Adaptation Fund: Medium-term Strategy and prospects

5th NIE Seminar, 28 August 2018
Adaptation Fund experience on funding Climate Adaptation

Since inception, the Fund has mobilized 753 million US dollars in resources. US$ 199 million came from CER proceeds and US$ 538 million from developed countries’ contributions.

The resources allocated so far amount to US$ 512 million in 79 countries, of which 28 are LDCs and 19 SIDS.

The Adaptation Fund currently funds 77 concrete, localized adaptation and resilience projects in 62 vulnerable countries with ca. 5.6 million direct beneficiaries. Its projects are effective, flexible and scalable, and can be replicated in other communities.
Since 2010 the Fund has approved US$ 512 million for 79 countries

- Projects under development (June 2018):
  - 21 country projects totaling US$ 101.9 million
  - 16 regional projects totaling US$ 170.4 million
The Fund’s original revenue source was CER sales but voluntary contributions have surpassed it since the collapse of carbon markets.

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

Resource mobilization 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$ 95.9 M / US$ 80 M
- 2018: US$ 0.0 M / US$ 90 M

Projects and programmes under development:
US$ 272 M

Funds available for funding decisions:
US$ 190 M

Contributions
- US$ 514 M

CER income
- US$ 199 M

Investment income
- US$ 11.9 M
Voluntary contributions from governments are the most substantial potential source of funding

- **Adaptation Fund resource mobilization strategy 2017-2020**
  - Focus on **governmental** contributions
  - Light-touch approach to foundations and private sector (opportunities)
  - National governments: continue to foster relations with existing and past funders; target new potential funders
  - Sub-national governments: raise visibility amongst networks and alliances of regions and cities, explore potential to mobilize further resources at sub-national level

- “Donate button” implemented together with United Nations Foundation

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<th>Year</th>
<th>US$ M p.a.</th>
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<td>2014</td>
<td>64.4</td>
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<td>2015</td>
<td>75.8</td>
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<td>2016</td>
<td>81.5</td>
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<td>2017</td>
<td>95.9</td>
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**Resource mobilization target 2018-19: US$ 90 M p.a.**
- Austria
- Belgium
- Belgium (Brussels-Capital)
- Belgium (Flemish Region)
- Belgium (Wallonia Region)
- Spain
- Finland
- France
- Germany
- Ireland
- Italy
- Japan
- Luxembourg
- Monaco
- Norway
- Sweden
- Switzerland
- United Kingdom of Great Britain and Northern Ireland
- United States
- Austria
- Belgium
- Belgium (Brussels-Capital)
- Belgium (Flemish Region)
- Belgium (Wallonia Region)
- Spain
- Finland
- France
- Germany
- Ireland
- Italy
- Japan
- Luxembourg
- Monaco
- Norway
- Sweden
- Switzerland
- United Kingdom of Great Britain and Northern Ireland
- United States
The number of direct access entities is increasing.

46 Implementing Entities
- 28 NIEs (46% LDCs, SIDS)
- 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.
ADDED VALUE OF AF SERVING THE PARIS AGREEMENT

Achieving the PA goal of balancing funding for adaptation and mitigation in developing countries

Article 9.4: Financing Adaptation must take into account national strategies and priorities of the most vulnerable countries with capacity constraints, such as LDCs and SIDS

The Agreement attributes to adaptation a share of the proceeds of the Sustainable Development Mechanism it has established (Articles 6.4 and 6.6). This may be a market mechanism similar to the clean development mechanism.

The Adaptation Fund is already contributing to the adaptation objectives of the Paris Agreement and to the implementation of adaptation actions included in the NDCs of developing countries by financing its portfolio of concrete adaptation projects and programmes.
Roadmap of the AF contributing to the implementation of the Paris Agreement

- **Paris (2015):** (COP 21, CMP11) The Adaptation Fund *may* serve Paris Agreement

- **Marrakech (2016):** (CMA 1) The Adaptation Fund *should* serve the Paris Agreement

- **Bonn (2017):** (CMP 13) The Adaptation Fund *shall* serve the Paris Agreement

- **2018:** Ad Hoc Working Group on the Paris Agreement undertakes the necessary preparatory work to address
  - Governance and institutional arrangements,
  - Environmental and social safeguards
  - Operating modalities, including sources of funding
Medium-term Strategy (MTS): approved in October 2017

- Fund’s purpose is aligned with goal of Paris Agreement, SDG 13
- Focus remains on the most vulnerable
- Fund has delivered:
  - concrete action,
  - innovative approaches to climate finance
  - valuable learning
- Inclusion of new pillars into concrete projects + targeted support
Medium-term Strategy (MTS): objectives

- **“Action”**
  - Objective: Support the design & implementation of high-quality projects
  - Outputs: High-quality capacity developed in client countries; pipeline of scalable projects; and reduced vulnerability

- **“Innovation”**
  - Objective: Champion innovative approaches to adaptation (by others)
  - Outputs: Innovative projects replicated in new countries; innovative practices, products & tech scaled-up

- **“Learning and sharing”**
  - Objective: Generate knowledge & communicate practical lessons from operational processes, projects & innovation portfolio
  - Outputs: Practical lessons from projects; specific knowledge on impact themes; stronger capacity for adaptation-related learning in client countries
In addition to existing ones, new funding modalities:

- **“Action”**
  - Window for “enhanced direct access”: US$ 20 M per year (>10 grants)
  - Scale-up microgrants: US$ 200,000 per year (10 grants)

- **“Innovation”**
  - Large grants (<US$ 5 M) for rolling out, scaling up innovation: US$ 90 M over 5 years (>18 grants)
  - Micro-grants (<US$ 250 k) for encouraging new innovation, creating evidence base: US$ 16 M over 5 years (>64 grants)

- **“Learning and sharing”**
  - South-South learning microgrants (<US$ 150 K) for sharing practices, lessons (ca. 15 grants)
New resources and assistance:

- **Action:**
  - “Community of Practice” for NIEs: online platform, workshop
  - Country exchanges for NIEs

- **Learning and sharing:**
  - Publications showcasing best practice / case studies
  - Showcasing best practice on direct access
  - Lessons learned from accreditation, reaccreditation
  - Knowledge Management toolkit for lessons learned
  - Knowledge Management toolkit for RBM
  - E-learning course on accreditation

**MTS Implementation Plan: approved in March 2018**
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.
Relevance: AF portfolio is in alignment with mandate and strategic priorities

Effectiveness: AF is making progress toward all seven outcome areas of the AF Strategic Results Framework. Projects have and do contribute to strengthening resilience at national and/or local levels

Efficiency: AF is efficient in managing accreditation and project cycle processes

Results and sustainability: AF has increased developing countries’ access to adaptation finance. However, this is limited by the scale of financing available.
Establishment of the AF evaluation function

- Adaptation Fund will establish an evaluation function through a Technical Evaluation Reference Group (TERG) to:
  - **Evaluate:** Independently commission the evaluation of the relevance, effectiveness, efficiency and sustainability of the Fund
    - overall operation
    - projects and programmes
    - implementing entities
  - **Advise:** Set minimum evaluation standards with the Fund
  - **Oversee:** Provide quality control of the minimum evaluation requirements
- Implementing entities will remain responsible for commissioning evaluations (MTE, TE) of their projects/programmes
- Position of TERG Chairperson advertised until 31 August 2018
Funding Window for Regional Activities

- Started as a pilot in 2015
- Since October 2016: regular part of the Fund’s operation
- 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: now proposals totaling ca. US$ 170 million
- 5 projects approved, 20 pre-/concepts endorsed