



ADAPTATION FUND

AFB/B.31-32/13/Rev.1
30 August 2018

Adaptation Fund Board

RECEIVING CONTRIBUTIONS FROM PRIVATE SOURCES

Background

1. Decision 10/CP.7 that established the Adaptation Fund (the Fund), outlined that the “Fund shall be financed from the share of proceeds on the clean development mechanism project activities and other sources of funding”.¹

2. During the period from the launch of the Fund’s operations in 2007 to 30 June 2018, the Fund had received US\$ 737.68 million in revenue, of which US\$ 199.40 million, or 27.0 per cent, had resulted from the share of proceeds of the clean development mechanism and US\$ 538.29 million, or 73.0 per cent, from contributions. Funds in the Adaptation Fund Trust Fund had additionally generated US\$ 15.82 million in investment income. Of the contributions, 99.99 per cent had come from governments, comprising 95.69 per cent from national governments and 4.30 per cent from subnational governments.²

3. The Adaptation Fund Board (the Board) had recognized early in its operation the willingness of private individuals and organizations to contribute to the Adaptation Fund, and their potential for complementing the Fund’s resources. For instance, the Fund had received contributions collected from the students of Marienschule School in Euskirchen, Germany, before its sixth³ and at its seventh⁴ meeting. Following such discussions, the Board had discussed, between 2011 and 2012, an arrangement with the United Nations Foundation (UNF) to collect private contributions using an online platform. At its seventeenth meeting, the Board decided to:

(a) Request the secretariat to draft and negotiate a memorandum of understanding /legal agreement with United Nations Foundation (UNF) in order to formalize the partnership to collect private donations online, in consultation with the Board Chair and Vice-Chair, and make the necessary arrangements for its signature; and

(b) Launch the partnership with UNF during “Rio + 20” if the donation agreement is already signed by that date.

(Decision B.17/1)

4. The framework agreement with UNF was signed in October 2012, which has been extended three times in 2014, 2016 and 2018 respectively. Unfortunately, the online donation route under this agreement has yielded only very few resources despite the secretariat’s efforts of placing the “donation button” on multiple places of the Fund’s website directing the potential donors to the UN website, which can be observed in the trustee report as of 30 June 2018 which indicates a cumulative total of US\$ 1,528. The secretariat has also revised the layout and outlook of the donation page on both the Fund’s website and the UNF website.⁵ It should be noted that the UNF arrangement has not, over its

¹ Decision 10/CP.7, para. 1.

² Adaptation Fund Trust Fund, Financial Report Prepared by the Trustee as of June 30, 2018

³ Document AFB/B.6/14, “Report of the Sixth Meeting of the Adaptation Fund Board”, para. 55.

⁴ Document AFB/B.7/13/Rev.1, “Report of the Seventh Meeting of the Adaptation Fund Board”, para. 50.

⁵ Document AFB/B.31/3, “Report of Activities of the Secretariat”, para. 25.

nearly six years of operation, indicated any issues that would reflect negatively on the Fund, or that would contradict its overall policy framework.

5. The Board considered, at its twenty-second meeting in 2013, a draft Fundraising Strategy⁶ and took note of it.⁷ The goal of this multi-annual strategy was to “create on-going, sustainable funding streams for the Adaptation Fund through robust and consistent fundraising operations”. The strategy recognized the difficulties caused by the Fund’s inability to fundraise consistently, and proposed an approach based upon diversification.

6. In October 2016, the Board considered and approved⁸ an updated Resource Mobilization Strategy for 2017–2020⁹ that included an analysis of the 2013 fundraising strategy. The analysis noted:

21. The main focus of the strategy identified in 2013 was to diversify funding away from contributions from donor governments, towards raising revenue from the private sector. The rationale behind this was a lack of consistent, predictable funding from donor governments, and the belief that new funding sources needed to be found to replace the market instrument approach which had been the original funding source (CER revenues). The strategy correctly estimated that CER revenues were unlikely to recover in the coming years, and that therefore the Fund needed to find new revenue streams.

22. Attempts would be made to generate income from the private sector, principally from a combination of corporate donations and investments from private sector foundations. A number of other potential revenue sources were also identified by the Board’s Fundraising Task Force, including carbon offset partnerships, lottery partnerships, and in-kind financing of projects by the private sector.

23. Different fundraising models were identified, based on targets of either US\$ 60 million or US\$ 80 million per year. The more conservative option (Option A), targeted achieving 40 per cent of the Fund’s resources from the private sector by 2016-2017.

24. In spite of these projections, by the end of 2015 no significant funds had been raised by the Adaptation Fund from the private sector – whether through corporations or foundations. The 2013 fundraising strategy had foreseen reaching a target of US\$ 40 million private sector income by the end of 2015, but virtually no funding was received from this source. The Fund remains entirely dependent upon donor governments, supplemented only by some residual income from existing CER sales.

⁶ Summary of the document available at: https://www.adaptation-fund.org/wp-content/uploads/2014/12/AF-Resource-Mobilization-Strategy_Oct-2014_pub_0.pdf

⁷ Decision B.22/22.

⁸ Decision B.28/44. Also, decision B.29/41 by which the Board requested the secretariat to edit, in consultation with the Resource Mobilization Task Force, the Resource Mobilization Strategy for public disclosure and publish it intersessionally.

⁹ Document AFB/B.28/8/Add.1. Version edited per decision B.29/41 available at https://www.adaptation-fund.org/wp-content/uploads/2017/05/AFB_Resource_mobilization_strategy_for_posting.pdf.

7. The analysis of the 2013 Fundraising Strategy also pointed out several challenges in securing funds from foundations, including:
- a) Long donor solicitation cycles;
 - b) Frequent requirements to ' earmark ' funds for specific regions or projects;
 - c) Relationship-building that would require significant time and other resources to be invested.
8. The analysis also noted two other significant factors beyond the aforementioned factors, which were not mentioned expressly in the 2013 strategy: the intergovernmental and facilitative characteristics of the Adaptation Fund.

29. [...] The Adaptation Fund was created by the parties to the Kyoto Protocol, and is ultimately accountable to the Conference of the Parties to the Protocol. The Adaptation Fund Board has proved its ability to function effectively together, and to act nimbly and responsively to adaptation needs. Nonetheless, the Fund has an inter-governmental character. Many foundations and corporate funders are more inclined to fund non-governmental organizations and initiatives, rather than inter-governmental bodies. There are some exceptions where international intergovernmental organizations have been able to secure partnerships with major foundations, but in those cases the agency concerned usually has a high public profile, undertakes direct projects on the ground in its own name, and consequently brings a high visibility to projects and programmes. The Adaptation Fund has never sought such a public profile, and works through implementing entities. This is an entirely effective method for the Fund, but it does mean that the Fund's work is never likely to receive the same level of 'brand recognition' as entities which are directly active. This is likely to prove a barrier to corporate support in particular.

30. Regarding corporate partnerships, the strategy also identified significant challenges, notably the need to engage in significant research in order to identify the most promising targets, as well as the need to develop 'offers' which could be pitched to the private sector (the creation of Adaptation Certificates was seen as the most feasible of these by the Trustee).

31. In practice, the Board and secretariat have not been able to secure or dedicate the necessary resources to diversify fundraising as foreseen. Contacts were made with private foundations, but it became clear that the time investment required in relationship-building would be significant, with no guarantee of securing resources. Similarly, identification of potential corporate donors founded on the lack of dedicated fundraising resources within the secretariat.

32. The 2013 fundraising strategy clearly identified the need for a dedicated budget for fundraising, stating that, 'as people who've raised funds for any cause know, "It takes money to make money"'. Fundraising costs were estimated at between 10-30 cents for every dollar raised, a range which does seem in line with industry standards for fundraising.

9. Despite the somewhat pessimistic outlook for private contributions contained in the analysis section of the updated Resource Mobilization Strategy for 2017–2020, the strategy indicates in the section on expected sources of revenue:

69. Notwithstanding the failure to raise funding from the private and charitable foundation sectors, the need for the Fund to broaden its funding base remains. [...]

73. The Fund should continue to explore links with private sector foundations and the corporate sector. However, these should be seen as exploratory, relationship-building exercises, rather than as fundraising approaches per se. Indeed, the benefits of better relationships with major charitable foundations may lie beyond direct fundraising for the Adaptation Fund, by creating synergies, raising awareness, and laying the groundwork for future collaborative projects.

10. The Fund's Medium-term Strategy (MTS) adopted by the Board¹⁰ at its thirtieth meeting notes that “[g]iven that its share of proceeds arising from the sale of CERs is likely to remain depressed throughout the current Kyoto commitment period, the Adaptation Fund's resource mobilisation strategy will continue to rely on voluntary contributions”.¹¹

11. The MTS also states:

“The Board looks forward to working with stakeholders and developing a finance model capable of meeting Parties’ rapidly growing expectations. This collaborative effort should consider an enhanced share of proceeds under Article 6 paragraph 4 of the Paris Agreement and reflect the Fund's experiences to date, especially with regards to the diversity, flexibility, and reliability of income streams.”¹²

Proposed new resource mobilization arrangement with Cool Effect Inc.

12. The secretariat was contacted, in late 2017, by a consortium of non-profit organizations based in the United States which was led by the non-profit organization Cool Effect Inc. with a new resource mobilization concept where Cool Effect Inc. would utilize its experience and existing platform for collecting contributions from private individuals and entities as well as from other potential contributors, particularly in the United States, for the benefit of the Adaptation Fund. Following consultation with the previous and the current Chair of the Board, the secretariat engaged in more specific discussions with Cool Effect Inc. to seek further detailed information. The specifics of the possible arrangement, and secretariat's assessment of it, are contained in an addendum to this document. It is worth noting that this resource mobilization concept would be additional to the existing partnership with UNF described above, and would not be linked to that partnership in any way.

13. In anticipation of the potential contributions by Cool Effect Inc. to the Fund, the secretariat consulted the trustee. The trustee conducted a due diligence assessment of Cool Effect Inc., and determined that it would be able to enter into a Donation Agreement with Cool Effect, and created donor code for it, which is a prerequisite for Cool Effect Inc. to be able to make contributions to the Fund.

¹⁰ Decision B.30/45.

¹¹ The Adaptation Fund Medium-term Strategy 2018-2022, available at <https://www.adaptation-fund.org/document/medium-term-strategy-2018-2022/>, Section 6.6 “Resource Mobilization”.

¹² Idem.

Recommendation:

14. The Adaptation Fund Board (the Board) may wish to:
- a) Take note of the plan by Cool Effect Inc. to mobilize and channel resources for the Adaptation Fund from various sources, including from private individuals and organizations, as described in document AFB/B.31-32/13/Add.1;
 - b) To request the secretariat to prepare a framework ~~Memorandum of Understanding (MoU)~~ agreement between the Board and Cool Effect Inc. to provide a framework to enable Cool Effect Inc. to channel its mobilized contributions to the Adaptation Fund drawing on the example of the framework agreement between the Board and the United Nations Foundation made in October 2012;
 - c) To request the Chair of the Board, on behalf of the Board, to sign the framework ~~MoU~~ agreement referred to in subparagraph (b) above;
 - d) To request the secretariat to arrange with Cool Effect Inc. a public announcement of the new resource mobilization arrangement with Cool Effect Inc; and
 - e) To request the secretariat to review, while monitoring the implementation of the resource mobilization strategy 2017-2020 approved by the Board through decision B.28/44, any issues that would indicate the need for a more comprehensive policy framework related to non-governmental donors, and to report on such issues and to make necessary recommendations pursuant to them, to the Board in reports on implementation of the resource mobilization strategy.