



ADAPTATION FUND

AFB/B.31/Inf.7  
16 March 2018

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Adaptation Fund Board  
Thirty-first meeting  
Bonn, Germany, 22-23 March 2018

## **COMPARATIVE ADVANTAGES OF THE ADAPTATION FUND**

## Introduction

1. At its thirtieth meeting the Adaptation Fund Board (the Board) discussed document AFB/B.30/6 which includes a background on the Green Climate Fund (GCF) adoption of an operational framework on complementarity and coherence with other funds<sup>1</sup>. The GCF framework consists of four operational pillars, one of which was board-level discussions on fund-to-fund arrangements. It was specified, also in AFB/B.30/6, that ways on engaging with the GCF could include a memorandum of understanding (MOU), accreditation with the GCF, co-financing of projects or joint activities, such as for capacity building.

2. The Board requested the Adaptation Fund Board Secretariat (the secretariat) to continue to work on a “two-track” approach vis-à-vis exploring linkages with the GCF: (i) by initiating the process toward accreditation and (ii) continuing discussions on practical fund-to-fund collaboration on operational matters (Decision B.30/43). Specifically, the Board decided:

(a) Based on decision B.29/40, to request the Chair and Vice-Chair, assisted by the secretariat, to attend ‘an annual dialogue’ to be initiated by the GCF in order to enhance complementarity and to actively engage in a structured conversation with the GCF board, with a view to exploring concrete steps to enhance complementarity, including options for fund-to-fund arrangements and accreditation;

(b) To request the secretariat:

(i) To initiate the process toward accreditation with the GCF;

(ii) To prepare an assessment of options for fund-to-fund arrangements, as described in pillar 1 in the GCF operational framework for complementarity and coherence, as contained in document GCF/B.17/08, for consideration by the Board at its thirty-first meeting;

(iii) To prepare an information document on the comparative advantages of the Adaptation Fund for the purposes of board-level discussions between the two funds on fund-to-fund arrangements, including joint financing and the decision-making process; and

(iv) To continue discussions with the GCF secretariat on the concrete activities in the area of complementarity and coherence identified by the Board in decision B.26/26; and

(c) To request the Chair and the secretariat to report to the Board at its thirty-first meeting on the progress made in the activities described in subparagraphs (a) and (b).

3. The current information document is presented to the Board as requested in paragraph b) iii) of Decision B.30/43.

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<sup>1</sup>[https://www.greenclimate.fund/documents/20182/751020/GCF\\_B.17\\_08\\_-\\_Operational\\_Framework\\_on\\_complementarity\\_and\\_coherence.pdf/55b8605f-518a-4b91-8362-02eae5a566a](https://www.greenclimate.fund/documents/20182/751020/GCF_B.17_08_-_Operational_Framework_on_complementarity_and_coherence.pdf/55b8605f-518a-4b91-8362-02eae5a566a)

## **Niche of the Adaptation Fund (the Fund) as identified in the medium-term strategy 2018-2022 (MTS) of the Fund**

4. The Fund's specialised niche within the evolving architecture of international climate finance is characterised by its focus on:

- Concrete action in developing country Parties;
- Small-scale ("starter") projects/programmes, typically under US\$10 million for a single-country project or US\$15 million for a regional programme;
- Direct and Enhanced Direct Access modalities;
- Building the capacities and track records that NIEs require to access significantly higher levels of adaptation finance;
- Testing new practices, tools, and technologies for effective adaptation; and
- Pragmatic learning and sharing, especially through south-south collaboration.

### ***Funding of concrete small-scale projects/programmes in developing countries, including new practices, tools, and technologies for effective adaptation***

5. The Fund's portfolio of projects and programmes has matured and presents successfully piloted adaptation strategies that can be replicated and scaled up by other funds. There is already a track record of successful results from projects and programmes financed by the Fund and scaled up in Colombia, Georgia, Maldives and Pakistan through funding from the GCF.

6. By playing this role of "starter" in national processes of increasing adaptive capacities and reducing vulnerabilities, the Fund is supporting NAPs and NDCs, while reducing investment risks and start-up costs for other donors involved in countries' scaling up strategies. Joint programming in target countries could also be explored with other funds.

### ***Direct and Enhanced Direct Access modalities***

7. The second phase of the first overall evaluation of the Fund has found that the implementation of the direct access modality is a success. The Fund's direct access modality has facilitated participatory and transparent processes for countries to address adaptation. Measures to tailor and strengthen the accreditation process such as streamlined accreditation, re-accreditation and fast-track have positively benefited the national implementing entities (NIEs). Other positive results of the direct access modality include increased capacity of NIEs to manage and implement adaptation projects and increased ability of NIEs to mobilise other sources of climate finance. The direct access modality also increases project sustainability, as NIEs are continuously present in the country and work closely with national stakeholders, which may not be the case for some MIEs.

8. The Fund, by its unique experience in successfully operationalizing the direct access modality, is therefore well positioned to play a major role in that aspect within the climate finance architecture.

9. The Small Grants Facility in South Africa, implemented in the project “Taking Adaptation to the Ground”, is a successful model for facilitating enhanced direct access to climate financing. Research done through the evaluation shows that while delays in the implementation of adaptation activities have hampered progress, a key lesson is that the enhanced direct access modality is an innovative way of financing adaptation strategies. The South Africa project case demonstrates an institutional model for facilitating enhanced direct access, which is distinguished from direct access by the stronger devolution of decision-making and management that takes place at the national level.

10. The Fund will document and disseminate lessons from enhanced direct access experiences and scale up its enhance direct access activities in the portfolio.

***Building the capacities and track records that NIEs require to access significantly higher levels of adaptation finance***

11. The Fund accreditation process has been an opportunity for NIEs to formalize practices on gender, environmental and social safeguards, procurement, and transparency, such as via information management and sharing. The provision of readiness grants has also been effective in building the capacities of NIEs. Other measures to tailor and strengthen the accreditation process such as streamlined accreditation, re-accreditation and fast-track have positively benefited NIEs.

12. The Fund through an enhanced readiness programme can assume a coordinating role in ensuring that countries build their institutional capacities to design and implement successful adaptation strategies and actions, working with other funds and providers of readiness support.

***Pragmatic learning and sharing, especially through south-south collaboration***

13. Stakeholders interviewed during the first phase of the Fund's independent evaluation repeatedly flagged its ability to generate uniquely valuable learning around vulnerability, effective adaptation, access modalities, capacity strengthening and the role of international cooperation in climate finance. Innovation and learning are interlocking, or mutually reinforcing competencies, that offer the Fund real opportunities for transformational impact.

14. The Fund through innovative ways has promoted south-south sharing of experience and will continue to do so while implementing its medium-term strategy. The knowledge sharing platform on readiness for climate finance could be enhanced as a joint platform with other climate funds, including the GCF. This could be a one-stop-shop for national authorities and institutions, implementing entities, donors, civil society and academic institutions to learn from countries' and regional experiences in operationalizing direct access, implementing NAPs and NDCs and designing, piloting and scaling up successful adaptation measures to help reduce their vulnerabilities.