Adaptation Fund: Helping Countries Adapt to Climate Change through a Range of Flexible Finance Modalities

Washington, D.C., 1 December 2016
Outline of Presentation

• Background of the Adaptation Fund and current status of operations

• Recent developments in the Fund to further enhance its effectiveness

• Adaptation Fund in the larger adaptation finance landscape
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Adaptation Fund increases resilience through concrete adaptation projects

• **Innovative Features:**

  ✓ **Governed by majority of developing countries**

  ✓ **Levy on** Clean Development Mechanism **proceeds &** other sources of funding

  ✓ **Direct access** alongside conventional access through international organizations
The Adaptation Fund is housed within the GEF

• **The Board:** consists of representatives of governments
  • Has legal capacity in Germany
  • Meets in Bonn or back-to-back with UNFCCC COP

• **Secretariat:** GEF on an interim basis
  • Team of ca. 10 dedicated full-time persons
  • Cross-support from various areas of the GEF

• **Trustee:** the World Bank on an interim basis
Experience on funding Climate Adaptation

Since inception, the Fund has mobilized over half a billion dollars in resources. US$ 197 million came from CER proceeds and US$ 345 million from developed countries’ contributions.

The resources allocated so far amount to US$ 357.5 million in 63 countries, of which 23 are LDCs and 14 SIDS.

The Adaptation Fund currently funds 55 concrete, localized adaptation and resilience projects in 48 vulnerable countries with 3.7 million direct beneficiaries. Its projects are effective, flexible and scalable, and can be replicated in other communities.
Since 2010 the Fund has approved US$ 357.5 million for 63 countries

55 concrete projects
- 35 implemented by MIEs
- 2 implemented by RIEs
- 18 implemented by NIEs

Funds available for new projects:
- For MIEs: US$ 35.3 M
- For NIEs/RIEs: US$ 84.6 M
- Regional pilot: US$ 29.6 M
The Fund’s main revenue source is CER sales but the collapse of carbon markets means new resources are needed.

CER prices have collapsed → Contributions now the main source of funds

Contributions: US$ 344.8 M
CER income: US$ 196.6 M
Investment income: US$ 5.6 M

Fundraising progress / targets:
2012-13: US$ 103.4 M / US$ 100 M
2014: US$ 64.4 M / US$ 80 M
2015: US$ 75.8 M / US$ 80 M
2016: US$ 81.0 M / US$ 80 M

Active pipeline of projects: US$ 233.5 M (as on 10 November 2016)
Direct Access is a groundbreaking modality that gives national entities full control over implementation:

- Allows developing countries to access adaptation finance directly without intermediaries.
- Puts into practice principles of Paris Declaration on Aid Effectiveness:
  - Ownership
  - Harmonization
  - Alignment
  - Mutual accountability
  - Results
- Prepares countries for accessing other funds directly (including Green Climate Fund).

CMP set strict fiduciary standards that are internationally recognized:
- Financial integrity and management
- Institutional capacity
- Transparency and self-investigative powers

Updated policies:
- Environmental and Social Policy (2013)
- Gender Policy (2016)
The number of direct access entities is increasing.

43 Implementing Entities
- 25 NIEs
- 6 RIEs
- 12 MIEs

Direct Access, whereby a country can access funds directly from the AF and other funds adopting similar modality to manage adaptation/mitigation projects, requires an accredited National Implementing Entity meeting the funds’ fiduciary standards, environmental and social safeguards and gender policy.

BENEFITS of Direct Access
1. STRENGTHENS READINESS for climate financing
2. OWNERSHIP at country level
3. TRANSPARENCY through full cycle

NO INTERMEDIARY FUNDS GO DIRECTLY TO COUNTRY

25 NIEs NATIONAL IMPLEMENTING ENTITIES
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Streamlined accreditation process (smaller entities)

- Approved in April 2015
- In some countries, may be difficult to find suitable NIE candidates that are able to access up to USD 10 million

Streamlined process:
- Same accreditation standards
- Flexibility in means of verification
- Reduced time, effort
- Conditionality that can be revoked
Lesson: Support for direct access readiness is needed
- Readiness Programme launched in May 2014

Convening actors working on direct access (accreditation, project development, capacity building)

Designing improved materials on AF processes

Developing a knowledge exchange platform: climatefinanceready.org

Small grants:
- South-south cooperation
- Environmental and Social technical assistance
Pilot Programme for Regional Activities

- Up to 4 regional projects/programmes
- Total value USD 30 million
- Open to RIEs and MIEs, partnering with NIEs and other national agencies
- Themes: Food security, DRR & EWS, Transboundary water management, Innovation in adaptation finance
- Huge interest after first call in May 2015: proposals totaling ca. US$ 100 million
- 11 pre-/concepts endorsed
- October 2016: call extended beyond pilot
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- **Relevance**: AF design is coherent with and complementary to other adaptation efforts under UNFCCC.
- **Effectiveness**: AF main processes are generally effective and demonstrate steady improvement, with the exception of resource mobilization and knowledge management.
- **Efficiency**: AF and its institutional arrangements provide good value for money.
- **Sustainability**: Significant, structural threat to the sustainability, adequacy, and predictability of resources for the AF.

**Abstract**

The Adaptation Fund was established in 2001 to finance concrete adaptation projects and programs in developing countries. This independent evaluation is the first of two phases and focuses on the Adaptation Fund’s operational performance from its establishment through June 2015.
Adaptation Fund and the Green Climate Fund

- CMP10 (Lima 2014) requested the AF Board to consider options for developing operational linkages between the AF and bodies under the Convention (such as the GCF).
- In 2015 the Board considered matters related to complementarity, including establishing an operational linkage between the AF and the GCF for channelling resources for adaptation and identified two options:
  - (a) seeking accreditation as a financial intermediary with the GCF; or
  - (b) entering into a MOU or ad hoc agreement with the GCF.
- The AF Board requested the secretariat to discuss with the GCF secretariat concrete activities to initiate collaboration, such as:
  - readiness support, including by joint activities;
  - results-based management; accreditation; and project/programme identification.
- The AF Board requested its Chair and Vice-Chair to carry out consultations with the Co-Chairs of the GCF Board.
• **Decision 1/CP.21** adopting the Paris Agreement: the Adaptation Fund may serve the Agreement, subject to relevant decisions by the CMP (Kyoto Protocol parties’ meeting) and the CMA (Paris Agreement parties’ meeting) -> roadmap until 2019

• **Decision X/CMA.1** on Matters relating to the implementation of the Paris Agreement: the Adaptation Fund should serve the Paris Agreement, following and consistent with decisions to be taken at the 3rd part of the 1st session of the CMA, to be convened in conjunction with the 24th session of the COP (2018)

• **Decision X/CP.22** on Preparations for the entry into force of the Paris Agreement: Requests the Ad Hoc Working Group on the Paris Agreement in its consideration of the necessary preparatory work on the Adaptation Fund to address the governance and institutional arrangements, safeguards and operating modalities for the Adaptation Fund to serve the Paris Agreement