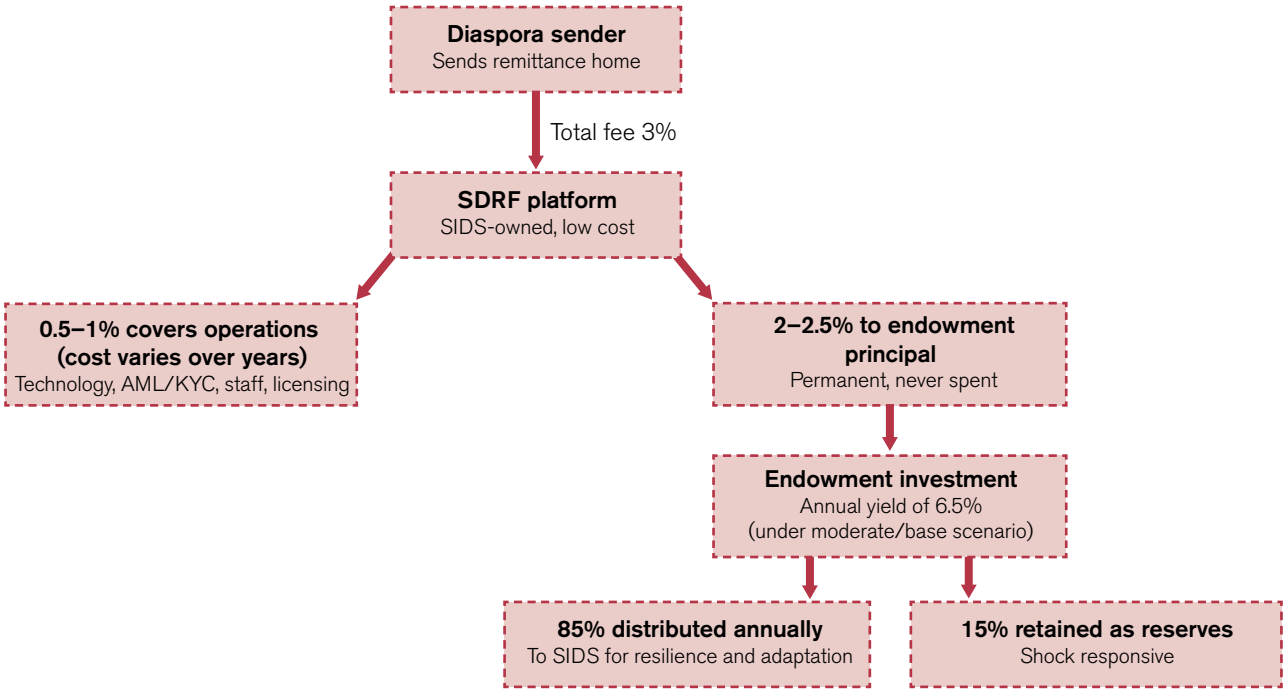
3.1.3 Layer 3: the disbursement framework

The third layer is the mechanism through which the SDRF's endowment annual yield will reach the participating SIDS governments. Each year, 85% of the investment yield is proposed for distribution as the annual surplus. The remaining 15% would be retained as a shock-responsive reserve, available for rapid disbursement when a participating SIDS is struck by a climate disaster, without requiring a lengthy application process.

The distributable surplus is proposed to be allocated among participating SIDS through a weighted formula incorporating the Multidimensional Vulnerability Index (UN 2024c), the Climate Risk Index, a governance and absorptive capacity measure and a disaster shock trigger. The rules and the weightage of different indicators in the disbursement formula are proposed to be designed and applied by a SIDS-controlled SDRF Board.

Figure 2 shows the three-layer financial flow architecture of the SDRF, from the diaspora sender at the top, through to the two outputs of the endowment yield.

Figure 2. SDRF financial flow architecture



In the figure, the operations and endowment shares are illustrative and sum to the 3% total fee. The operations share is higher in the early years when the platform is below scale, at approximately 1% of send volume, and falls to approximately 0.5% by Year 10 as transaction volume grows, with the endowment share rising correspondingly (see Section 3.3.3 for the year-by-year cost trajectory).

3.1.4 What the model offers to each constituency

The diaspora will gain from lower transfer costs. Families in destination countries will gain from receiving more of every dollar sent. SIDS governments will gain a sovereign capital base that they will own outright, govern themselves and that will compound permanently in their favour. Climate funds, MDBs and philanthropies will gain a leverage opportunity that does not currently exist. A stable, growing, SIDS-owned endowment can serve as first-loss capital (capital that absorbs any initial losses on an investment, reducing the risk for other investors and so encouraging them to take part) and a sovereign guarantee instrument, unlocking finance from sources that cannot currently engage with individual small island states at the scale those countries need. The SDRF will not compete with the financing instruments these institutions already provide. Rather, it will create the conditions under which those instruments will be able to work better.

3.2 The governance and sovereignty dimension

A SIDS finance minister will typically ask three questions before engaging with the SDRF: Who will own this? Who will control it? Can it be taken away? The answer to each is as follows.

The endowment would belong to SIDS governments, collectively and permanently. It is proposed to be established as a collective sovereign vehicle, anchored within the SIDS Centre of Excellence as its institutional home, with its assets held by the vehicle for participating SIDS governments alone and governed by an SDRF Board drawn from those governments. The Centre would provide convening and secretariat support. It would not be managed by an MDB or operated by a private fund manager unless the participating SIDS governments, acting collectively through the SDRF Board, agree to appoint one to do so. Once capitalised, the endowment would be a sovereign asset of participating SIDS.

The endowment would be established under a founding agreement among participating SIDS. Anchoring the endowment within the Centre of Excellence will strengthen this position further: the institutional home is itself mandated by all SIDS through ABAS and endorsed by the UN General Assembly, rather than depending on any single government or donor. No donor, MDB or climate fund would hold a claim on the principal. Seed capital would be recovered and repaid by Year 2, and any matched capital would be committed on grant terms with no reversionary interest. There would be no conditionality to withdraw, no replenishment cycle to lapse and no external approval on which continued operation would depend. The only parties able to alter the endowment's mandate, or to wind it up, would be the participating SIDS governments themselves, acting collectively through the SDRF Board. The platform and the endowment are proposed to be structurally separate. The remittance platform will be the operating entity that runs the digital transfer service, manages compliance and generates the fund margin. It is proposed to be established or selected by AOSIS as a distinct legal entity from the endowment fund itself, a separation that regulators in the sending jurisdictions would in any case require of a licensed money transfer operator. A defined transfer mechanism would move the net operating margin from the platform to the endowment at agreed intervals, with a contractual firewall between the two. This design will serve two purposes. First, it will protect the endowment from operational risk within the platform. If the platform faces a regulatory challenge, a cybersecurity incident or a period of competitive pressure in a specific corridor, the endowment principal would not be exposed. Second, it will ensure that the governance of the endowment, covering how it is invested, what returns it generates and how those returns are allocated, remains entirely independent of the commercial decisions made in running the platform.

Disbursement decisions will be made by participating SIDS governments alone. As set out in Section 3.1, the annual distributable surplus will be allocated through a weighted formula designed, applied and revisable by a SIDS-controlled SDRF Board.

3.3 The platform: viability, pricing and cost structure

Diaspora senders will use the SDRF digital platform only if it offers a better price than the alternatives available to them. The central question is therefore whether a SIDS-owned platform can charge less than the current corridor average pricing, cover all costs of running a regulated, compliant and secure digital payments operation and still retain a margin sufficient to build a meaningful endowment. In this section, we draw on the corridor audit in Section 2.2, together with the detailed cost modelling and adoption analysis, to provide a feasibility analysis and respond to that question.

3.3.1 Corridor selection and addressable market

The platform would not attempt to serve all 35 SIDS simultaneously from launch. It is proposed to begin in the four Caribbean corridors, namely the US to the Dominican Republic, Haiti, Jamaica and Guyana, which together account for approximately 84% of the total top ten SIDS remittance volume. Launching in high-volume corridors with established digital infrastructure will allow the platform to reach operating break-even before the higher-cost Pacific expansion. Pacific and African island corridors would be added in Years 2 and 3, as compliance infrastructure, brand presence and operational scale develop.

It should also be noted that not all US$22.1 billion in total SIDS remittance flows is addressable by a digital platform. A significant share, particularly in Pacific and smaller African island corridors, passes through cash agents serving recipients who are unbanked, living in remote communities with limited mobile money infrastructure or who prefer in-person transactions. Drawing on World Bank Global Findex data on account ownership across developing economies (Demirgüç-Kunt et al., 2022; World Bank, 2025c) and the Lowy Institute's analysis of Pacific remittance market structure, which finds that only around 40% of Pacific Islanders have access to formal banking services and that cash-to-cash transfers remain the dominant remitting mode in the Pacific (Collins, 2023), we estimate the addressable ceiling at between 48% and 63% of total flows. The financial projections in Section 3.5 use 55% as the central assumption, applied consistently across all three market share scenarios. The model does not assume the platform will capture flows that are structurally inaccessible to digital channels.

3.3.2 Pricing and the competitive gap

The platform is proposed to charge a uniform all-in price of approximately 3% in every corridor, subject to a 1.5% operating cost floor. This will produce a sender saving that varies by corridor, from 1.83 percentage points in Comoros to 6.15 percentage points in Guyana, and a gross margin of 3% of transaction value from which operating costs are met. It would be lower in Caribbean corridors, where current averages are 5–6%, and higher in Pacific and Atlantic corridors, where current averages are 7–9%. The 3 percentage point margin reflects the level at which the platform's net contribution to the endowment, after operating costs, would support the accumulation scenarios presented in Section 3.5.

Table 4 presents the viability assessment for each of the top ten SIDS corridors. Our assessment shows that nine of the ten corridors will be able to achieve the platform target with at least a 3 percentage point fund margin. Comoros is the only corridor where the corridor average is close to the operating cost floor at 4.83%, and the platform target falls to 1.83%. This will leave a thin operating margin rather than the full 3 percentage point margin available in the other nine corridors. Comoros is retained in the addressable base because its share of total flow is small (1.4%) and the overall margin will outweigh concerns about marginal viability. Fiji has a corridor average of 5.40% but carries elevated competitive risk from active promotional pricing by digital entrants such as Remitly, which has been observed offering rates as low as −1.34% on the Australia–Fiji corridor in Q1 2025.

Table 4. Platform viability assessment for the top ten SIDS corridors

Corridor	Corridor average (RPW Q1 2025)	SDRF platform price	Sender saving	SDRF fund margin	Viable for fund?
US/Spain → Dominican Republic	5.58%	3.00%	2.58pp	3.00pp	Yes
US/Canada/ Dominican Republic/ France → Haiti	5.69%	3.00%	2.69pp	3.00pp	Yes
US/UK/Canada → Jamaica	5.85%	3.00%	2.85pp	3.00pp	Yes
US/Canada → Guyana	9.15%	3.00%	6.15pp	3.00pp	Yes
Australia/ New Zealand → Fiji	5.40%	3.00%	2.40pp	3.00pp	Yes (competitive risk)
US/Portugal → Cabo Verde	8.11%	3.00%	5.11pp	3.00pp	Yes
UK/France/USA → Mauritius	8.46%	3.00%	5.46pp	3.00pp	Yes
France → Comoros	4.83%	3.00%	1.83pp	3.00pp (constrained by operating expenditure floor)	Marginal
Australia/New Zealand → Samoa	7.96%	3.00%	4.96pp	3.00pp	Yes
Australia/ New Zealand → Tonga	7.57%	3.00%	4.57pp	3.00pp	Yes

Note: pp denotes percentage points, the arithmetic difference between two percentage figures. Mauritius is not in RPW Q1 2025 corridor coverage; the figure shown is inferred from the RPW Q1 2025 Sub-Saharan Africa regional average from the same release. Source: Authors' calculation based on data from World Bank Remittance Prices Worldwide, Issue 53 (Q1 2025).

3.3.3 Platform cost structure

At Year 3 operating scale, we estimate total platform costs at approximately US$32.2 million per year, representing approximately 35% of gross revenue under the base case scenario. Table 5 sets out the cost breakdown by component and by year.

We have explained each cost line below in terms of what it is, why it is needed and why it changes over time.

1. Licensing and regulatory setup: to move money legally between countries, the platform needs a separate licence in every jurisdiction where it has customers. In the US, money transmission is regulated state by state. The platform is proposed to cover 12 US states; each issues its own licence. Together with the UK (via the Financial Conduct Authority — FCA), the European Union (via France's Autorité de contrôle prudentiel et de résolution), Australia (via the Australian Transaction Reports and Analysis Centre — AUSTRAC) and New Zealand (via the Companies Office), the platform would need around 15 separate regulatory approvals before it can take its first transaction.

Each licence requires legal applications, payment of fees to regulators, background checks on the platform's directors and proof that the platform has enough capital set aside to cover potential customer claims. The total cost of putting all these licences in place will be approximately US$1.05 million in Year 1, after which the platform will be required to pay only modest annual renewal fees.

2. Anti-money laundering and Know Your Customer compliance: every regulated payments business is legally required to verify the identity of every customer (know your customer, or KYC) and to monitor every transaction for signs of money laundering or terrorist financing (anti-money laundering, or AML). These requirements are similar, regardless of whether the customer is sending US$50 or US$5,000.

In practice, this means the platform must subscribe to specialist software that checks each customer's identity documents, screens their name against international sanctions lists and monitors every transaction in real time for unusual patterns. It also has to employ a Money Laundering Reporting Officer and a small team of analysts who investigate flagged transactions and file reports with regulators when something looks suspicious.

The projected combined cost of the software and the team is approximately US$1.21 million in Year 1, rising to US$3.60 million by Year 10. This cost grows as transaction volume grows, because every new customer must be checked and every new transaction must be monitored.

3. Technology infrastructure: this is the largest single cost line, accounting for around 65% of total operating costs at Year 3. This is because when a customer sends, for example, US$600 from New York to Santo Domingo, the platform incurs costs at three distinct points along the money's journey.

The first is collecting the money, or pay-in, from the sender. The platform has to pull the funds from the sender's bank account or charge their card. Each of these methods has a very different cost. A bank transfer (which is called an Automated Clearing House (ACH) transfer in the US, a Single Euro Payments Area (SEPA) transfer in Europe, a Bankers' Automated Clearing Services (BACS) transfer in the UK and a Bulk Electronic Clearing System (BECS) transfer in Australia) costs the platform less than 1% of the transaction value (Stripe, 2026). A credit card payment, by contrast, costs roughly 3% (specifically 2.9% plus 30 cents per transaction in the US) (Stripe, 2026). On a US$600 transfer, that is the difference between paying around US$5 and paying around US$18 each time. This single cost item is by far the largest within the technology line. At Year 3, it accounts for approximately US$13 million of the US$21 million infrastructure spend. Every additional percentage point of bank transfer adoption above the base case assumption of 85% by Year 3 would save the platform approximately US$0.5 million per year. This is why the platform's design must actively encourage senders to use bank transfers rather than card payments.

The second cost line is running the technology that processes the transaction. The platform runs on cloud servers (Amazon Web Services or similar), which charge based on the amount of computing power used. It also includes tools that protect customer data, prevent fraud and ensure the system stays online around the clock. These costs scale with transaction volume, but more efficiently than pay-in costs do. Once the platform has reached a certain size, the per-transaction cost of running the technology falls substantially as bulk-discount cloud pricing becomes available. It falls from approximately 0.20% of transaction volume in Year 1 to less than 0.08% by Year 10.

The third sub-component cost is paying the money out to the recipient. On the receiving side, the platform pays a small fee to the local bank or mobile wallet that delivers the funds. In Pacific countries, where some recipients prefer to collect cash from a local agent, this fee is slightly higher because the agent network is more expensive to run.

The total of these three sub-components is approximately US$3.84 million in Year 1, rising to about US$41 million in Year 5, before falling back to US$34 million by Year 10, as the platform secures volume discounts from its providers. Remitly's own published cost ratios confirm that infrastructure is the primary cost driver for digital remittance platforms at this scale (Remitly Global 2025a).

4. Cybersecurity, fraud and insurance: a successful cyber-attack or a high level of fraud could destroy the platform's reputation overnight. To protect itself, the platform will need to pay for three things: (1) security audits and certifications for which Systems and Organisation Controls (SOC) 2 and International Organisation for Standardisation (ISO) 27001 are the industry standards, (2) software that detects suspicious behaviour and blocks fraudulent transactions, and (3) an insurance policy that pays out if a breach happens despite all these defences.

The platform will also need to accept that some level of fraud is unavoidable. Industry experience suggests that around one in every thousand transactions on a new platform will turn out to be fraudulent in some way, falling to roughly one in two thousand once the platform's detection systems are mature. The platform has to absorb these losses out of its own funds. The total of all four cybersecurity, fraud and insurance costs is approximately US$0.68 million in Year 1, rising to US$2.83 million by Year 5.

5. Staffing and governance: the platform will need a leadership team (a chief executive officer (CEO), a chief operating officer, a chief financial officer and a general counsel), a small engineering team (a chief technology officer and four engineers in Year 1, growing to around 18 by Year 5), a compliance and legal function, corridor managers who would maintain relationships with banks and mobile wallets in each SIDS country and a fund governance team that would oversee the SDRF endowment investments.

A particular feature of the SDRF model is that the corridor managers are intended to be drawn from the diaspora communities themselves. A Tongan Australian or a Samoan New Zealander managing the Pacific corridor will be able to bring language, cultural understanding and trust that a conventionally hired manager cannot replicate. This is a key lesson from the Tonga Development Bank's Ave Pa'anga Pau product, which achieved 95% uptake among New Zealand seasonal workers, partly because it was operated by people from those workers' own communities.

The total staffing cost is proposed to be approximately US$3.64 million in Year 1, rising to US$10.50 million by Year 10. Note that this excludes the AML compliance staff, who are counted under the cost line (AML/KYC compliance) to avoid double-counting.[1]

Table 5. Platform operating cost structure (US$ million per year)

Cost component	Year 1	Year 3	Year 5	Year 10	Sources
Licensing and regulatory setup	1.05	0.43	0.53	–	Brico, 2026; Jenkins, 2025; Abeywickrama, 2025; Financial Conduct Authority, 2026; Financial Conduct Authority, 2025; Autorité de Contrôle Prudentiel et de Résolution, 2024; AUSTRAC, 2026a; AUSTRAC, 2026b; New Zealand Companies Office, no date
AML/KYC compliance	1.21	2.19	3.03	3.60	AUSTRAC, 2017; Boulton and Winton, 2018; Kataria, 2026; Markevych and Tanaka, 2025; New Zealand Department of Internal Affairs, 2021; Sumsub, 2025; Vintti, 2024; World Bank, 2024c; World Bank, 2025b
Technology infrastructure	3.84	21.00	41.10	34.00	Stripe, 2025a; Stripe, 2026; Remitly Global, 2025b; Remitly Global, 2025a; Shin et al., 2025*
Cybersecurity, fraud and insurance	0.68	1.58	2.83	2.83	IBM Security and Ponemon Institute, 2024; Marsh, 2024; Marsh, 2025
Staffing and governance (lean model)	3.64	7.04	10.44	10.50	Kruze Consulting, 2025; Walker et al., 2025; Georgia Fintech Academy, 2025
Total operating costs	10.42	32.24	57.93	50.93	

* These central bank sources document the euro pegs that were used for the foreign exchange cost assumptions for the Cabo Verde and Comoros corridors. Banco de Cabo Verde (no date) Exchange Rate Regime: Cape Verdean escudo pegged to the euro at 1 EUR = 110.265 CVE since 1999, under the 1998 Exchange Cooperation Agreement with Portugal. www.bcv.cv. Banque Centrale des Comores (no date) Régime de change: Comorian franc pegged to the euro at 1 EUR = 491.96775 KMF since 1999, under the 1979 monetary cooperation agreement with France. www.banque-comores.km

Sources: Authors' calculation based on estimates from sources mentioned in the table.

1 Salary calibration draws on Kruze Consulting's Startup CEO Salary Report 2025 (overall average startup CEO salary of US$161,000; Series A average of US$203,000) and Carta's State of Startup Compensation H1 2025 (average new-hire engineering and product salaries of US$189,000; legal new-hire salary of US$183,000), with a 1.30 times on-cost multiplier applied to base salaries to capture employer payroll tax, benefits and office or remote allowances. Corridor manager and SIDS-based hire compensation is calibrated to locally observed Pacific banking sector and African island fintech wage levels.

Why costs rise and then fall: The total cost rises from approximately US$10 million in Year 1 to US$32 million in Year 3, peaks at around US$58 million in Year 5, falls to US$46 million by Year 7 and then rises modestly to US$51 million by Year 10. This pattern is normal for a digital platform.

In the first five years, the platform is in build-and-expand mode. It has to launch new corridors, add payment methods, integrate with new banks, hire engineers and pay for the certifications and infrastructure that mature platforms should have. The peak in Year 5 is driven specifically by the build-out into the African and Indian Ocean corridors. From Year 6 onwards, the platform shifts into run-and-maintain mode. Most of the infrastructure is expected to be built by then and many of the parallel systems built during the rapid expansion phase could be decommissioned.

By Year 10, although transaction volume is expected to be roughly eight times what it was in Year 1, total costs are expected to be only about five times higher. This is the operating leverage that would make the SDRF model financially sustainable. The platform would generate a surplus from Year 1. But because its costs would not grow in proportion to its revenue, that surplus would widen each year and it is this widening margin that scales the flow into the endowment over the ten-year horizon. This pattern is consistent with the cost trajectory disclosed by Remitly between 2022 and 2024, where customer support and operations costs fell from over 10% of revenue to 6.5% on a similar mechanism, attributed by management to product improvements and artificial intelligence-driven automation that reduced customer contact rates as scale grew (Remitly Global, 2025b).

What this means for the SDRF endowment: In Year 1, the platform would earn approximately US$22.3 million in gross margin. This is the difference between what it would charge senders and the underlying cost of running the transaction. After deducting the US$10.42 million in operating costs described above, approximately US$11.88 million would flow to the SDRF endowment in the platform's first year of operation. By Year 10, approximately US$217 million per year would flow into the endowment, which will compound at the endowment's investment return rate.

3.3.4 User adoption: the switching case and the S-curve

A platform that is cheaper than incumbents will only generate endowment capital if people actually switch to it. Evidence from field experiments, in which Salvadoran migrants in the Washington DC metro area were offered randomly assigned reductions in transfer fees, shows that remittance senders respond strongly to reductions in transfer costs, with cost reductions producing increases in both the frequency and total volume of remittance transactions (Ambler et al., 2014; Aycinena et al., 2010). Reviewing this evidence alongside subsequent panel studies, Yang concluded that migrant remittance flows respond meaningfully to reductions in transaction costs (Yang, 2011), although the precise elasticity varies by corridor characteristics, including market competition and financial infrastructure (Beck et al., 2022; Imam and Kpodar, 2024). The SDRF platform is proposed to charge approximately 3% all-in, below the current corridor average across the launch portfolio, producing sender savings of roughly 2 to 6 percentage points. This is above the switching threshold in every corridor except Comoros, where the available saving is narrower.

One switching driver is typically not captured in commercial benchmarks but would be relevant in the context of the SDRF: the SDRF platform would be owned by the governments of the countries to which diaspora senders are sending money. Research on diaspora financial behaviour consistently finds that emotional connection to the homeland, sense of obligation and shared identity operate as significant motivators of giving and investment, alongside and partly independently of price sensitivity (Brinkerhoff, 2008; Brinkerhoff, 2012; Appe and Papyan, 2025). A sender who knows that the platform margin builds a climate resilience fund owned by their home government will not make the choice on price difference alone. We have treated this as an upside to the base case rather than building it into the central assumption for market capture.

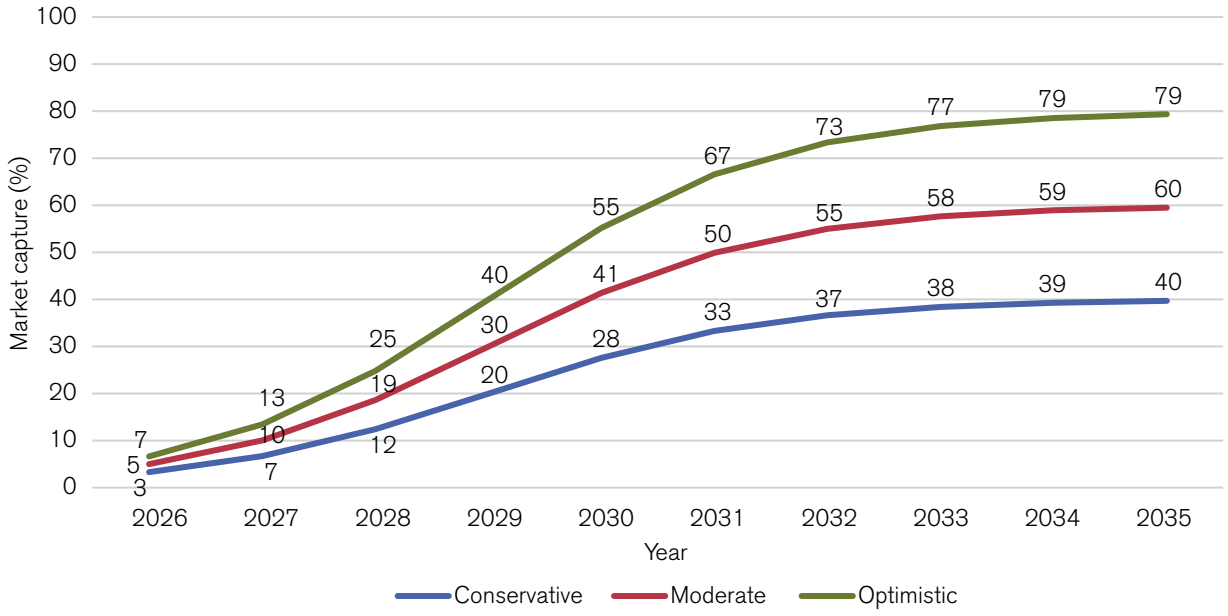
The model assumes that total SIDS remittance volumes will continue to grow at approximately 7% per year over the projection horizon. This rate is based on the actual CAGR of SIDS remittance receipts over the 13 years from 2010 to 2023, applied forward to hold the projection in line with the long-run trend. Under this assumption, total SIDS remittance volume would rise from approximately US$22 billion in 2023 to approximately US$35 billion by 2030 and approximately US$50 billion by 2035.

This projection nevertheless carries a policy risk that deserves acknowledgement. Remittance volumes ultimately depend on the number of diaspora members working abroad and on their earnings, and migration policy in several major sending countries has tightened. The US, the primary sending country for the four Caribbean launch corridors, has expanded immigration enforcement, and other European sending countries are also seeking to reduce migrant numbers. A sustained fall in migrant populations or earnings in these corridors would pull remittance growth below the long-run trend on which the 7% assumption is based.

Four considerations, however, temper this risk. First, remittance flows are generated mainly by existing migrants rather than by new arrivals and early evidence from the US in 2025 suggests that flows adapt rather than simply fall. Remittances to several Central American countries grew strongly even as enforcement intensified (Harris et al., 2025). Second, the 7% assumption is a conservative estimate. It reflects the long-run average rather than the higher growth of the most recent five years. So, even if there is a moderate policy-driven slowdown in remittances, the flow is expected to fall to the conservative assumed trend and not below it. Third, the demand for migrant labour in sending countries is structural. The jobs that migrants fill do not disappear when policy tightens and destination labour markets have historically adjusted through substitution rather than contraction. After the UK ended free movement following Brexit, the fall in EU workers was offset by a rise in non-EU migration (Cusimano et al., 2025; Portes, 2022). Fourth, the corridor portfolio spans three regions with differing policy settings. For example, the Pacific corridors are underpinned by formal labour mobility schemes in Australia and New Zealand that have been expanding rather than contracting.

Switching remittance platforms is not expected to happen all at once. Diaspora users would be expected to learn about a new platform from family members or their networks through word-of-mouth, watch its track record build over the first year or two and then adopt it gradually as trust accumulates and word-of-mouth spreads. We modelled this using a standard S-curve adoption trajectory across three scenarios, set out in Figure 3.

Figure 3. SDRF platform market capture for three scenarios, 2026–2035



Note: S-curve calibration parameters, steepness coefficient 0.80, midpoint Year 4

Under the moderate base case, the platform is projected to capture approximately 5% of the addressable market in Year 1, 19% by Year 3, 41% by Year 5 and approach 60% by Year 10. The conservative case would plateau at approximately 40% and the optimistic case at approximately 80%. The shape is calibrated to Remitly's adoption trajectory in the US–LAC corridor, the closest available analogue to the SDRF's Caribbean launch corridors. Inter-American Dialogue tracking of the US–LAC remittance market reported that Remitly grew from approximately 14% of market share at the time of its 2021 initial public offering to approximately 23% of market share by 2024, having entered the LAC market in 2018 (Orozco and Springer, 2024; Orozco, 2025).

3.4 Regulatory and compliance requirements

Operating a cross-border remittance platform in the corridors that matter most to SIDS will require regulatory authorisation in the primary sending-country jurisdictions: the US, the UK, the EU and Australia. The licensing requirements for digital money transfer operators in each of these jurisdictions are well documented and the timelines for obtaining them are predictable. Therefore, they are not barriers to the model, but they need to be included in the planning.

Table 6 summarises the licensing requirements, estimated costs and timelines for each jurisdiction.

The US dominates both by cost and by timeline. The US Money Transmitter Licence regime, which requires individual licence applications in each state rather than a single federal authorisation, is the most complex and expensive component of the regulatory programme. It accounts for approximately 53% of total Year 1 licensing costs and carries the longest individual timeline at 12 to 18 months. Regulatory applications in the US must therefore begin in Year 0, ahead of the formal platform build, to ensure that licences are in place before the Caribbean corridor launch in Year 1.

The European pathway has two distinct routes. The UK FCA Electronic Money Institution (EMI) licence requires €350,000 in minimum capital and can be obtained in 8 to 12 months. The EU Payment Institution licence under the Second Payment Services Directive (PSD2), anchored in France with passporting across the remaining EU member states, requires only €20,000 in minimum capital and can be obtained in 6 to 12 months. Together, these two authorisations can enable the platform to serve the European corridors that send to Cabo Verde, Mauritius and Comoros.

The Australia and New Zealand registration pathway is the most efficient. It combines AUSTRAC remittance dealer registration in Australia with Financial Service Providers Register (FSPR) registration in New Zealand, where supervision for anti-money laundering and countering the financing of terrorism (AML/CFT) is carried out by the Department of Internal Affairs (DIA). This pathway requires no minimum capital, has a combined timeline of one to three months and is a registration rather than a full licensing process. New Zealand registration is required because two of the four major Pacific corridors (to Samoa and Tonga) originate in New Zealand.

One broader regulatory point needs to be considered. The SDRF platform is not proposed as a commercial fintech operator seeking to profit from diaspora transfer flows. It is expected to be a sovereign-owned, development-purpose institution whose operating margin flows in its entirety to a climate resilience endowment owned by the governments of the recipient countries. The risk profile is different from that of a commercial money transfer operator. The Financial Action Task Force (FATF), the intergovernmental body that sets global standards on AML/CFT, recognises in its risk-based approach to supervision that the risk profiles of different types of operators should inform the calibration of compliance requirements (FATF, 2021). There is a reasonable case, which we make in Section 5.2, for the FATF and relevant standard-setting bodies to develop a streamlined licensing pathway for SDRF's sovereign-owned development-purpose remittance platform, not as a deregulatory concession but as an appropriate calibration of regulatory requirements to actual risk. In the interim, we have fully costed this in the SDRF model, assuming it will operate under standard licensing requirements with no regulatory concessions.

Table 6. Regulatory licensing requirements by jurisdiction (Year 1)

Jurisdiction	Licence type	Estimated Year 1 cost (central)	Timeline	Minimum capital	Source
US	FinCEN money services business registration; State Money Transmitter Licences (12-priority-state launch set)	~US$555,000 (application fees, surety bond premiums, legal and advisory, anti-money laundering and countering the financing of terrorism programme development)	12–18 months	Varies by state; surety bonds from US$500,000	Brico, 2026; Abeywickrama, 2025; Jenkins, 2025; New York State Department of Financial Services, no date; Financial Crimes Enforcement Network, 2025
UK	FCA Electronic Money Institution (EMI)	~US$240,000 (~£188,000: application, legal, EMI capital pre-funding)	8–12 months	€350,000	FCA, 2026; FCA, 2025; UK government, 2011
EU	PSD2 Payment Institution, France anchor with EU passport	~US$130,000 (~€120,000: application, legal, capital pre-funding)	6–12 months	€20,000	European Parliament and Council, 2015; Autorité de Contrôle Prudentiel et de Résolution, 2024; European Banking Authority, 2017
Australia and New Zealand	AUSTRAC remittance dealer registration (Australia); DIA registration (New Zealand)	~US$90,000 (~A$95,000 + NZ$35,000 combined: enrolment levy, AML/CTF programme, legal counsel)	1–3 months	Nil	AUSTRAC, 2026a; AUSTRAC, 2026b; New Zealand Companies Office, no date; New Zealand Department of Internal Affairs, no date
Total Year 1 licensing (central)		**~US$1.05 million**			

3.5 The endowment: accumulation, scenarios and permanent sovereign yield

The platform economics set out in Section 3.3 show that it can generate a net operating margin. This would be gross revenue after all costs of running a licensed, compliant and secure digital payments operation, that would flow into the endowment fund. This section presents what that endowment would look like over a ten-year horizon across a full range of scenarios, using conservative assumptions and applied with the full cost of regulated financial platform operations.

3.5.1 Scenario structure and assumptions

We have modelled nine scenarios, produced by crossing three market share capture levels with three investment return rates. The market share scenarios, conservative (40% of the addressable market), moderate (60%) and optimistic (80%), reflect different assumptions about the platform's competitive success in attracting and retaining users over the ten-year period. The investment return scenarios, low (4% per annum), base (6.5%) and high (9%), reflect different assumptions about the returns generated by the endowment's investment portfolio (more details about assumptions can be seen in Appendix 1).

We have kept the base return assumption of 6.5% per annum deliberately conservative compared to published long-run benchmarks for comparable institutional investors. We have done this to account for the SDRF being a new sovereign institution without a track record. The 2025 National Association of College and University Business Officers (NACUBO) Commonfund Study of Endowments (NACUBO Commonfund, 2026), covering 657 US higher education endowments and affiliated foundations representing US$944.3 billion in endowment assets, reported a ten-year average annual return of 7.7% across all participating institutions for the period ending 30 June 2025. The Wellcome Trust reported a ten-year annualised return of 11.7% in its 2024/25 Annual Report (Wellcome Trust, 2026). Our model uses a 15/60/25 investment portfolio, being 15% bonds at 3.5%, 60% equity at 8.0% and 25% gold at 3.0%, which produces a weighted, blended return of approximately 6.1%. So we have accounted for it to be 6.5% when compounding effects and modest rebalancing gains are included.

3.5.2 Results: the nine-scenario summary

Table 7 presents the Year 5 and Year 10 endowment principal and annual yield for all nine scenarios. Figure 4 shows the endowment accumulation curves across the nine scenarios over the full ten-year period.

Figure 4 presents the endowment accumulation over ten years across nine scenarios. The base case (moderate/base) reaches approximately US$2.6 billion by 2035. Even the conservative/low case reaches approximately US$1.46 billion, which could be a meaningful sovereign capital base by Year 10.

3.5.3 The base case in detail

Under the moderate/base modelled scenario, the platform is projected to reach operating break-even in Year 1, when gross revenue of approximately US$22 million first exceeds total operating costs of approximately US$10 million. Seed capital is projected to be fully recovered by Year 2. In Year 3, gross revenue is proposed to reach approximately US$95 million, against operating costs of approximately US$32 million, generating a net margin of approximately US$63 million flowing into the endowment. The endowment would accumulate approximately US$427 million by Year 5, at which point the annual investment yield would begin to make a material contribution to the distributable surplus. By Year 10, the endowment principal would reach approximately US$2.6 billion, generating an annual investment yield of approximately US$169 million at the 6.5% base return rate. After retaining 15% as the shock-responsive reserve, the annual distributable surplus available for allocation among participating SIDS would be approximately US$143 million.

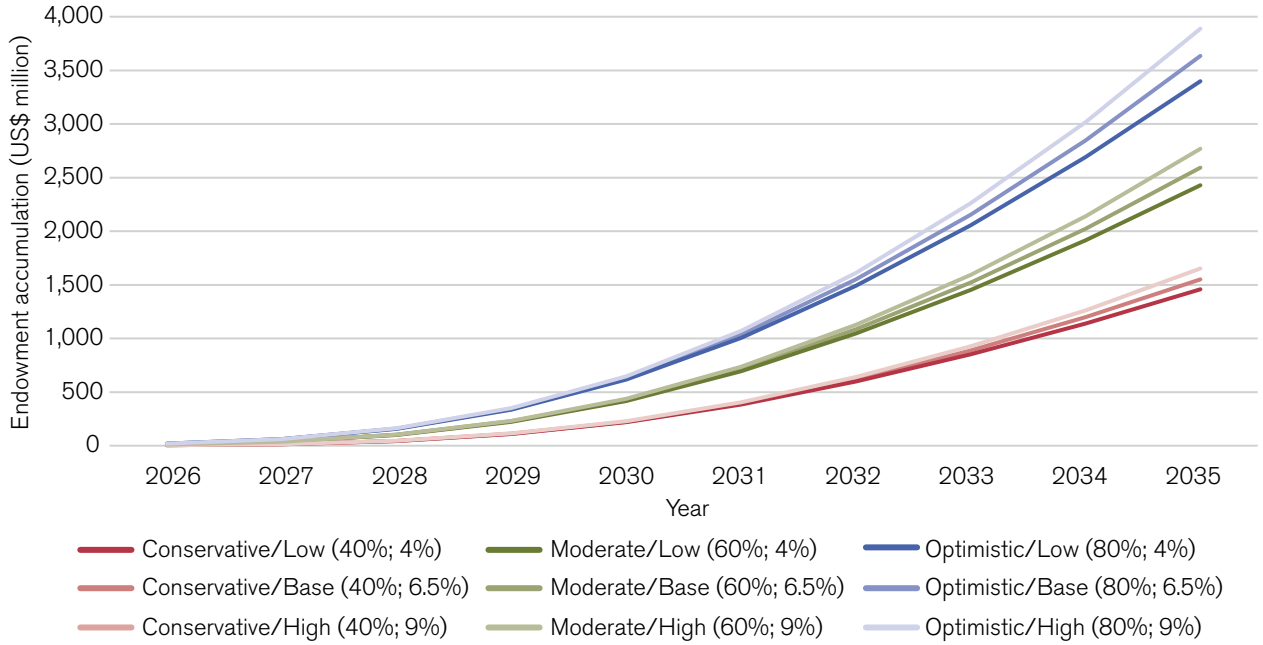
The model will require an initial seed capital investment of US$15–20 million to fund Year 1 operations, licensing costs and the working capital buffer required to bridge the period between platform launch and operating break-even. This is the only external capital that the model will require. From Year 1, the platform will operate with a positive net margin. The seed capital will be fully recovered by Year 2 and from Year 3 onwards the net margin will scale rapidly to capitalise the endowment. The seed capital of US$15–20 million is within the capacity of a single MDB programme window, a modest FRLD commitment or a philanthropic co-investment.

Table 7. SDRF endowment accumulation over nine scenarios (Year 5 and Year 10) (all figures rounded to the nearest US$ million)

Scenario	Market share	Return rate	Endowment Year 5 (US$ million)	Endowment Year 10 (US$ million)	Annual yield Year 10 (US$ million)	Distributable surplus Year 10 (US$ million)
Conservative/ low	40% addressable	4.0%	219	1,458	58	50
Conservative/ base	40% addressable	6.5%	223	1,551	101	86
Conservative/ high	40% addressable	9.0%	228	1,651	149	126
Moderate/low	60% addressable	4.0%	418	2,429	97	83
Moderate/ base	60% addressable	6.5%	427	2,592	169	143
Moderate/ high	60% addressable	9.0%	437	2,770	249	212
Optimistic/ low	80% addressable	4.0%	616	3,399	136	116
Optimistic/ base	80% addressable	6.5%	631	3,634	236	201
Optimistic/ high	80% addressable	9.0%	646	3,889	350	298

Source: Authors' calculation

Figure 4. SDRF endowment accumulation for nine scenarios, 2026–2035



4

Bolstering the fund through complementary revenues, matched capital and leverage

The digital remittance platform is the foundation of the SDRF endowment fund, but it can be leveraged to expand the fund further. We have presented three additional mechanisms, each independently viable and each able to reinforce the others. This can substantially increase the capital available to SIDS over the same ten-year horizon. The first is matched capital from climate funds and philanthropies, which can accelerate endowment capitalisation in the critical early years before the platform reaches full scale. The second is complementary revenue streams that SIDS are already well positioned to mobilise, including tourism levies, blue economy contributions, carbon credits and diaspora bonds. The third is the leverage that the endowment would itself enable once it reaches sufficient scale, through MDB guarantees, sovereign green bond issuance and first-loss capital in blended finance structures.

4.1 The climate funds and philanthropies as co-investors

Matched capital from climate funds and philanthropies would compress the time between platform launch and the point at which the endowment could reach self-sustaining scale. The return on matched capital, measured in permanent sovereign income generated per dollar committed, is projected to be substantially higher than any comparable project-based grant deployment.

A conventional project grant delivers a defined quantum of development impact over a defined project period, after which the capital is spent. A matching grant to the SDRF endowment would work differently. Every dollar matched in Years 1–5 would become part of a permanent sovereign asset that would continue to generate income indefinitely. At a 6.5% annual return, a US$100 million matching grant committed in Year 3 would generate US$6.5 million in annual yield by Year 5 and continue generating that yield, growing as the principal compounds for as long as the endowment exists.

Based on our calculation, under the moderate/base scenario with a 1:1 matching grant for Years 1–5 only, the Year 10 endowment principal would reach approximately US$3.18 billion. This would be approximately 22% above the platform-only figure of US$2.59 billion and the annual distributable surplus would reach approximately US$176 million, compared with US$143 million in the platform-only case. Matched capital committed in Year 1 would have ten years of compounding by Year 10; the same capital committed in Year 5 will have only five. Thus, a front-loaded matching grant would provide better returns.

We have identified three categories of potential co-investors that have both the mandate and the means to provide matching capital in the SDRF's early years.

- The FRLD was operationalised at COP28 in 2023 with a mandate to assist developing countries particularly vulnerable to the adverse effects of climate change in responding to economic and non-economic loss and damage. Under the Barbados Implementation Modalities, the FRLD Board has set a minimum allocation floor of 50% of total resources for SIDS and LDCs combined, and the Board's developing country representation includes two members each from SIDS and LDCs (UNFCCC, 2024). The SDRF would address loss and damage not through project-by-project disbursement but through a structural mechanism that builds permanent fiscal resilience in the countries most exposed to climate impacts. A matching grant commitment from the FRLD in Years 1–5 would advance the fund's mandate, demonstrate the additionality of its capital relative to conventional project finance and establish a precedent for using FRLD resources to capitalise sovereign resilience instruments.
- Major climate philanthropies represent a second category. The Children's Investment Fund Foundation, Bezos Earth Fund, the Wellcome Trust, Bloomberg Philanthropies, the Quadrature Climate Foundation and the Rockefeller Foundation all have established programmes on climate resilience in vulnerable developing countries and have demonstrated interest in catalytic finance mechanisms that create durable institutional capacity rather than time-limited project outcomes. Several of these foundations, including the Children's Investment Fund Foundation, the Quadrature Climate Foundation and the Rockefeller Foundation, were among the 11 signatories of a joint philanthropic call to action on climate adaptation and resilience released at COP28 in 2023 (ClimateWorks Foundation, 2023). The SDRF endowment model fits this philanthropic approach. This is because an upfront capital commitment to SDRF will create a permanent institutional asset, generate ongoing income for a defined beneficiary group and will not require continued philanthropic support after the initial capitalisation period. The Ford Foundation's mission-related investment commitment, under which up to US$1 billion of its US$12 billion endowment is being deployed over a ten-year period from 2017 onwards into investments designed to generate both risk-adjusted financial return and social impact, provides one precedent for how a major philanthropy could structure its participation as endowment-scale impact capital rather than a pure grant (Ford Foundation, 2017).
- The Green Climate Fund's Readiness and Preparatory Support Programme is a third and more immediately accessible source of early-stage capital. Under the GCF's Readiness Strategy 2024–2027, countries can access an envelope of up to US$7 million per country over four years for the integrated planning and implementation of climate action priorities. A separate one-time allocation of up to US$3 million per country is available specifically for the formulation of National Adaptation Plans and other adaptation planning processes (Green Climate Fund, 2023; GCF Readiness Programme, 2024). For SIDS participating in the SDRF, readiness grants could legitimately support the governance design, legal establishment and regulatory preparation work required in Year 0 and Year 1. Aggregate readiness support across multiple founding SIDS could contribute meaningfully to pre-launch institutional costs.

The total matched capital across the five years is expected to be approximately US$400 million on the moderate/base scenario, but the upfront commitment threshold can be much smaller. This could be US$50–100 million from one or more co-investors, structured as a matching guarantee, drawdown facility or annual top-up against verified platform margin transfers. The commitment does not need to be disbursed upfront. What would matter is that the matching mechanism is available/committed with sufficient certainty to be incorporated into the endowment's investment mandate from Year 1. Commitments made in later years would be equally good and still add permanent value to the endowment. The advantage of an early commitment is simply that it gives the same capital more years to compound and allows the investment mandate to be planned around it from the start.

A matching commitment of the scale described above, drawn against verified platform performance over five years, can generate a permanent sovereign asset for SIDS that no conventional disbursement of the same size can replicate.

4.2 Complementary revenue streams that SIDS could mobilise

The architecture of the endowment fund would make it an appropriate destination for revenues that individual SIDS governments currently lack the institutional framework to deploy as long-term capital. Five categories of complementary revenue streams could be used to bolster the endowment model. Each will require country-level political negotiation, regulatory agreement and, in some cases, new bilateral or multilateral arrangements. We have presented them as options for bolstering the endowment fund. Individually, each of these options can yield a modest return, but collectively their contribution could be substantial even if three of the five are partially mobilised.

Table 8 summarises the five revenue categories with indicative scales, existing precedents and primary sources.

Table 8. Complementary revenue streams for SDRF capitalisation

Revenue stream	Rationale	Indicative annual scale across SIDS	Existing precedent	Source
Tourism: departure and accommodation levies	Tourism is the primary export sector for most SIDS; modest per-night or per-departure levies directed to the endowment will capture value from visitor flows without taxing residents	US$100–300 million per year	Maldives Green Tax (US$12 per night, more than US$110 million in 2025); Belize Protected Areas Conservation Trust (PACT) Conservation Fee (US$20 per departure, ~US$6 million per year); Barbados Tourism Levy Act 2019-57 (Room Rate Levy + Product Development Levy)	Maldives Inland Revenue Authority, 2025; PACT, 2025; Barbados Revenue Authority, 2019
Blue economy: fisheries access fees and prospective seabed royalties	SIDS hold sovereign rights over vast Exclusive Economic Zones; existing tuna access fee systems already generate substantial revenue and emerging seabed royalty frameworks may create additional revenue streams subject to International Seabed Authority (ISA) negotiations concluding	US$300–700 million per year (current); ISA-derived revenues prospective only	Pacific Parties to the Nauru Agreement Vessel Day Scheme (~US$500 million annually); ISA Draft Exploitation Regulations (under negotiation, not yet operational)	Bell et al., 2021; FFA, 2025; ISA, 2025
Voluntary carbon and biodiversity credits	SIDS ocean and terrestrial ecosystems generate measurable carbon sequestration and biodiversity value; emerging credit frameworks allow monetisation, though current global market value remains modest and high-integrity supply is concentrated outside SIDS	US$20–100 million per year (high uncertainty)	Global voluntary carbon market valued at approximately US$1.4 billion in 2024 with more than 180 million credits retired; OECD Policy Instruments for the Environment database tracks biodiversity-positive economic instruments across more than 140 countries	Forest Trends Ecosystem Marketplace, 2025; OECD, 2024b

Revenue stream	Rationale	Indicative annual scale across SIDS	Existing precedent	Source
Diaspora bond schemes	Voluntary bond contributions from diaspora communities above and beyond remittance transfers, motivated by sovereign development mandates	US$10–50 million/year	State of Israel Bonds (US-based, raised approximately US$1 billion annually pre-2023, exceeding US$2 billion annually 2023–2025); India's three diaspora-targeted issuances (India Development Bonds 1991, US$1.6 billion; Resurgent India Bonds 1998, US$4.2 billion; India Millennium Deposits 2000, US$5.5 billion), all crisis period, one-off issuances rather than annual programmes	Israel Bonds, 2025; Ketkar and Ratha, 2010
Digital economy levies	Modest levies on inbound digital transactions and platform economy activity in SIDS jurisdictions, consistent with OECD digital tax frameworks under negotiation	US$5–20 million/year	OECD/G20 Inclusive Framework Pillar One (Amount A multilateral convention, not yet in force as of 2026); existing unilateral digital services taxes in selected jurisdictions pending Pillar One implementation	OECD, 2023

Note: All figures presented in Table 8 are indicative ranges, based on published data and should not be treated as revenue forecasts for individual SIDS. Our financial projections in Section 4.2 incorporate four main streams (tourism, blue economy, carbon, diaspora bonds) within these ranges. Digital economy levies are excluded from the central case, given the early stage of the underlying revenue base in most SIDS jurisdictions. Sources: Authors' assessment

Each of these revenue streams has SIDS precedents and experiences from other country groups upon which they could be modelled.

The fisheries access fee model is the most well-documented. Through the Pacific Forum Fisheries Agency (FFA), Pacific island states collectively earned approximately US$482 million in licence and access fee revenue in 2020, with annual revenues for the period 2017 to 2019 averaging between US$490 and US$500 million (FFA, 2021). The PNA Vessel Day Scheme component alone is estimated to generate around US$500 million annually (Tauafiafi, 2022). These revenues were negotiated jointly with distant water fishing nations under the Vessel Day Scheme and have more than doubled over the past decade, according to the World Bank (World Bank, 2023b). The FFA model is relevant to the SDRF both as a revenue source and as a governance precedent. It demonstrates that SIDS can collectively manage a sovereign revenue stream, negotiate with commercially powerful counterparties and distribute proceeds among member states through an agreed formula. The emerging royalty framework of the International Seabed Authority (ISA) for deep-sea mining, while still in development, represents a potential additional blue economy revenue stream for SIDS with relevant seabed jurisdiction (ISA, 2025). Of the approximately US$500 million currently earned annually by Pacific states through the FFA-administered access fee system, only a portion would realistically be redirected to a regional endowment, since these revenues already accrue to member governments under existing distribution arrangements. Our model assumes a Year 10 blue economy contribution of approximately US$125 million, reflecting a conservative estimate of redirected fisheries revenue alongside emerging seabed royalty flows.

Tourism departure and accommodation levies have the strongest precedent in the Caribbean and Indian Ocean SIDS. Barbados's Room Rate Levy and Product Development Levy under the Tourism Levy Act 2019, the Maldives Green Tax (US$12 per person per night for resorts and large guesthouses and US$6 per night for smaller guesthouses on inhabited islands following the 14th amendment to the Maldives Tourism Act) and Belize's Protected Areas Conservation Trust funded in part through departure taxes, all demonstrate that visitor levies can be implemented at scale (Maldives Inland Revenue Authority, 2025; PACT, 2025; Barbados Revenue Authority, 2019). We have projected the indicative revenue range of US$100–300 million per year across SIDS to reflect the wide variation in tourism volumes between large Caribbean

destinations and smaller Pacific and African island states. Our model has assumed a gradual ramping up in this stream from Year 3 onwards, reaching approximately US$200 million by Year 10 as broader SIDS participation is achieved.

Carbon and biodiversity credits require the most cautious assessment. The voluntary carbon market has experienced significant volatility in recent years, with transaction volumes contracting by 56% between 2022 and 2023, following media scrutiny and concerns about the integrity of certain offset methodologies, particularly REDD+ (reducing emissions from deforestation and forest degradation) credits, which lost 62% of their value year on year (Forest Trends Ecosystem Marketplace, 2025). In 2024, the market continued to contract in volume terms by approximately 25%, although average prices declined only modestly by around 5.5% and credit retirements held broadly steady, suggesting that underlying demand for high-integrity credits has remained resilient (Forest Trends Ecosystem Marketplace, 2025). Ocean carbon sequestration credits and biodiversity credits are at an earlier stage of methodological development than terrestrial REDD+ credits. We have presented a US$20–100 million revenue range as a broad indicative estimate, reflecting the potential scale if credit frameworks mature and SIDS are able to access them on equitable terms, not as a near-term revenue forecast. The lower end of the range is achievable within the model's ten-year horizon if current pilot programmes in ocean carbon and mangrove sequestration credits develop as projected. The upper end depends on market conditions and policy developments that cannot be reliably forecasted. Our model has assumed that this stream would develop gradually from Year 3 onwards and reach approximately US$75 million by Year 10. This assumption considers that the ocean carbon and mangrove sequestration credit framework would mature substantially over the ten-year horizon, alongside biodiversity credit methodologies. If these frameworks develop more slowly, the realised contribution will sit closer to the lower end of the range.

Diaspora bonds represent a smaller but well-established revenue stream. Israel's State of Israel Bonds programme has raised approximately US$1 billion annually in worldwide sales over most of the past decade and exceeded US$2 billion annually in each of the three years from 2023 to 2025, demonstrating the long-run viability of voluntary sovereign bond instruments oriented towards diaspora identity and homeland investment (Israel Bonds, 2025). India's three diaspora-targeted issuances raised approximately US$11.3 billion in aggregate (India Development Bonds 1991, US$1.6 billion; Resurgent India Bonds 1998, US$4.2 billion; India Millennium Deposits 2000, US$5.5 billion), although these were one-off issuances rather than an annual programme (Ketkar and Ratha, 2010). For SIDS, the scale would be more modest, given smaller diaspora populations, but the emotional connection between SIDS diaspora communities and their home countries provides a credible motivational basis for voluntary bond participation beyond the platform transfer itself.

The digital economy levy is the smallest and least tested of the five streams, reflecting the early stage of domestic digital economy regulation in most SIDS. As digital platforms and the platform economy grow in SIDS markets, a modest levy on inbound digital transactions, consistent with the OECD/G20 Inclusive Framework's Pillar One Amount A multilateral convention (OECD, 2023), could present a future revenue opportunity.

Even partial mobilisation of these five streams alongside platform revenue from remittances can substantially increase the endowment fund. Under our central assumption that all four streams ramp gradually over Years 2 to 10 (alongside an initial 1:1 matching grant in Years 1 to 5), the bolstered endowment would reach approximately US$5.5 billion by Year 10, generating an annual distributable surplus of approximately US$306 million. This is more than double the platform-only base case.

4.3 Using the endowment as leverage to draw in MDB and private finance

Once established at sufficient scale, the SDRF endowment would enable SIDS to leverage it to access other forms of capital currently unavailable to them individually. We have modelled three leverage mechanisms in order of the certainty of their leverage ratio: (1) MDB guarantee leverage, (2) sovereign green bond issuance and (3) first-loss blended finance capital. Based on our calculations, under the moderate/base scenario at Year 10, these three mechanisms can mobilise an estimated US$1.32 billion in additional annual capital for SIDS climate resilience, on top of the US$143 million direct distributable surplus, from sources that currently have no effective pathway to deploy capital at scale in individual SIDS. It is important to note that none of these mechanisms is currently available to SIDS at the scale presented here. This is because each one is conditional. It requires a guarantee, collateral or first-loss capital to attract MDB or private finance, which individual SIDS are not able to provide. The SDRF, as a jointly owned sovereign asset, can address that gap. The US$1.32 billion is therefore not an alternative to the SDRF. It is what the SDRF, once established, would enable SIDS to leverage.

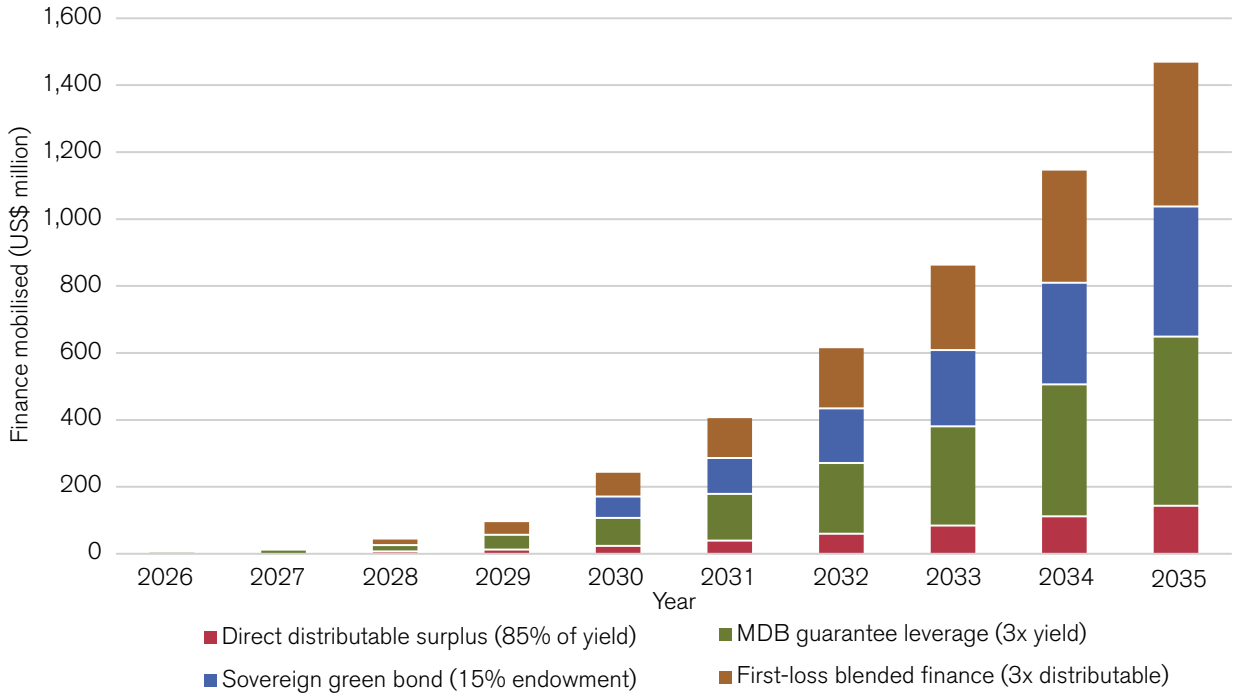
The most straightforward mechanism would be the use of the endowment's annual investment yield as collateral for MDB guarantee instruments. The Multilateral Investment Guarantee Agency (MIGA) has reported a portfolio-level leverage ratio of approximately 15:1 on its operating capital across its full guarantee book (MIGA, 2025) and IFC blended finance analysis has identified sovereign-backed guarantees as a category that can mobilise additional concessional and near-concessional MDB lending (IFC, 2024). Direct multipliers between guaranteed amount and additional MDB-intermediated lending for sovereign-backed structures of the kind proposed for the SDRF are not consistently published in the literature. We have therefore adopted a leverage multiplier of 3x as a conservative modelling assumption, well below the MIGA aggregate, recognising that institution-wide leverage is not directly transferable to a single facility. Applied to the SDRF's Year 10 annual yield of approximately US$169 million, this 3x multiplier would enable approximately US$506 million in additional MDB-intermediated capital for SIDS climate infrastructure at rates that individual SIDS cannot access through bilateral borrowing. MDBs may find it expensive to lend to individual SIDS because their sovereign creditworthiness is uncertain. The SDRF endowment could address this concern by providing guarantees from a jointly owned sovereign asset. In effect, it would be able to pool the creditworthiness of participating SIDS in a way that individual governments cannot.

The second mechanism would use the endowment income stream as the basis for sovereign green bond issuance. The global green bond market surpassed US$3 trillion in cumulative issuance in early 2025 (Meng and Clements, 2025), with the broader sustainable debt market reaching a record annual issuance, according to the Climate Bonds Initiative's 2024 market data (Climate Bonds Initiative, 2025). But SIDS are almost entirely absent from this market. Individual island economies are too small to access institutional bond markets, whose minimum issuance size, credit rating requirements and legal costs pose prohibitive entry barriers for sovereigns with a GDP below US$5–10 billion. The Climate Bonds Initiative's certification standards for sovereign green bonds under Standard V4.1 would, however, be achievable by the SDRF (Climate Bonds Initiative, 2024). As a collectively owned endowment with US$2.59 billion in principal at Year 10 and a documented, audited yield history, SDRF would be in a position to issue green bonds on behalf of participating SIDS. In our projections for the SDRF, we have assumed the green bond mechanism will activate from Year 5, once the endowment has established a three-year yield track record, and assumed issuance at 15% of endowment principal. This is a conservative ratio consistent with standard sovereign bond issuance practice. At Year 10, this would generate approximately US$389 million in additional capital at bond market rates, without adding to individual SIDS sovereign debt. This bond would be an obligation of the collective SDRF vehicle, not of any individual member state government.

The third mechanism is to deploy a portion of the annual distributable surplus as first-loss capital in blended finance structures, in other words, structures that combine concessional public capital with commercial investment, with a view to attracting private investment into SIDS climate infrastructure. A concessional first-loss tranche would absorb initial losses in a portfolio, reducing the expected loss for commercial co-investors to a level consistent with their required return and thereby unlocking private capital that would not otherwise enter the market. The blended finance network Convergence has reported a global average of US$4.10 in commercial capital mobilised for every US$1 of concessional capital across its blended finance database (Convergence Blended Finance, 2022). However, mobilisation ratios in fragile states and small economies are systematically lower than this global average, reflecting higher perceived risk, thinner project pipelines and weaker institutional absorptive capacity (OECD/UNCDF, 2020). We have, therefore, calibrated the SDRF first-loss leverage at 3x rather than the global average. This is because the SDRF-eligible jurisdictions would be predominantly within the lower mobilisation segment of the Convergence dataset. When we applied the 3x leverage ratio to the SDRF's Year 10 distributable surplus, the model projected approximately US$430 million in total blended finance investment mobilised annually for SIDS climate infrastructure. If we applied the unadjusted Convergence global average of 4x, then this third mechanism would mobilise approximately US$573 million and total annual finance mobilised would rise to approximately US$1.61 billion.

Figure 5 shows the total finance that could be mobilised annually under the three mechanisms, alongside the direct distributable surplus for the moderate/base scenario over the full ten-year period. The numbers build slowly in the early years. Mechanism 1 activates from Year 1 once yield turns positive, mechanism 3 from Year 3 and mechanism 2 from Year 5. The totals then accelerate as the endowment compounds and the yield base grows.

Figure 5. Total finance mobilised through three leverage mechanisms under a moderate/base scenario, 2026–2035



Source: Authors' calculation

Based on our calculations, by Year 10 under the moderate/base scenario, the three mechanisms combined could mobilise approximately US$1.32 billion in additional annual capital beyond the US$143 million direct distributable surplus, bringing total annual finance mobilised through the SDRF to approximately US$1.47 billion. The aggregate leverage ratio at Year 10 is approximately 10x, with the three individual mechanisms contributing 3x (MDB guarantee), 2.7x (green bond) and 3x (first loss) on their respective bases.

It is important to note that none of the leveraged capital would add to individual SIDS sovereign debt. The MDB guarantee exposure would sit against the endowment income stream, not against individual government balance sheets. The green bond obligation would be a collective SDRF vehicle liability. The first-loss facility would absorb losses from the distributable surplus deployed as concessional capital, before any call is made on participating governments. For the more than 40% of SIDS already in or near debt distress, this distinction becomes important. It would allow them to mobilise finance at a scale without adding to their existing sovereign debt burden, which already constrains their spending on resilience. This feature will make the leverage model genuinely additive rather than debt-accumulating.

We have sequenced the leverage mechanisms to activate as the endowment matures. It is also important to note that the SDRF model itself would not depend on leverage to be viable, as it would depend on platform revenue. The leverage would be available because the endowment exists and would generate a credible yield. The leverage should therefore be treated as a potential additional benefit that the endowment would create, rather than a condition for the model's viability.

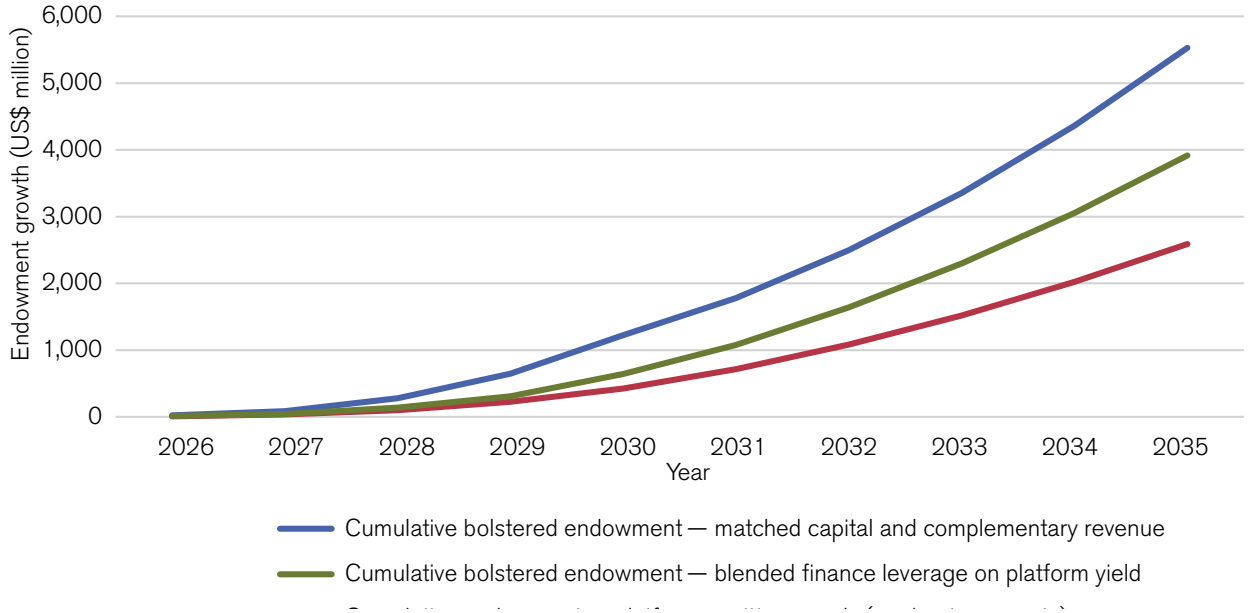
4.4 What the bolstered fund would look like

In this section, we provide a single quantified picture of what the fund would look like at Year 10, assuming the platform succeeds at moderate scale, matched capital is secured in Years 1–5 and three of the five complementary revenue streams are partially mobilised at conservative estimates.

In Figure 6, we show the cumulative endowment principal under three configurations over the ten-year horizon, illustrating the compounding effect of matched capital, complementary revenues and leverage mechanisms when applied alongside the platform.

In Table 9, we provide a comparison between the endowment principal, annual yield, distributable surplus and total finance mobilised across three options: platform-only, bolstered with matched capital and complementary revenue and bolstered with leverage, under the moderate/base scenario.

Figure 6. SDRF endowment growth under three configurations, 2026–2035



Source: Authors' calculation

Table 9. SDRF at Year 10: platform only vs bolstered vs bolstered with leverage (moderate/base scenario)

Item	Platform only	Bolstered (platform plus matched capital plus complementary revenues)	Bolstered with leverage (all three mechanisms)
Cumulative endowment principal (US$ million)	2,592	5,532	5,532
Annual investment yield at 6.5% (US$ million)	169	360	360
Distributable surplus, direct grant (US$ million)	143	306	306
Shock-responsive reserve (US$ million)	25	54	54
MDB guarantee leverage (3 times yield) (US$ million)	–	–	1,079
Green bond proceeds, annual issuance (US$ million)	–	–	830
First loss blended finance (3 times distributable) (US$ million)	–	–	917
Total finance mobilised annually (US$ million)	143	306	3,131
Leverage ratio (total/direct grant)	1.0x	2.1x	10.2x

Source: Authors' calculation

The table illustrates the following trend: matched capital and complementary revenues would approximately double the Year 10 endowment, from US$2.59 billion to approximately US$5.53 billion, and approximately double the annual distributable surplus from US$143 million to approximately US$306 million. This would be achieved with a 1:1 matched capital over five years (which adds up to approximately US$400 million on the moderate/base scenario, with an upfront commitment threshold of US$50–100 million, as described in Section 4.2) and partial mobilisation of three complementary revenue streams at conservative estimates.

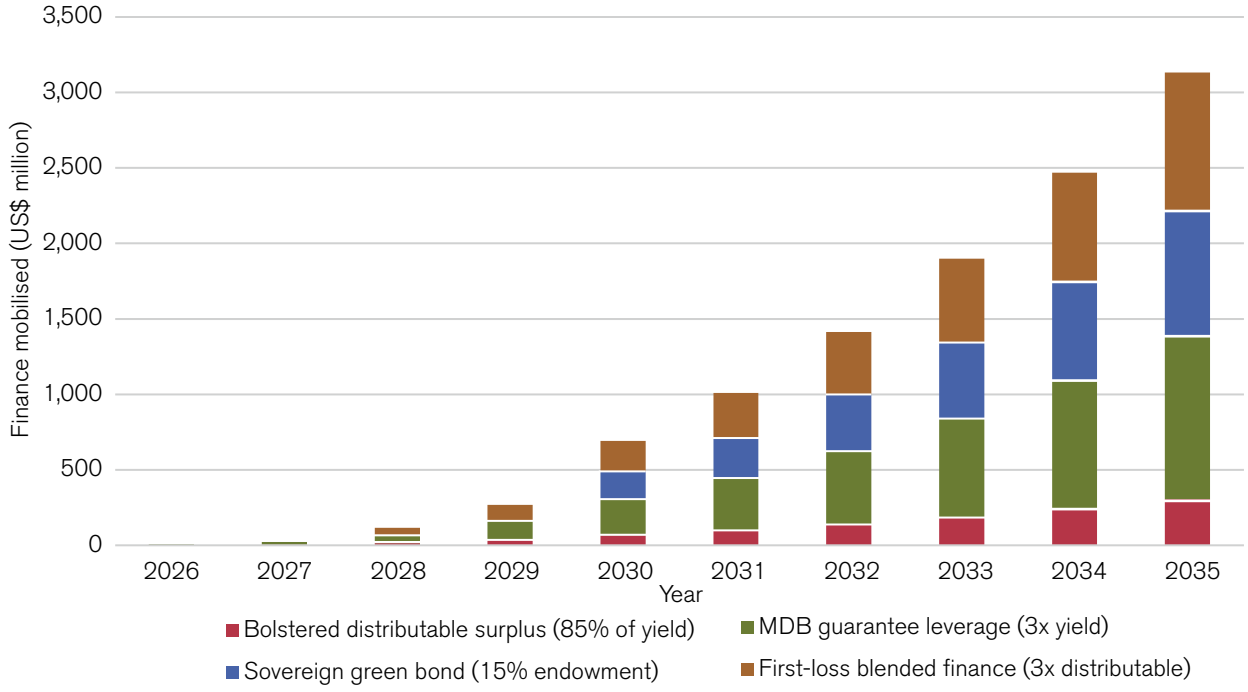
The total finance mobilised figure of approximately US$3.13 billion per year in the bolstered-with-leverage case requires careful interpretation. It is not US$3.13 billion in grants. It includes approximately US$1.08 billion in MDB-guaranteed lending and US$830 million in green bond proceeds, capital that is leveraged by the endowment's collateral and credibility. But these funds must ultimately finance specific projects and would generate financial obligations for the borrowing entities, even if those obligations sit at the collective SDRF-vehicle-level rather than on individual SIDS government balance sheets. The first-loss blended facility of approximately US$917 million would mobilise private investment alongside the SDRF's concessional capital and would itself generate returns to commercial co-investors. The direct grant component, the distributable surplus that flows unconditionally to participating SIDS governments through the allocation formula, would remain US$306 million per year in the bolstered case. The leverage mechanisms would amplify the total finance mobilised substantially, but the character of the capital would change as the leverage ratio increases.

The aggregate Year 10 leverage ratio of approximately 10x reflects the simultaneous application of three distinct mechanisms (MDB guarantee, sovereign green bond, first-loss blended facility) to the same bolstered endowment base. In practice, these mechanisms may compete for the same underlying collateral and the practical, achievable leverage will depend on how the endowment's principal, yield and distributable surplus are sequenced and allocated across mechanisms by the SDRF Board. The 10x figure should therefore be read as the upper bound of what the model could permit, rather than as a guaranteed deployable result. Our financial projections rely on the direct grant figure of US$306 million per year as the conservative base case. The leverage figures illustrate the additional capital that could become available as the endowment matures and demonstrates a credible track record. As an upside, applying the unadjusted Convergence global average of 4x (Convergence Blended Finance, 2022) to the first-loss mechanism would lift the third mechanism mobilisation to approximately US$1.22 billion and total annual finance mobilised in the bolstered-with-leverage case to approximately US$3.44 billion at Year 10.

The composition of leveraged finance mobilised would change meaningfully over the ten-year period as different mechanisms come online. Figure 7 shows the annual contribution of each component under the bolstered case, with MDB guarantee leverage activating from Year 1, first-loss blended finance from Year 3 and sovereign green bond proceeds from Year 5.

When the leverage mechanisms are included, the SDRF at Year 10 in the bolstered case would mobilise approximately US$3.13 billion per year, around 1.5 times the approximately US$2.1 billion in international public adaptation finance currently flowing to SIDS from all sources combined (Lee et al., 2025), providing a structural shift in both the volume and the character of capital available for SIDS climate resilience.

Figure 7. Annual finance mobilised under the bolstered case by leverage component, 2026–2035



Source: Authors' calculation

5

SDRF implementation pathway

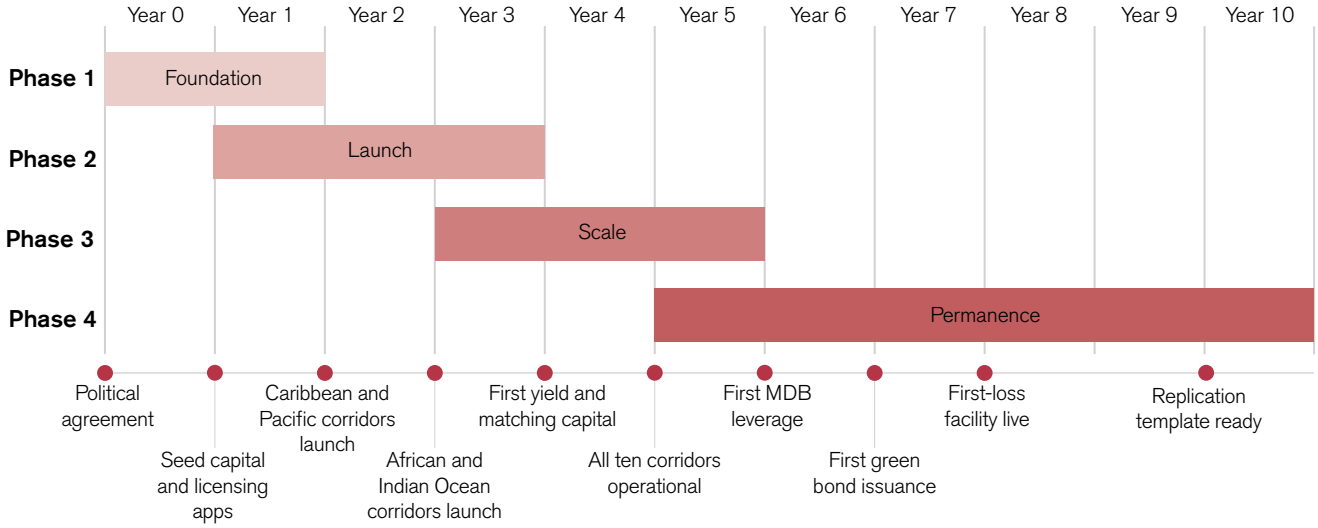
FFD4, held in Sevilla, Spain, in 2025, adopted the Sevilla Commitment, the first intergovernmentally agreed financing-for-development framework in a decade (UN, 2025). The Commitment acknowledged the scale of the structural financing challenge facing SIDS but did not resolve it. The SDRF is designed to address that gap through sovereign action rather than waiting for the international system to do so. The seed capital required to begin is modest and within reach. In this section, we set out the pathway to making SDRF operational. We cover the phased action required, from seed capital to becoming self-sustaining, three specific asks of the international community and the conditions under which the model could be replicated by LDCs and other climate-vulnerable developing nations.

5.1 A phased action agenda: Years 0–10

The full operationalisation of SDRF will need to happen in four phases over ten years. Each phase would have defined entry conditions, specific deliverables and identified lead actors. These phases will be sequential, but the actions within each phase will run in parallel.

Figure 8 illustrates the phased implementation pathway from political agreement in Year 0 through to a permanent sovereign endowment by Year 10, with the key transition milestones shown along the bottom axis.

Figure 8. Phase implementation timeline for SDRF



Note: Phases overlap by one year, reflecting transition periods (corridor launch, capital deployment). Source: Author

In Table 10 we provide the operational details for each phase: specific actions, lead actors and critical dependencies.

Table 10. SDRF phased action agenda, 2025–2035

Phase	Years	Key actions	Lead actors	Critical dependencies
Phase 1: Foundation	2025–2026 (Years 0–1)	Political agreement among founding SIDS regarding governance framework and board composition. Seed capital secured (US$15–20 million). Regulatory licensing applications initiated in US, UK, EU and Australia. Platform technical build begins. Legal establishment of the endowment vehicle anchored within the SIDS Centre of Excellence, and of the platform operating company and endowment fund vehicle by or through AOSIS.	Founding SIDS finance ministries; AOSIS; SIDS Centre of Excellence; philanthropies; MDBs (through grant windows) or FRLD	Seed capital commitment must precede licensing applications. Minimum 4–6 founding SIDS needed for governance quorum.
Phase 2: Launch	2026–2028 (Years 1–3)	Platform live in the four Caribbean corridors (US to the Dominican Republic, Haiti, Jamaica and Guyana). Operating break-even reached in Year 1, with full seed capital recovery by Year 2. Endowment accumulation begins. Pacific corridors (Fiji, Samoa, Tonga) added in Year 2. African island corridors (Comoros, Cabo Verde, Mauritius) added in Year 3. First endowment yield generated.	SDRF Board; Platform operating company; AOSIS; CARICOM	US money transmitter licensing must be in place before Caribbean launch. Pacific corridor launch requires AUSTRAC remittance registration for Australia and DIA reporting entity registration under the AML/CFT Act for New Zealand.
Phase 3: Scale	2028–2030 (Years 3–5)	All 10 corridors operational. Endowment principal reaches approximately US$427 million. Matched capital from FRLD and philanthropic co-investors secured and flowing. First MDB guarantee leverage transactions completed. SDRF disbursement formula applied for first annual allocation to participating SIDS.	SDRF Board; GCF; FRLD; philanthropic co-investors	Matched capital commitment required by end of Year 2 to maximise compounding effect in Years 3–5.
Phase 4: Permanence	2030–2035 (Years 5–10)	Endowment compounds towards US$2.6 billion under base case. Annual distributable surplus reaches approximately US$143 million per year. Sovereign green bond issuance backed by endowment income stream. First-loss blended finance facility operational. Model governance and financial architecture documented for LDC replication.	SDRF Board; MDB partners; United Nations Conference on Trade and Development; Climate Bonds Initiative	Green bond issuance requires three-year yield track record. LDC replication documentation requires fully operational SDRF as template.

Sources: Authors' analysis

5.2 Three specific asks: FFD4, seed capital and regulatory facilitation

Operationalising the SDRF would require three elements of support from the international community. None of them constitutes a request for sustained donor dependency. Each is a specific, time-bound, verifiable commitment that would enable a sovereign mechanism to reach a scale at which it would no longer require external support. We have set them out here as 'asks' that can be tracked (with named institutions, specified amounts and defined timelines) rather than as general advocacy for better climate finance.

Ask 1: Seed capital (US$15–20 million to launch)

Four major financing initiatives have programme windows designed to support innovative financing mechanisms in climate-vulnerable SIDS:

- The World Bank's International Development Association (IDA) windows for small states, operating through the Small States Exception eligibility framework and the IDA Private Sector Window's Blended Finance Facility
- The Asian Development Bank's Innovative Finance Facility for Climate in Asia and the Pacific
- The Caribbean Development Bank's Special Development Fund, currently in its 11th cycle (2025–2028), with at least 35% of the US$460 million envelope earmarked for climate action, and
- The FRLD.

Major philanthropies with established programmes in climate resilience and development finance, including the Gates Foundation, the Children's Investment Fund Foundation, the Bezos Earth Fund and Bloomberg Philanthropies, represent an equally relevant category of potential seed capital provider. Several have previously committed capital to country-led financing mechanisms and catalytic institutional infrastructure in vulnerable developing countries. We ask that one or more of these institutions, whether multilateral or philanthropic, formally commit US$15–20 million in Year 1 startup funding covering pre-launch licensing costs, Year 1 operating costs before break-even and the working capital buffer required to bridge the seed capital period. The SDRF will be able to recover seed capital by Year 2 and will never require further external subsidy. The seed capital support needed is modest relative to the annual disbursement capacity of any institution named above and it would generate a permanent sovereign asset for SIDS that no conventional project grant of the same size can replicate.

Ask 2: Regulatory facilitation (a streamlined pathway for sovereign-owned development platforms)

Commercial remittance operators access the payments system through licensing frameworks designed for profit-driven financial institutions operating in competitive markets. The SDRF platform will be a sovereign-owned, development-purpose institution whose operating margin would flow in its entirety to a climate resilience endowment owned by the governments of the recipient countries. It does not present the same risk profile as commercial operators and therefore their risk profile should not be regulated at the same level. We ask that the Financial Action Task Force and relevant national regulators, including the Financial Crimes Enforcement Network (FinCEN) and the National Multistate Licensing System consortium of state money transmitter regulators in the US, the FCA in the UK, AUSTRAC in Australia and the Department of Internal Affairs in New Zealand, provide a streamlined licensing pathway to the SDRF. This is not a request for deregulation or an exemption from AML/CFT compliance requirements. It is a request for appropriate risk calibration, lower processing timelines and reduced surety bond requirements for an institution with sovereign government ownership, a public development mandate and no commercial profit motive.

Ask 3: Matching capital (a five-year commitment from FRLD and GCF)

To initiate this far-reaching global initiative, we ask that the FRLD and GCF commit to matching SDRF endowment contributions on a 1:1 basis for the first five years of operation. The upfront commitment threshold is US$50–100 million in aggregate; that could be structured as a matching guarantee or drawdown facility against verified platform margin transfers. On the moderate/base scenario, the actual matched capital drawn over the five years would total approximately US$400 million. Based on our calculation, this five-year matching commitment would lift the Year 10 endowment principal from approximately US$2.59 billion (platform only) to approximately US$3.18 billion, and the annual distributable surplus from approximately US$143 million to approximately US$176 million, a 23% uplift on the

platform-only base. The governance framework for managing such a commitment already exists: the DSSS model, under which SIDS governments collectively administer a financial support mechanism, can provide the institutional template for how matched capital from climate funds can be incorporated into SDRF governance without creating donor dependency or conditionality (see Box 1).

Box 1. The DSSS connection: two sides of the same structural reform

The SIDS Centre of Excellence is an intergovernmental institution created by SIDS *for* SIDS under the Antigua and Barbuda Agenda for SIDS to drive resilient prosperity. One of its four pillars is the DSSS, which addresses the liability side of SIDS's fiscal position, providing debt sustainability analysis, insurance coverage and negotiation support to reduce the burden of legacy debt that constrains public investment in climate resilience. The SDRF endowment is proposed to be anchored within the same centre and would address the asset side, building permanent sovereign capital that can grow independently of external finance flows, and provide the fiscal foundation for long-term resilience investment. Together, the DSSS and SDRF represent a structural reform of the SIDS's fiscal position that no single instrument can deliver — namely, reducing debt burdens while building sovereign capital, simultaneously and in the same institutional framework. A SIDS government that enters debt-restructuring negotiations supported by the DSSS while simultaneously capitalising a sovereign endowment through the SDRF will be able to address its fiscal vulnerability from both directions at the same time.

5.3 Conditions for replication beyond SIDS

The design and feasibility of the SDRF do not depend on any feature unique to SIDS. They depend on three conditions: (1) a large diaspora generating concentrated, high-volume remittances; (2) sufficient digital infrastructure in primary sending countries to support a competitive digital payments platform; and (3) the governance capacity among recipient country governments to establish and collectively manage a sovereign fund. The SDRF model can therefore be replicated in any country context where these three conditions are met. Unlike the SIDS case, where small economies pool into a single collective fund, a large LDC would most likely establish its own national fund on a similar model, as its economy would have sufficient scale to support a fund on its own.

Several LDCs meet these conditions and would be strong candidates for a national fund of this kind. Bangladesh's remittance inflows reached approximately 5.2% of GDP in 2023. The corridor profile is similarly concentrated, with Saudi Arabia, the United Arab Emirates, Qatar, Oman, Kuwait and Bahrain as the dominant Gulf sources and the US and the UK contributing significant secondary flows. Nepal's remittance-to-GDP ratio reached approximately 26.6% in 2023, the highest in South Asia and the sixth highest globally. Total inflows were approximately US$11 billion. Qatar, Malaysia and other Gulf states are the primary sending corridors, alongside significant flows from India, the US and the UK. Ethiopia, with a large and growing diaspora concentrated in the US, Saudi Arabia and Israel (which together account for approximately 65% of remittance flows), with secondary flows from the UK and Italy, has seen remittance flows grow rapidly to approximately US$5–6 billion annually, exceeding US$6 billion in fiscal year 2023/24 (UNCDF, 2023; Ethiopian Diaspora Service, 2024). In each case, the corridor concentration, the digital infrastructure in the sending countries and the scale of the fee drain create the basic conditions for a platform model analogous to the SDRF.

Establishing a similar fund in an individual LDC would require adapting the SDRF across at least three dimensions. The governance model would need to be redesigned for a context in which a single country, rather than a collective of small island states, is the primary political entity, which changes accountability, transparency and the relationship between the sovereign fund and the national government. The regulatory approach would need to reflect the different corridor structure. Gulf corridors, for example, operate under regulatory frameworks that differ materially from the US, UK, EU and Australian frameworks that dominate SIDS remittance flows, and the AML/CFT compliance environment in these corridors presents distinct challenges. The political economy of a remittance platform in a large LDC, where the domestic banking sector may perceive the platform as a competitive threat, also differs from the SIDS context, in which domestic financial sector opposition is more limited. These are addressable design challenges, but they require a separate feasibility analysis specific to each country context.

6

Next steps

Climate impacts are accelerating in frequency and intensity, imposing fiscal consequences beyond what SIDS can absorb. At the same time, bilateral aid is contracting, climate fund commitments are declining and MDB lending is adding further to debt burdens. The existing international system is failing to keep pace with these mounting pressures.

The SDRF offers a different pathway to address this funding challenge. It does not ask the international community for more of what it has already failed to deliver. It asks for something specific, time-bound and modest relative to the scale of what it would mobilise. The fund would build a permanent sovereign asset alongside external flows that will grow well beyond the modelled ten-year horizon as the endowment compounds.

The mechanism is ready to build, with a complete analysis and cost breakdown. What is required now is coordinated action from three groups of actors.

- **SIDS governments** need to commit to building the platform and creating an endowment fund for resilience and development finance. A founding group of four to six governments representing different regions, making a formal political decision to establish the SDRF governance framework, would start this process.
- **MDBs and climate funds** need to recognise the SDRF as eligible for financing.
- **Philanthropies** with climate and development mandates have the flexibility to move faster than multilateral institutions and to take the catalytic first-mover role. Their commitment to the seed capital or matched-capital facility would compress the launch timeline and demonstrate to other co-investors that the model has credible backing.

A world in which SIDS hold a sovereign endowment fund asset will shift the development and climate finance conversation: from how much donor governments will contribute to how that sovereign capital can be compounded, matched or leveraged to fund their own resilience. We have provided the design and costing of the financial architecture to make it operational. What is needed now is the political decision to begin.

Appendix 1. Assumptions used in the development of the SDRF endowment model

In this appendix, we explain the assumptions used in the development of the SDRF endowment projections. The table below lists each assumption with its central value. These assumptions and their values are explained in detail in the rest of the appendix.

Table A1. Assumptions and values used in the development of the SDRF endowment model

Item	Value
Addressable market ceiling — share of remittance flows reachable digitally	55%
Platform fund margin retained for the endowment (base case)	3%
Margin floor — competitive pricing scenario	2%
Margin ceiling — Pacific corridor scenario	5%
Moderate investment return on the endowment portfolio (base case)	6.5%
Low return on the endowment portfolio	4%
High return on the endowment portfolio	9%
Share of annual yield distributed to SIDS governments	85%
Share retained as a shock-responsive reserve	15%
Steepness of the adoption curve	0.80
Year in which adoption reaches its inflection point	Year 4
Conservative ceiling on platform market capture	40%
Moderate ceiling on platform market capture	60%
Optimistic ceiling on platform market capture	80%
External seed capital required to launch (one-off)	US$17.5 million
Bonds/global equity/gold allocation	15%/60%/25%

Addressable market ceiling

55% of total SIDS remittance flows are addressable by a digital platform

Why this value? The SDRF is proposed to be a digital remittance platform. To use it, the sender will need a way to fund the transfer (a bank account or card) and the recipient needs a way to receive it (a bank account, mobile money wallet or a similar transaction account). Across the 35 SIDS receiving countries in the model, roughly half of all adults have such an account. The SIDS-wide weighted average is approximately 55% and we have used that figure as the ceiling on what a digital platform could ever capture, even in the long run.

The remaining 45% of flows are predominantly served by cash agents in remote communities, by people without bank accounts and by senders or recipients who prefer in-person service. These flows have not been considered in our model. By holding this ceiling fixed at 55% across the ten-year horizon, the model is conservative, given that ownership in the largest SIDS corridor (the Dominican Republic) rose from 51.3% in 2021 to 64.8% in 2024, suggesting the actual ceiling will rise rather than fall over time.

Where it comes from: The World Bank's Global Findex Database 2025, released in July 2025, reports country-level account ownership for 141 economies, including direct survey data for the Dominican Republic, Mauritius and Comoros (World Bank 2025d). For SIDS not covered directly, we used Findex regional benchmarks (LAC, Sub-Saharan Africa, East Asia and the Pacific) (World Bank, 2025c) and Pacific Financial Inclusion Programme survey data (PFIP, 2015a; PFIP, 2015b; PFIP, 2016) as proxies. We then weighted each corridor by its share of total SIDS remittance volume to produce the 55% portfolio average.

Platform fund margin

3% of every transaction, of which approximately 2 to 2.5 percentage points flow to the endowment after operating costs

Why this value? In Q1 2025, the simple average price charged by MTOs was 5.04% of the amount sent and the digital-only MTO Index (Wise, Remitly, WorldRemit, InstaReM, Xoom) was 3.55%. The gap between these two figures, roughly 1.5 percentage points, is the pricing space a new digital entrant has to work with.

The SDRF platform aims to charge the sender approximately 3% all-in, which undercuts both the MTO average and the digital-only average in most corridors. After deducting platform operating costs of approximately 0.5–0.8% at Year 3 scale, the residual margin available for the endowment is approximately 2–2.5%. The 3% base assumption sits at the upper end of this range and reflects steady-state operations once the platform has reached scale in its launch corridors.

Where it comes from: World Bank Remittance Prices Worldwide, Issue 53 (World Bank, 2025a) and Issue 54 (World Bank, 2025d) for the global, MTO, digital MTO and Global SmaRT averages.

Investment return (base case)

6.5% per year, on average, on the endowment portfolio

Why this value? The 6.5% base case is set deliberately below two of the most directly comparable institutional benchmarks. Norway's Government Pension Fund Global, the world's largest sovereign wealth fund, has produced a ten-year annualised return of 7.25%, measured in its currency basket as at 31 December 2024. The 657 US college and university endowments in the 2025 NACUBO Commonfund Study reported a ten-year average annual return of 7.7%. Setting the SDRF's base assumption at 6.5% reflects a conservative estimate, given that the SDRF is a new institution without the scale or track record of either comparator.

The 6.5% figure is also consistent with the internal arithmetic of the assumed portfolio mix (15% bonds, 60% equity, 25% gold), which produces a weighted average of approximately 6.1%, with compounding and rebalancing premiums adding the additional 0.4 percentage points to reach 6.5%. The assumption is therefore conservative on multiple grounds: below both external benchmarks and including only modest portfolio-level enhancements.

Where it comes from: Norges Bank Investment Management Annual Report 2024 (Norges Bank Investment Management, 2025). NACUBO Commonfund (2026) Study of Endowments for the ten-year university endowment averages.

Investment return (low case)

4% per year in a prolonged low-return environment

Why this value? The 4% low assumption is a stress-test scenario. It represents a sustained environment in which neither equities nor bonds significantly outperform their long-run real rate floors. It is included to test the endowment's resilience to a scenario in which markets disappoint for an extended period.

Where it comes from: This is our own derivation rather than an external benchmark. We have applied a sustained low-return environment to the model's 15/60/25 portfolio: equities held near their long-run real rate floor and suppressed bond yields produce a blended return of approximately 4%.

Investment return (high case)

9% per year in a strong equity environment

Why this value? The 9% high case represents a favourable equity environment but is itself conservative relative to recent history. Over the ten years to end-2024, the S&P 500 delivered an average annualised return of approximately 13% and global equity indices delivered comparable returns over similar periods.

It is included to show that even an optimistic but plausible scenario does not require heroic assumptions. It is consistent with the upper range of published university endowment returns for smaller institutions and with equities sustaining returns above their long-run average over a ten-year horizon.

Where it comes from: This is our own derivation. We have applied a strong equity environment to the same portfolio: blending a 60% equity allocation at the return levels the S&P 500 delivered over the ten years to end-2024 with the bond and gold allocations produces a portfolio return of approximately 9–10%. The 9% assumption is at the lower end of that range.

Share of annual yield distributed to SIDS governments

85% of each year's investment return is distributed, the principal is not spent

Why this value? The model distributes a percentage of each year's investment yield, not a percentage of total endowment assets. This is a more conservative approach than standard endowment practice because it means the principal is preserved in full, regardless of market movements. If the endowment yields nothing in a given year, nothing is distributed. The principal is still intact for the next year.

Within that framework, distributing 85% of the yield to participating SIDS governments is at the upper end of standard endowment practice. The comparison needs a common basis, because endowment spending rates are normally quoted as a share of assets rather than a share of yield. The average effective spending rate across the 657 institutions in the 2025 NACUBO Commonfund Study was 4.9% of endowment assets, which, at those institutions' 7.7% ten-year average return, is equivalent to distributing roughly 64% of a typical year's yield. The SDRF's 85% distribution, at the model's 6.5% base return, is equivalent to approximately 5.5% of assets. On either basis, the SDRF distributes more of its return than standard endowment practice, maximising the income flowing to SIDS while still retaining a 15% buffer for the shock-responsive reserve (which is explained in the next entry).

Where it comes from: NACUBO Commonfund (2026) Study of Endowments for the 4.9% average effective spending rate across US higher education endowments. Standard perpetual endowment management practice (3–5% of assets distributed per annum, with corpus preserved).

Share retained as a shock-responsive reserve

15% of yield retained each year, accumulating into a liquid reserve

Why this value? Climate disasters in small island states are uniquely destructive relative to the size of the economies they hit. When such an event occurs, the country's most acute problem is not eventual reconstruction finance, which can take years to mobilise, but immediate liquidity in the days and weeks after the event.

The 15% retained yield builds, over time, a liquid reserve that can be deployed rapidly when a qualifying climate event occurs in a participating SIDS. The reserve is held separately from the endowment principal and is not invested in illiquid assets. By Year 10 in the base case, cumulative retentions would be in the range of US$50–80 million. This figure is the reserve's accumulation capacity, not a projected balance: it assumes no drawdowns, whereas in practice qualifying events are likely within any ten-year period in SIDS. Each drawdown would reduce the reserve, which would then rebuild from subsequent years' retained yield; the 15% retention rule operates continuously rather than targeting a fixed reserve level. Because payouts draw only on the reserve, a disaster response never touches the endowment principal. Even a partially rebuilt reserve would provide meaningful immediate liquidity to a small SIDS facing a major climate event, without replacing the longer-term reconstruction finance that multilateral and bilateral instruments provide.

Investment allocation across asset classes

15% bonds/60% global equity/25% gold

Why this allocation? The portfolio combines three components, each with a specific role. The 15% bond allocation provides a stable, predictable income stream and a liquid component that can be drawn on if the shock reserve needs rapid deployment. The 60% global equity allocation is the primary source of long-term returns and is consistent with comparable sovereign endowment funds (Norway's Government Pension Fund Global holds approximately 70% in equities; mid-sized US university endowments typically hold 40–60% in public equities alongside alternatives). The 25% gold allocation is the most distinctive feature and serves three purposes: protection against inflation over long holding periods, a hedge against the depreciation of SIDS local currencies against the US dollar in which the endowment is held, and protection against systemic financial risks affecting an institution whose owners have no monetary policy lever over the currencies in which their capital is invested.

The 25% gold weighting is non-standard for a growth-oriented endowment and is presented honestly as such. Gold generates no income and its return over any given decade is variable. The SDRF governance framework should treat the 25% allocation as a founding portfolio design choice that is reviewed by the Investment Committee at Year 3, with discretion to reduce the allocation towards a more conventional 10–15% if the SIDS-specific currency risk rationale weakens or if the endowment's scale allows access to other hard asset classes such as infrastructure.

Where it comes from: World Gold Council long-run gold return data (post-1971 annualised return of approximately 8%; 25-year return of approximately 10.9%) and the World Gold Council's Gold's Long Term Expected Returns model (World Gold Council, 2024), which projects an average annual gold return of approximately 5.2% over the next 15 years. Global equity benchmarks are based on the authors' calculation using Morgan Stanley Capital International World Index data (MSCI, 2026), and the bond yield reference on the authors' calculation using Bloomberg Global Aggregate Bond Index data (Bloomberg Professional Services, no date) and the International Forum of Sovereign Wealth Funds Annual Review for sovereign wealth fund asset allocation trends (IFSWF, 2025), including the shift towards hard assets (61% of publicly disclosed sovereign wealth fund direct investments in 2024).

Steepness of the adoption curve

k = 0.80, producing slow early uptake and a sharp acceleration in Years 3 to 5

Why this value? An S-curve has two parameters: how steep the curve is and where its midpoint sits in time. The steepness parameter, k, controls how quickly adoption accelerates once it begins. A k of 0.80 produces a curve that is relatively flat in Years 1 and 2 (compliance build-out, brand trust development, regulatory approval), accelerates sharply through Years 3 to 5 as network effects take hold and diaspora word-of-mouth spreads, then flattens out from Year 6 onwards.

Higher k values (above 1.0) would produce an unrealistically steep early ramp, inconsistent with the regulatory and trust-building constraints that any new financial platform faces. Lower k values (below 0.60) would understate the acceleration that diaspora community networks generate once a critical mass of users is reached. The 0.80 value is calibrated against Remitly's empirical trajectory in the US–LAC corridor, which is the closest available analogue to the SDRF's launch markets.

Where it comes from: The State of the Remittance Industry and an Outlook for 2025 (Orozco, 2025), for Remitly's market share trajectory in the US–LAC corridor.

Year of inflection in the adoption curve

Year 4: The platform will reach its steepest growth phase in Year 4

Why this value? The midpoint of the S-curve, t0, determines when the platform reaches its steepest growth phase. Year 4 is consistent with both the Remitly LAC empirical benchmark, where the platform reached its steepest growth approximately three to four years after material market entry, and with the practical constraints on SDRF ramp-up: Year 1 launches in the Caribbean only, with limited brand recognition; Pacific and African island corridors are added in Years 2 and 3; and the full corridor portfolio is not operational until Year 3.

This means the addressable market itself is expanding through the period when the S-curve would otherwise be at its steepest. Setting t0 at Year 4 accounts for this staggered corridor roll-out. By the time the platform reaches its inflection point, all corridors will be live and contributing to the volume base.

Where it comes from: The State of the Remittance Industry and an Outlook for 2025 (Orozco, 2025) for the Remitly LAC trajectory. UN Economic and Social Commission for Asia and the Pacific (UNESCAP) Working Paper WP-19-08 (Hahm et al., 2019), Finteching Remittances in Paradise, for the Pacific SIDS fintech adoption context.

Market capture ceilings

Three scenarios: conservative 40%/moderate 60%/optimistic 80% of the addressable market

Why these three values? These are the ceilings the S-curve approaches in the long run. Each is applied to the addressable market (55% of total flows), not to total flows directly. So a moderate ceiling of 60% means the platform ultimately reaches 60% of the 55% addressable market, or approximately 33% of total SIDS corridor volume.

The conservative 40% ceiling reflects what a well-executed digital remittance entrant can achieve in a competitive corridor with established digital alternatives already present. By Q4 2024, Remitly held approximately 23% of the total US–LAC market, equivalent to roughly 35 to 45% of the digitally addressable market. The 40% conservative assumption is at the lower end of this range.

The moderate 60% ceiling represents the upper end of what single-region digital fintech entrants have demonstrated. It is the model's base case. It requires approximately two in three digitally ready senders in SIDS corridors to use the SDRF as their primary transfer service over a ten-year horizon. The optimistic 80% ceiling represents near full penetration of the addressable digital market and is presented as the upper bound of the scenario range rather than as a central expectation. The report's conclusions have been interpreted on the moderate case.

Where it comes from: The State of the Remittance Industry and an Outlook for 2025 (Orozco, 2025) for Remitly's approximately 23% share of the total US–LAC market by Q4 2024. Multiple market research sources for the digital channel share of the global remittance market (approximately 48% in 2025, up from 30% in 2021) and the Wise/Remitly combined share of US-origin digital remittance volumes (approximately 29% by 2025). KlickEx company news (KlickEx, 2017) for Pacific corridor processing share of approximately 60% of retail foreign exchange corridors at peak.

External seed capital required

US$17.5 million, the midpoint of a US$15–20 million range

Why this value? The seed capital figure is built from the bottom up across four pre-revenue cost categories. Regulatory licensing applications across the US fifty-state system, the UK Financial Conduct Authority's Electronic Money Institution licence, an EU passportable EMI licence and the Australian Remittance Dealer Certificate cost approximately US$1.05 million in Year 0 application costs. Building the cloud native remittance platform with multi-jurisdictional compliance infrastructure costs US$3–5 million. The Year 1 operating gap, the difference between Year 1 operating costs of approximately US$15.25 million and Year 1 gross revenue of US$5–8 million, requires US$7–10 million in working capital. A further US$2–3 million is needed as a working capital buffer to bridge the timing gap between sender payment and recipient payout. The requirements of these four components have been assumed to be in the range of US$15–20 million as the seed capital.

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Knowledge Products

Research Report
November 2026

Climate change; Policy and planning

Keywords:
Climate resilience, economic resilience, aid spending, climate change adaptation

This report proposes the SIDS Diaspora Resilience Fund (SDRF) as a response to the financing crisis facing Small Island Developing States (SIDS) due to aid cuts and reduction in climate finance. Millions of people from SIDS live and work overseas, and every year they send billions of dollars in remittances back home to their families. A substantial portion of this money is charged as fees by private money transfer companies before it reaches the families. The SDRF would create a SIDS-owned digital remittance platform where the margins would be redirected to create a permanent sovereign endowment fund investing in climate resilience and development. This report sets out why existing finance is failing SIDS, explains how the SDRF would work, demonstrates its feasibility and outlines the actions needed to operationalise it.

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