ADAPTATION FUND

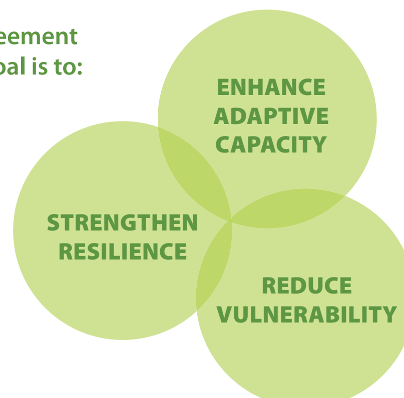
The Adaptation Fund and the Paris Agreement

The Adaptation Fund has been given the opportunity to serve the Paris Agreement, subject to decisions by the CMP and CMA.

I. Adaptation and the Paris Agreement

The Agreement recognized adaptation as a global challenge, and included adaptation and finance as key components of the Agreement, alongside mitigation (Art.2). These components are supported by capacity building (Art. 11).

The Paris Agreement adaptation goal is to:



The Agreement also recognized the need for public and grant based resources for adaptation, as well as the importance of support and of taking into account the needs of developing countries (Art.7).

Those needs are set out in the INDCs:

137 PARTIES out of 161 included an adaptation component in their INDCs.

TECHNOLOGY TRANSFER

INTERNATIONAL FINANCE

CAPACITY-BUILDING SUPPORT FOR ADAPTATION

are all identified as priorities.

See document FCCC/CP/2016/2, paras. 59-74.

Capacity building has an important role under the Paris Agreement. Capacity building should enhance the ability of developing countries to take effective climate change action, including adaptation actions, and facilitate access to climate finance. Capacity building should be country driven and responsive to national needs and foster country ownership (Art.11).

ROADMAP FOR CMA APPROVAL

DECEMBER 2015

DECEMBER 2015:
CMP 11 recommends CMA consider that Adaptation Fund should serve the Paris Agreement

NOVEMBER 2016

NOVEMBER 2016:
COP 22 invited to request Ad Hoc Working Group to prepare recommendation to CMP

AT CMA1

AT CMA1:
CMA1 to consider that the AF may serve the Paris Agreement

II. What contribution can the Adaptation Fund make to the Paris Agreement?

The Adaptation Fund is a fully operational fund dedicated to supporting projects to address climate change adaptation and build resilience, covering coastal management, agriculture, water management, urban and rural development, and disaster risk reduction.

ALREADY ALLOCATED

US$ 354 million

to **54 concrete adaptation projects/programmes** in **48 countries,** including **10 SIDS and 13 LDCs.**

BENEFITING

3.57 million

DIRECT BENEFICIARIES

in the **most vulnerable communities** in developing countries.

DELIVERING

replicable and scalable projects of up to

US$10 million

GROWING DEMAND:

record number of project and programme proposals received from vulnerable developing countries in 2015 and 2016, with particularly large increases in proposals from national and regional implementing entities.

DIRECT ACCESS PIONEER:

33% of portfolio

is allocated to direct access projects in **17 countries**, promoting country owned and driven processes, and strengthening local institutions.

SWIFT PROJECT REVIEW CYCLE:

in as little as nine weeks

CAPACITY BUILDING:

readiness programme supports NIEs in accessing funds for adaptation, including through South-South cooperation support, provides technical assistance grants for environmental and social safeguards and gender, and has established community of practice among NIEs to exchange knowledge and experiences.

STRONG GOVERNANCE:

fully established and positively reviewed **policies and guidelines**

SUCCESSFUL TRACK RECORD

of building institutional capacity through the direct access modality, from accreditation to implementation and evaluation of nationally designed projects and programmes.

EXPERTISE

of the Adaptation Fund has been shared with other climate funds: the Green Climate Fund (GCF) has used "fast track" accreditation of Adaptation Fund accredited implementing entities to accredit 12 out of 13 National Implementing Entities to date.

The Adaptation Fund is already contributing to achieving the adaptation objectives of the Paris Agreement, and to the implementation of the adaptation actions included in developing countries' INDCs by funding its portfolio of concrete adaptation projects and programmes.

III. How can adaptation financing be scaled up to implement the Paris Agreement?

Adaptation finance needs to be scaled up to meet the aims of the Agreement to achieve a **balance between adaptation and mitigation funding**, and to meet the needs of many developing country Parties expressed in their INDCs.

Adaptation funding needs to take into account country-driven strategies, and the **priorities and needs of developing country Parties,** especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the least developed countries and small island developing states (Art.9.4).

The Agreement assigned to adaptation a share of the proceeds of the **Sustainable Development Mechanism** it established (Art. 6.4, 6.6). This may be a market mechanism with similarities to the Clean Development Mechanism. The Adaptation Fund, if it serves the Agreement, may draw resources for sustainable adaptation financing for vulnerable communities in developing countries.

The evaluation of the Adaptation Fund in its first stage concluded that the Fund is

helping to close the adaptation gap

by contributing to funding concrete adaptation projects.

The Fund has mobilized over US$ half a billion since inception and allocated US$ 354 million for concrete adaptation and readiness projects/ programmes, with 44% of the amount allocated already disbursed.

The Board has set up a resource mobilization target of $80 million per year for the biennium 2016-2017, having mobilized $70 million per year for the last two years.

The Fund is funded by a share of the proceeds of the Clean Development Mechanism under the Kyoto Protocol and by contributions by developed countries and sub-national governments.

The Fund has experience and expertise in monetizing carbon credits for funding adaptation. This experience in monetizing carbon assets can contribute to the operationalization of the sustainable development mechanism of the Paris Agreement.

However, the sustainability and **predictability of its financial flows are not secured** due to the reliance on voluntary contributions from developed countries as a result of low revenues from carbon markets.

Moving forward the process for the Adaptation Fund to serve the Agreement will contribute to speed up the operationalization of the Agreement, including its provisions on adaptation, finance, capacity building, and sustainable development mechanism.