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Sovereign Trust Funds for Planned Climate Relocations

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Summary

Climate-induced planned relocation is becoming an unavoidable policy issue for some highly exposed communities. Although relocation should remain a last resort after other realistic options for adaptation in place have been assessed, ensuring that the money is available when needed to support relocation is critical. The challenge is that funding is insufficient, drawn from diverse sources and often arrives too late and in fragmented forms: for example, one project for housing, another for infrastructure, and little predictable support for consultation, land negotiations, safeguards, livelihoods, host communities or long-term maintenance. The financing problem is therefore not only the scale of the costs, but the difficulty of organising money over time and across institutions and safeguards. This can leave governments reacting after crises rather than planning before risks become unmanageable.

Sovereign trust funds offer one practical way to address this gap. They do not create finance by themselves, but they can provide a country-owned platform for receiving, sequencing and reporting domestic revenue, bilateral support, multilateral development bank (MDB) finance, climate funds, disaster risk finance, and loss and damage resources. They present an alternative to predominantly loan- and grant-based financing for planned relocation. Fiji's Climate Relocation of Communities Trust Fund shows both the promise and limits of this approach: It provides a legal and institutional basis for relocation finance within government and links international funding to procedures, but it still requires capitalisation, administrative capacity and long-term technical support. The model presents an opportunity to support sovereign, rights-based financing systems rather than relying solely on donor-funded, often piecemeal relocation projects. It can also make funding available at the appropriate time and without undue time pressure.

Key policy messages

- Finance planned relocation before a crisis, especially assessment, consent, land, safeguards and project preparation.
- Treat relocation as a long-term investment in the collective good, rather than solely as a construction or emergency response measure.
- Support sovereign trust funds where they are legally mandated at the national level, budget-linked, transparent and capitalised.
- Use finance to uphold quality and rights, including community-led processes, support for host communities and support for long-term livelihoods.

Introduction: challenges of financing planned relocations

As climate risks intensify, some communities may find themselves living in environments that are becoming increasingly uninhabitable, and eventually may face thresholds beyond which incremental adaptation measures are no longer enough. Planned relocation of communities to safer areas should remain a last resort based on the informed consent of those affected, undertaken only after realistic options to stay safely have been assessed.

However, financing planned relocation is challenging, on both the supply and demand sides. Climate and sustainable finance architectures are still complex and difficult to navigate, and the costs of relocation are often fragmented and require longer-term financial commitments. Housing, land, roads, water systems, livelihoods, safeguards, cultural continuity and responsibility for long-term maintenance may be spread across different ministries and budget lines. Communities experience these needs as part of a single process and have often struggled to access climate finance, while public-finance systems often address them as separate projects. Many of these actions do not always fit easily within annual budgeting cycles. Evidence from 34 planned-relocation cases supports this assessment: Most relied on more than one funding source and mechanism, while allocations were concentrated on housing, land and public infrastructure, with livelihood and psychosocial support being funded less frequently (Durand-Delacre et al., 2025).

For policy-makers, the practical question is not simply “how much does relocation cost?” It is how to organise financing across the full relocation pathway: What needs to be financed, when, by whom and subject to which safeguards? A credible budget should cover the full relocation pathway: preparation before relocation, implementation during relocation and support after relocation. It should also include direct infrastructure costs, process costs, recurrent public-service costs as well as social and cultural measures that protect dignity, identity and community cohesion. A narrowly defined engineering or humanitarian budget may miss these realities.

Solutions for communities and countries: sovereign trust funds

A sovereign trust fund can help governments finance planned relocation as a long-term public responsibility, rather than through a sequence of short-term, ad hoc projects. Its main value is not that it generates money on its own, but that it provides a country-owned mechanism for receiving, holding, allocating and reporting funds for a defined national purpose. In doing so, it can reduce fragmentation by giving different sources of funding a nationally governed mechanism through which to contribute to a broader relocation process.

This can include pooling funding from different sources – including domestic sources such as levies, parliamentary appropriations and international (given the range of different climate finance mechanisms) – and can, over time, improve visibility and transparency across the funding and disbursement process. Mostly, however, it can support the longer-term and more equitable use of resources that are needed to support dignified climate relocations. This matters because costs arise over many years: risk assessments and community engagement long before a relocation decision is made; land acquisition, housing and infrastructure during implementation; and maintenance, livelihood support, cultural continuity and grievance mechanisms after relocation.

The strongest benefit is continuity. Relocation does not fit neatly into annual budget cycles or strict donor project windows. A trust fund can retain resources over time and reduce the stop-start pattern that often undermines complex adaptation processes. It can also finance the less visible but essential costs of relocation, including feasibility studies, consent processes, legal due diligence, host community engagement and post-relocation follow-up. These elements are often difficult to fund through conventional infrastructure programmes, yet they are critical to ensuring that relocation is legitimate, safe and durable.

A well-designed trust fund can also make a politically sensitive commitment more transparent. Communities can see that relocation is supported by a clearly identifiable financing mechanism. Donors, climate funds and development banks can see how funding will be governed, audited and linked to approved relocation measures. Ministries can be required to work through common eligibility rules, costing templates and reporting systems, reducing fragmentation across climate, finance, land, infrastructure and social-service sectors.

However, sovereign trust funds are not a simple fix. A fund that is established but not capitalised can become merely symbolic. A fund that operates outside regular budget systems can weaken public financial management. If it finances only housing and roads, it can reproduce the very problems it was meant to solve by financing only visible assets while neglecting participation, safeguards, livelihoods and long-term maintenance. There are also risks of political capture, unclear eligibility, high administrative costs, donor substitution instead of additional finance, and limited community understanding of what the fund can and cannot support.

These risks can be mitigated through prudent design. A relocation trust fund should have a clear legal mandate, be linked to national planning and medium-term expenditure frameworks, and remain aligned with the authority of the ministry of finance. Eligible costs should cover the full relocation pathway: assessment, consultation, land acquisition, safeguards, site development, housing, relocation, livelihood support, support for host communities, cultural continuity, maintenance and monitoring. Governance should include independent oversight, audited accounts, public reporting, procurement rules, grievance channels and meaningful roles for local government and affected communities.

The experience of Fiji

Fiji is an illustrative example of how a government can begin to organise planned-relocation finance through a national legal and institutional vehicle. It is the Pacific's leading example of a national financing system for climate-induced planned relocation in a region on the front lines of the climate crisis. Its approach combines policy, legislation, procedures and a dedicated financing mechanism, including the Planned Relocation Guidelines (2018), the Climate Relocation of Communities (CROC) Trust Fund Act (2019), the Climate Change Act (2021) and the Standard Operating Procedures for Planned Relocation (2023). Together, these instruments move relocation from an ad hoc response towards a regulated public process (Government of Fiji, 2018). Its CROC Trust Fund was established with German-funded technical assistance and initially capitalised through domestic levies (on plastics and superyachts, among other items) and grant funding from New Zealand.

As a leading donor, Germany's engagement in Fiji is important in this context. With support from BMZ and GIZ programme management, Germany has provided long-term technical support to Fiji's planned-relocation agenda, including assistance with relocation guidelines, community-level practice, policy advice, capacity development and support for Pacific climate-mobility programming.

The CROC Trust Fund, which emerged from this support, is designed to finance the planned relocation of communities, settlements and groups affected by sea-level rise, land loss, landslides, flooding, coastal erosion, cyclones and loss of food or water security. Fiji describes it as the world's first national trust fund linked to a government-legislated and community-driven planned-relocation process. Its intended uses include technical assistance to assess relocation options, consultations, planning and design, the physical relocation of assets, new infrastructure and support for people displaced by climate- or disaster-related events.

The Fund's main innovation is that it links money to process. It is overseen through Fiji's relocation governance arrangements, including the Taskforce for Relocation and Displacement, and must operate in line with financial-management guidelines, the eligible activities set out in the Trust Fund Act, the safeguards established under the Climate Change Act and Fiji's Standard Operating Procedures. The model includes grievance redress, fiduciary controls, conflict-of-interest provisions, whistleblower channels and independent audit requirements.

However, the experience also shows the limits of a trust fund model. A dedicated fund can create a legal home for relocation finance, but it must still be capitalised at a scale commensurate with need. Recent analysis notes that Fiji's trust fund remains small relative to the relocation pipeline and that implementation has experienced initial delays. Trust funds also require strong administrative capacity, clear communication with communities, credible cost estimates and long-term budget links for maintenance, livelihoods and services after relocation; Fiji has faced a steep learning curve but continued to advance implementation.

The wider lesson from Fiji is not that a trust fund can resolve the challenges of relocation finance on its own. Rather, it shows how a dedicated national vehicle can provide a legal and institutional basis for relocation finance, connect donor support to national systems and link disbursement to safeguards, while still depending on capitalisation and administrative capacity.

Financing across time horizons

Financing systems therefore need to support decision-making over time, rather than simply release funds once relocation becomes unavoidable. Planned-relocation finance is not only a question of how much funding is needed, but also of when funding is most needed, when risks become clear enough to justify action, and how governments can keep options open for communities whose future exposure and preferences may change over time.

Sovereign trust funds can help by creating four important functions. First, they can make funding available for early decision-making. This is often the most valuable spending because it creates time for more informed decision-making, including risk assessments, community dialogue, land negotiations, feasibility studies, safeguards and considerations about alternatives to relocation. In some cases, early finance may confirm that relocation is needed or establish whether adaptation in place should be supported to avoid premature relocation. Either outcome is useful if it is based on evidence and community preferences, and if the process remains sufficiently flexible to respond to changing risks and preferences (Lund, 2021).

Second, trust funds can hold resources until the right moment. In public finance, future costs are often discounted because money available today can be used or invested elsewhere. But for communities facing climate thresholds, delay can increase costs, reduce the availability of land, undermine livelihoods and narrow the range of political choices. A trust fund allows governments to balance these pressures: reserving funds for future relocation while financing lower-cost preparatory actions in the present. This is especially important where the timing of relocation is uncertain, but the trajectory of risk and the relative costs of alternative adaptation options are clear (e.g. Massetti, 2025).

Third, trust funds can connect generations. Relocation is rarely complete when houses are built. The benefits and costs extend to maintenance, public services, livelihood opportunities, cultural continuity and relations with host communities. A fund can therefore support not only the move itself but also a long-term pathway towards settlement. Communities need not only safety from hazards; they need continuity, dignity and the ability to build a viable future after relocation.

Fourth, trust funds can make financing more adaptive. As climate evidence, costs and community priorities change, a well-governed fund can adjust allocations between preparation, implementation and post-relocation support. This flexibility requires clear eligibility rules, transparent reporting, independent oversight and links to national budget systems (Office of the Prime Minister, Fiji, 2023).

The policy value of a sovereign trust fund is as much temporal as financial. It helps governments act before a crisis, wait where waiting is prudent, reserve resources for future obligations and support communities long after relocation.

Connecting policy and financial instruments

Sovereign trust funds can also play an indirect role: They can become the national counterpart through which different financing streams are connected. MDBs have radically shifted their focus to climate action, scaling their commitments to record levels through innovative financing, systemic policy integration and private capital mobilisation (see Goldfinch & Huckstep, 2025). A well-governed trust fund can help governments receive and sequence funds from domestic budgets, levies, bilateral grants, MDB finance, climate funds, disaster risk finance and future loss and damage channels; where possible, bilateral support should be channelled through sovereign trust funds rather than bypass national instruments.

Fiji's model shows how this can work in practice. The CROC Trust Fund is partly capitalised through a domestic revenue mechanism established under the Environment and Climate Adaptation Levy framework. The 2019 regulations required 3 per cent of relevant Fiji's Environment and Climate Adaptation Levy (ECAL) collections to be paid into the CROC Trust Fund; following subsequent amendments, Fiji describes this contribution as 3 per cent of revenue derived from VAT on prescribed services, the plastic levy, the superyacht levy and income tax. This provides a domestic revenue base, including tourism-linked sources, while the Fund is also legally able to receive grants, donations and contributions from bilateral and international partners.

Finally, trust funds can link finance to project design and procedural quality, despite funding being sourced from diverse, non-specialist sources that may not apply advanced and harmonised standards – including disaster risk financing mechanisms, MDBs, philanthropic sources and vertical climate funds. Human rights analysis stresses that funders should support community-led or consent-based relocation and avoid financing relocations without community consent; securing free, prior and informed consent is a complex, resource-intensive task.

Recommendations for policy-makers

1. **Capitalise preparatory and life-cycle tasks, rather than only construction costs.** Allocate grants for risk assessments, land studies, community consultation, consent processes, engagement with host communities, safeguards and project preparation.
2. **Invest in bankable national project pipelines for planned relocation.** Support governments to develop clearly costed relocation pipelines that can attract concessional MDB finance while maintaining national ownership and safeguarding communities.
3. **Use finance to uphold rights and community involvement.** Condition support on meaningful participation, accessible grievance mechanisms, transparent information and community-led or consent-based relocation.
4. **Link trust funds to fiscal planning.** Support finance and climate ministries to explore trust-fund options for planned relocation and to integrate relocation into medium-term expenditure frameworks, fiscal-risk analysis and public-investment planning, rather than treating it as a post-disaster expense.
5. **Link trust funds to global, regional and bilateral climate finance channels.** Support sovereign trust funds to engage with and receive funding from global multilateral climate finance mechanisms (e.g. the Fund for Responding to Loss and Damage, the Green Climate Fund, the Adaptation Fund, the Climate Investment Funds, and other relevant

mechanisms), regional funds (e.g. the Pacific Resilience Facility) and bilateral donor or philanthropic funding (see also WIM Executive Committee, 2026).

6. **Fund long-term community outcomes.** Ensure eligibility rules cover livelihoods, maintenance, public services, cultural continuity, psychosocial support and host community infrastructure, not only relocation.

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