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 and the Paris Agreement
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 and the Paris Agreement
The Adaptation Fund is one of several international funds in the multilateral climate finance landscape.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Least Developed Countries Fund (LDCF)</td>
<td>2002</td>
<td>$1,170 M</td>
</tr>
<tr>
<td>Special Climate Change Fund (SCCF)</td>
<td>2004</td>
<td>$361.5 M</td>
</tr>
<tr>
<td>Outside of the UNFCCC process:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pilot Program on Climate Resilience</td>
<td>2008</td>
<td>$1,200 M</td>
</tr>
<tr>
<td>Under the Kyoto Protocol of UNFCCC:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adaptation Fund</td>
<td>2009</td>
<td>$637 M</td>
</tr>
<tr>
<td>Under the UNFCCC:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Green Climate Fund (50% expected to go to adaptation)</td>
<td>2015</td>
<td>$3,464 M</td>
</tr>
</tbody>
</table>
Experience in funding concrete adaptation

Since inception, the Fund has mobilized over 630 million dollars in resources. US$ 198 million came from CER proceeds and US$ 433 million from developed countries’ contributions.

The resources allocated so far amount to US$ 417 million in 65 countries, of which 24 are LDCs and 14 SIDS.

The Adaptation Fund currently funds 63 concrete, localized adaptation and resilience projects in 53 vulnerable countries with 5.4 million direct beneficiaries. Its projects are effective, flexible and scalable, and can be replicated in other communities.
Since 2010 the Fund has approved US$ 417 million for 65 countries

63 concrete projects
- 37 implemented by MIEs
- 4 implemented by RIEs
- 22 implemented by NIEs

Funds available for new projects:
- For MIEs: US$ 67.0 M
- For NIEs/RIEs: US$ 108.5 M
- For regional projects: US$ 45.0 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$ 433.3 M
- **CER income**: US$ 197.7 M
- **Investment income**: US$ 8.1 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$ 81.5 M / US$ 80 M
- **2017**: US$ 0 M / US$ 80 M

**Active pipeline of projects:**
US$ 200.9 M (as on 11 May 2017)
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.
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 and the Paris Agreement
Lesson: Support for direct access readiness is needed
- Readiness Programme launched in 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
Policy: Accreditation of small entities - AF streamlined process

- Small entities (including in SIDS and LDCs) may not have suitable capacity to access up to USD 10 million
- AFB approved a modified accreditation process “fit for purpose” for small entities in April 2015
- First entities to benefit: Micronesia Conservation Trust, Cook Islands Ministry of Finance and Economic Management, Armenian Environmental Project Implementation Unit
At accreditation stage:
- In addition to overall risk management capacity: systems to assess, mitigate and manage environmental and social risk and the commitment to gender equality

At project proposal stage:
- Screening against 15 principles of the ESP
- Categorization of proposed project
- ESIA, ESMP
- Grievance mechanism

Environmental and Social Policy now rolled out to operations and Gender policy approved in March 2016
Launched in 2015 with initial 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$ 130 million
October 2016: call extended beyond pilot
First regional project approved in March 2017
Adaptation Fund medium-term strategy

To be based on the goals of:
- Article 7 of the Paris Agreement
- SDG 13.1

Stepwise process
- Step 1: Framework (Oct 2016)
- Step 2: Elements (Mar 2017)
- Step 3: Development of strategy (May-Oct 2017)

Multi-stakeholder process
- Step 1-2: Intensive stakeholder interviews
- Step 3: public commenting, disclosure
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 and the Paris Agreement

- **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

- **Phase II (2017-2018)**: focus on project and programme outcomes
- **Third review** of the Adaptation Fund (2017)
2015:
- 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

2016:
- Decision 1/CMA.1: the Adaptation Fund should serve the Agreement
  - Decisions to be taken by CMP14 and CMA1-3 (2018)
  - Should address the governance and institutional arrangements, safeguards and operating modality of the Adaptation Fund
- Decision 1/CP.22: requested the Ad Hoc Working Group on the Paris Agreement to address the issues referred to in Decision 1/CMA.1
  - Requested parties to submit their views on these issues

2017: On-going negotiations towards “shall serve the Paris Agreement”
Adaptation Fund is already serving the goals of the Paris Agreement

The Paris Agreement adaptation goal is to:

- Enhance Adaptive Capacity
- Strengthen Resilience
- Reduce Vulnerability

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)

- Already allocated US$417 million to 68 concrete adaptation projects/programmes in 53 countries, including 12 SIDS and 15 LDCs.
- Direct Access Pioneer: 36% of portfolio is allocated to directly access projects in 26 countries, promoting country owned and driven processes, and strengthening local institutions.
- Strong Governance: Fully established and positively reviewed policies and guidelines.
- Successful Track Record: of building institutional capacity through the direct accessability, 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 “lessons learned” of Adaptation Fund accreditation implementing entities to accredit 12 out of 18 National Implementation Entities.