Adaptation Fund Board  
Thirty-second Meeting  
Bonn, Germany, 11-12 October 2018

Agenda item 10

RESOURCE MOBILIZATION STRATEGY
RESOURCE MOBILIZATION STRATEGY  
(ADOPTED IN OCTOBER 2016)
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- But maintain light-touch contacts with foundations and private sector in case of opportunities
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I. Introduction

1. This paper sets out a strategy to guide the Adaptation Fund in its resource mobilisation strategy over the coming years.

2. Since its establishment under the Kyoto Protocol in 2010, the Adaptation Fund has provided over US$ 354 million to support developing countries in their efforts to adapt to the damaging impacts of climate change. The projects funded have had tangible, positive impacts which have benefited many vulnerable communities in developing countries. Investments made by the Fund include US$ 101 million in Least Developed Countries (LDCs) and US$ 73 million in Small Islands Developing States (SIDS). The Fund has supported 54 concrete projects and programmes in 48 countries, benefiting over 3.5 million people.

3. The Fund is a highly innovative institution, with its pioneering work on direct access grants in particular representing a major advance in climate finance. Direct access is able to deliver funds nimbly and quickly to beneficiaries, and facilitate entry for small countries.

4. Independent studies emphasize that the Fund is successfully meeting its mandate. A study on the adaptation reasoning across the Fund’s project portfolio demonstrates that the Fund’s approach to adaptation is in line with the latest thinking and approaches, and that its adaptation projects exhibit a clear potential to achieve transformative adaptation through the replication and scaling-up of activities in the countries where it has provided finance. Furthermore, a recent independent assessment of the Fund’s operations produced a very positive evaluation that characterized the Fund as a “learning institution” whose design and operational processes are coherent with UNFCCC guidance and national adaptation priorities.

5. Demand for support from the Adaptation Fund is high, and is growing. The Fund’s current project proposal pipeline is extremely healthy, with record numbers of project proposals; 41 were received in 2015, and a 39 in 2016. Direct access is an area of particularly strong demand, with increasing numbers of projects approved through national implementing entities.

6. The Fund disburses its financing to approved projects and programmes on an annual basis, determined by performance: the project must be on schedule with its deliverables and spending in order to receive its next tranche of funding. If it is not, then the tranche will not be transferred until the project is back on schedule and meeting performance goals. For projects and programmes approved before July 2016, the Fund has disbursed US$ 171.26 million to implementing entities, or 50.6 per cent of the total approved funding. The remaining US$ 166.66 million, or 49.4 per cent, remains committed to these projects and is disbursed by the trustee annually.

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1 Following the intersessional decisions by the Board in July 2016.
7. Whilst the Fund is highly successful, it has not achieved consistent, predictable, and sufficient levels of resource mobilization. This was the key weakness highlighted by the independent evaluation of the Fund, and remains the Fund’s Achilles heel.

II. Context: The Current Financial Situation of the Fund

8. At the time of its establishment in 2001, the Adaptation Fund was designed to be funded by a 2 per cent share of the proceeds arising from the sale of Certified Emission Reductions (CERs) generated under the Clean Development Mechanism (CDM) of the Kyoto Protocol. In 2008 the Fund’s Trustee estimated that the Fund would receive around 32 million CERs for the period 2008-2012. At 2007 values, these would have generated revenues of around 480 million EUR.

9. However, the market for CERs fell sharply, and the Fund was not able to realise such substantial revenues. By 2013, the date of the last fundraising strategy, the Fund had received 188 million USD from CER sales. The failure to establish an international regulatory framework after the end of the first commitment period of the Kyoto Protocol in 2012, coupled with over-allocation of allowances under the EU’s Emission Trading Scheme (ETS), which had been the main driver for CDM, resulted in a precipitous fall in CER values. Since 2013 CER values have declined, and stand at under 40 cents per tonne in February 2016. During the calendar year 2015, the Trustee sold 3.69 million CERs, which generated US$ 4.95 million.

10. As a consequence of this market shift, the monetization of CERs cannot be counted upon to generate substantial income for the Fund in the coming years.

11. In order to fill the gap, the Fund has largely relied upon donations from contributor governments. These contributions have largely been made on an ad hoc basis, in response to appeals from the Board and in connection with annual COP/CMP meetings.

12. Responding to this identified weakness, the Board commissioned a fundraising strategy which was presented to the Board in 2013. 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 2013 strategy recognised the difficulties caused by the Fund’s inability to fundraise consistently, and proposed an approach based upon diversification.

13. The strategy identified a minimum target of between US$ 60 million and US$ 80 million per year income for the Fund. This was based upon an assessment of minimum needs, coupled with ensuring that the Fund’s operating costs (principally the functioning of the Board and secretariat) would not exceed a figure of around 7 per cent.

14. This target of US$ 80 million per year was adopted by the Board as a guidance point for resource mobilisation, spread over a two-year mobilization period, 2014-2015. However, in spite of the best efforts of the Fund, resources fell short of this target.
15. As the Fund approached the end of 2015 it found itself with a significant shortfall in revenue. Approaching the Paris COP/CMP climate conference the Fund undertook an analysis of resources and demand, and concluded that the remaining resources of around US$ 133 million would be exhausted within a year.

16. Significant efforts were undertaken to draw attention to this situation, and the Fund succeeded in raising considerable new resources around the time of the Paris COP/CMP, with new donations from governments reaching nearly US$ 75 million. These included pledges from Sweden (US$ 17 million), Germany (US$ 54 million), Belgium (US$ 1.1 million), and a first-time pledge from Italy (US$ 2.2 million).

17. The Fund ended up meeting 88 per cent of its two-year target of US$ 160 million for 2015-2016, which is a good result. However, space remains for engaging past and new donors to mobilize additional funding.

III. Review of the 2013 Fundraising Strategy

18. Before proposing a resource mobilization strategy for the coming years, it is useful to review the 2013 fundraising strategy, and its execution.

19. The strategy was based on a sound analysis of the Fund’s financial situation, and of the need for a more robust approach to resource mobilization. It identified a minimum target for annual resources for the Fund, and a clear strategy based upon diversification of income streams.

20. The starting point was to identify a floor and ceiling for resources that the Fund could realise. The target identified was set to between US$ 60 -80 million per year. In order to achieve this, it recommended methodical donor cultivation, the creation of outreach materials, as well as a timeline and budget for fundraising.

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.

25. Diversification has thus not been achieved, and the Fund remains highly dependent upon ad hoc contributions from donor governments. Nonetheless, in spite of this failure, it should be noted that the Fund only fell short of its two-year 2014-2015 target by around US$ 20 million (against a target of US$ 160 million). However, much of this funding was raised at the last minute in the margins of the Paris climate conference, again raising issues around predictability and security of adequate resourcing for the Fund.

26. So why has the previous fundraising strategy failed to result in diversification of income for the Adaptation Fund? The main reasons for this are in fact set out in the 2013 fundraising strategy itself.

27. Whilst recommending a strategy based upon diversification towards the private sector, the 2013 strategy did clearly point out the difficulties in executing such an approach.

28. Several challenges were pointed out in securing funds from foundations, including:
   - Long donor solicitation cycles;
   - Frequent requirements to ‘earmark’ funds for specific regions or projects;
   - Relationship-building that would require significant time and other resources to be invested.

29. Beyond this list of factors which explain the difficulties in establishing a private sector revenue stream for the Fund are two more significant factors which are not considered expressly in the 2013 strategy: the inter-governmental and facilitative characteristics of the Adaptation Fund. 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 nimblly 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 organisations and initiatives, rather than inter-governmental bodies. There are some exceptions where international inter-governmental organisations 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.

33. After initial investigations and approaches by the secretariat and some Board members underlined the resource implications of attempting to diversify in this direction, it was perhaps not surprising that the Board was reluctant to commit a significant budget to fundraising. Creating even a fundraising budget at the lower end of this estimate – around 10 per cent of the target – would have required the Board to divert at least US$ 4 million from project funding by 2015. This would be considerably more than the total secretariat annual budget.

34. Whilst this reluctance was entirely understandable, without significant investment and recruitment of a dedicated fund-raiser the strategy of diversification was highly unlikely to succeed. This was particularly the case in light of the global economic downturn which had the impact of reducing the willingness of corporations to make large-scale investments in the name of corporate social responsibility.

35. At present, there is no dedicated fundraising budget within the secretariat’s annual budget. All fundraising efforts are undertaken by the secretariat staff, principally the Manager, in the margins of existing activities.

36. In conclusion, whilst the 2013 diversification strategy was founded upon sound analysis and a clear logic, it has not been successfully implemented.

37. The secretariat keeps a watching brief on developments in the foundation sector, and does maintain relationships there. It is not impossible that opportunities may arise for the Fund to secure significant investments from this source in future, but this is unlikely, and should not be counted upon in future resource mobilization modelling.

38. In light of this experience, and without dedicating very significant resources to fundraising, it is unrealistic to foresee that the Fund will be able to raise significant revenues from the private sector in the coming years.

39. The 2013 fund-raising strategy maps a phased approach which lasts until the end of 2017. However, the annual targets have not been achieved to date, and no progress has been made towards the diversification of Fund resources. It therefore seems necessary and appropriate to update the strategy in light of the actual financial situation of the Fund, and to create a new target
and methods for 2017 onwards. This is reinforced by recent developments in international climate policy which create new and unforeseen opportunities for the Adaptation Fund.

IV. The Adaptation Fund and the Paris Agreement

40. The historic Paris Agreement on climate change, reached by the parties to the UNFCCC in December 2015 has created the potential for the Adaptation Fund to become part of the financing mechanism to this new agreement.

41. Paragraph 60 states that the Conference of the Parties,

‘Recognizes that the Adaptation Fund may serve the Agreement, subject to relevant decisions by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement’.

42. The Fund was set up by the parties to the Kyoto Protocol, and reports to the parties on an annual basis. As a result, the inclusion of the Fund as a financing mechanism of the Paris Agreement is subject to approval from the Conference of the Parties to the Kyoto Protocol (the CMP).

43. Paragraph 61 acknowledges this, and,

‘Invites the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol to consider the issue referred to in paragraph 60 above and make a recommendation to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its first session’.

44. This process has already started with the decision made by CMP 11, following adoption of the Paris Agreement:

8. Recommends that the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement, at its first session, consider that the Adaptation Fund may serve the Paris Agreement, in accordance with paragraphs 60 and 61 of decision 1/CP.21;

9. Invites the Conference of the Parties, at its twenty-second session (November 2016), to request the Ad Hoc Working Group on the Paris Agreement to undertake the necessary preparatory work concerning the issue referred to in paragraph 8 above and to forward a recommendation to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol for its consideration and adoption no later than at its fifteenth session (November 2019);

45. This established a roadmap that can make the Adaptation Fund one of the funds serving the Paris Agreement. Next steps will begin with consideration by COP22 in Morocco in November 2016 to request the Ad Hoc Working Group on the Paris Agreement to begin this process. If approval is granted, then the connection to the Paris Agreement will provide an entirely new dimension to the Fund’s work over the coming years. Amongst other changes, this may provide
potential new revenue sources to fund the Fund's activities. These may include connections to the proposed new market mechanism set out within the Paris Agreement.

46. However, how much revenue this new market mechanism will realise remains uncertain, depending upon the number of countries which participate, and upon the level of the market.

V. The Fund's future financing needs

47. As was stated in the introduction, above, the Fund is experiencing increasing levels of demand for its support. In particular, demand is rising from national implementing entities (NIEs), and regional implementing entities (RIEs) which is changing the pattern of disbursement from the Fund. While the number of projects implemented by NIEs was low until mid-2014, it has nearly tripled since that through approval of successful project proposals, and the August 2015 project submissions from implementing entities contained a record 21 proposals, of which 13 were from NIEs, seven from RIEs and one from an MIE. This shows a clear increasing trend of proposals from NIEs and RIEs.

48. In addition to this, the Adaptation Fund Board has launched a pilot programme for regional projects, with a maximum funding of US$ 30 million, and part of that programme is expected to be funded before the end of 2016.

49. In accordance with the Adaptation Fund Board decision B.12/9 taken in December 2010, the share of Adaptation Fund project funds that multilateral implementing entities (MIEs) are able to access is capped at 50 per cent, while the other 50 per cent is reserved for national and regional implementing entities (NIEs and RIEs).

50. Lack of available funds, combined with this 50% cap, has significantly restricted the ability of the Fund to consider further applications from MIEs at present. However, the ability or interest of MIEs to submit proposals has not changed: based on a brief survey conducted among MIEs in 2014, if the cap were to be lifted, several MIEs would be quick to submit proposals to address needs they have already identified with countries.

51. As Graph 1 demonstrates, the value of MIE projects has significantly declined following the MIE cap being reached in 2012. Graph 2 demonstrates the shift from MIE, towards NIE proposals, a trend which continues.
52. In attempting to assess future financing needs, the secretariat developed different scenarios in 2015, within the paper *Summary of AF project resources September 2015*. At that stage (August 2015), the Fund had US $132.95 million that was not yet allocated to projects.

53. The scenarios were as follows:

**Scenarios for project allocations by end-2016 (short-term)**

*Scenario 1: Baseline scenario*
54. Considering the ability and communicated plans of NIEs and RIEs to submit proposals, and the average project development time of 9-12 months as recorded in the Adaptation Fund annual performance reports, the expected funding allocation by the end of 2017 is **US$ 200 million**, which includes the funds that the Board has decided to allocate for regional projects, up to **US$ 30 million**.

*Scenario 2: Lifting of the MIE 50% cap*

55. The Adaptation Fund Board has occasionally discussed the possibility of lifting the cap posed for MIEs. As can be seen from Graphs 1 and 2 above, reaching the cap, in end-2012, led to a rapid drop in MIE proposals. It could be expected that during the first year the value of approved MIE proposals could reach **US$ 50 million**, and after the initial delay, from the second year onwards, approach **US$ 100 million per year**.

*Scenario 3 a) and 3 b): Lifting the US$ 10 million country cap*

56. At its 27th meeting, the Adaptation Fund Board considered options for lifting the US$ 10 million country cap set up in early 2011. The options included, among others, lifting the cap to US$ 20 million for countries that have already accessed resources “near” the country cap (Scenario 3 a), and lifting the cap to that level for all eligible countries (Scenario 3 b). Scenario 3 a) could theoretically increase the amount of allocated funds by ca. **US$ 200 million** over the following 2 years, though it is more probable that the increase would be in the magnitude of **US$ 100 million**. Scenario 3 b) could realistically double the figures presented above. The Board decided to maintain the cap for the time being, and request the secretariat to prepare, for consideration by the Board at its twenty-eighth meeting, options for a framework for a medium-term strategy for the Fund.

**Scenarios for project allocations by end-2020 (medium-term)**

57. There are significant uncertainties in trying to assess project pipeline development at the medium term. Therefore, it is useful to consider different scenarios.

*Scenario 1: Baseline scenario*

58. The baseline scenario assumes that the rate of accreditation of implementing entities remains as it currently is, i.e. 3-4 new NIEs accredited/year, and therefore the level of project approvals remains relatively steady compared to the short-term 2015-2016 scenario. With the rate described above, the funding needs by 2020 would be ca. **US$ 400-500 million** beyond the currently available funds, as outlined below in Graph 3.

*Scenario 2: Increased disbursements for NIEs and RIEs through accelerated accreditation*

59. During the last two years, there has been a noted surge in interest among developing countries to have their organizations accredited. This has likely been caused in part by decisions made by the Green Climate Fund (GCF) to enable direct access among other access modalities, and by the number of climate finance readiness programmes underway, including that of the Adaptation Fund. The Adaptation Fund programme includes elements such as South-South Cooperation Grants for NIE accreditation, and Technical Assistance Grants on environmental and social risk management. The accreditation standards of the Adaptation Fund and the GCF are largely compatible (several of Adaptation Fund NIEs have been “fast-track accredited” by the GCF
due to this compatibility, even though some of them only for no-risk, Category C projects), and being able to access two funds provides an additional incentive for applying for accreditation. Scenario 2 assumes that the rate of accreditation of new NIEs and RIEs increases two-fold, i.e. 6-8 new NIEs and 2-4 new RIEs / year, through increased readiness among countries and their organizations. In such a scenario, considering the current business processes of the Adaptation Fund such as the Accreditation Panel review in the accreditation process, and the secretariat/Project and Programme Review Committee review of project proposals, a doubling of proposals submitted by NIEs and RIEs is fully possible. If this is translated into a doubling of project approvals, the funding needs by 2020 could be ca. **US$ 800-1,000 million** beyond currently available funds, as shown below in Graph 3.

Graph 3: Baseline and “increased” medium-term scenario. Note: as mentioned above, adoption of the regional projects as a regular feature of the Fund could add ca. US$ 100 million per year to each scenario.

60. As can be seen, therefore, the potential demand for Fund resources vastly outstrips the current available funding.

61. Under the 2016 short-term scenarios, the Fund would need between US $70 million and US $120 million to meet the demand. Under the medium-term scenarios, an increased scenario would necessitate a large increase in the Fund’s resources.

62. With a healthy project pipeline in the short-term, and projected increased demand in the medium term – whether the MIE cap is lifted or not – the Adaptation Fund will face increasing demand for its support. Beyond the 2020 limit of those scenarios the confirmation of the Fund as part of the financial mechanism to the Paris Agreement would also be likely to increase demand.
VI. Resource Mobilization Strategy

a) US $80 million: the minimum Resource Mobilization Target

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63. The Adaptation Fund Board decided, at its twenty-seventh meeting in March 2016, to set a new resource mobilization target of US$ 80 million per year for the biennium 2016-2017 (Decision B.27/36 (b)). This target is based upon current resourcing needs, coupled with a realistic view on the Fund’s potential to generate contributions. It is a figure which has been used from the 2013 fundraising strategy onwards, and endorsed by the Board as an indicative target. The figure of US $80 million was widely quoted by the Fund and its supporters within communication materials in the lead-up to the Paris COP in December 2015.

64. It is recommended that after the biennium 2016-2017, this target will be reviewed, with a view of possibly raising it to US$ 100 million or to a higher figure for years 2018-2020.

65. There is a definite advantage to maintaining a clear, consistent, and definitive figure as the target for the Fund’s annual resource mobilization. Ahead of the Paris COP some concern was expressed that the Fund could ‘undersell itself’ by setting a target that is too low. However, it should also be noted that use of a higher US $95 million figure in some conversations around the Fund proved to be confusing, and arguably diluted the Fund’s clear message to the Conference of Parties. It is also the case that this target has not been realised in either of the previous two years, hence increasing it could be regarded as unrealistic.

66. The US $80 million target should be regarded as a minimum, rather than a maximum target, and renewed efforts should be made to reach this goal, and go beyond it, in the coming years. The target should be clearly and consistently communicated in the Fund’s external communications, along with an explanation as to its origins.
b) Sources of revenue: governments to bridge the gap until alternative sources are in place

Sources of revenue
- Focus on governmental contributions
- But maintain light-touch contacts with foundations and private sector in case of opportunities
- **National governments**: continue to foster relations with existing and past funders; target new potential funders
- **Regional governments**: raise visibility amongst networks and alliances of regions and cities, explore potential to mobilise further resources at sub-national level

67. Since the decline in CER revenues, the overwhelming proportion of the resources available to the Fund have come from donor governments. The 2013 fundraising strategy proposed an ambitious strategy to diversify the Fund’s income, with private financing rising from 0% to 40% and beyond in the four years up to the end of 2017. However, as discussed above, this did not prove to be a realistic or realisable goal. In light of the experiences of Board and secretariat in investigating the potential from private sources of funding, and the understandable reluctance of the Board to allocate significant resources to a private sector fundraising initiative, this diversification strategy should be revised.

68. It should be anticipated that the vast majority of resources available to the Fund will continue to come from donor governments, and the resource mobilization strategy should be primarily aimed at providing the evidence and encouragement needed to maximise such contributions.

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. The majority of the contributions made to the Fund over the past five years have been from a very limited range of governmental actors.

70. Whilst these governments have been loyal and supportive to the Fund, increasing the number of governmental actors who contribute to the Fund should be one of the primary objectives of the resource mobilization strategy. The Board and secretariat have already made efforts in this direction, and there is positive progress. Further attention should be given to the challenge of broadening the Fund’s base of public sector support. In particular, these efforts should seek to develop relationships with developed country national governments who have not yet contributed to the Fund, and should also explore the potential for regional public authorities to contribute to the Fund.

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71. Broadening the range of national governments will not be easy, but efforts in this direction are likely to be more efficient than investing significant resources in securing revenue from private foundations. Extending resource mobilization efforts to new countries will not require the development of entirely new communications materials (as would be the case for corporate support, for example, which would likely require the development of professional quality CSR marketing materials). The Board and secretariat can also leverage contributions from other countries (attempting to create a domino effect) as well as leveraging other commitments made by developed countries, both to the Paris Agreement, and to the US $100 billion by 2020 target for climate finance.

72. The Fund has also received support from some sub-national bodies. Although broadening the Fund’s outreach to regions could create a huge list of potential targets, it would be possible for the Fund to explore the feasibility of mobilizing resources from regions and cities by developing contacts with alliances and networks of regional and urban public authorities and speaking at their events, as well as by exploring links with regional authorities that have already contributed to international climate finance efforts.

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.

74. This realistic approach is also recommended because it will make it even clearer to governments that there is no magic wand that can be waved in order to generate US $80 million per year for the Fund from private sources.

75. One promising route for the Fund to secure future financial sustainability outside of government contributions is through the development of a new carbon market instrument under the Paris Agreement, with a proportion of the revenues from this scheme being dedicated to funding the Adaptation Fund.

76. This predicates a twin-track approach to governments; asking for contributions for the period up to 2020, and to highlight the possibilities to link the Fund to revenues from the market instrument to finance the Fund beyond 2020.

77. Another potential route to access additional funds would be collaborating with the GCF. The Adaptation Fund Board has, since October 2014, considered potential linkages between the two funds, including the option of entering into a synergistic partnership in which the Adaptation Fund could programme part of GCF funds to concrete adaptation projects of the types it has expertise and procedures for. The GCF Board is expected to discuss complementarities with other funds at some pre-determined times and this may offer an opportunity to continue the discussion between the funds.
c) **Communications approach: a bridge to Paris**

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78. The Fund should communicate clearly and openly that in the short to medium term there is a need for governments of developed countries to contribute to the Adaptation Fund as part of their collective obligation to reach the US $100 billion per year climate finance floor by 2020.

79. At the same time, the Fund should make the case that its longer-term future can be secured by linking the Fund to the Paris Agreement, and by highlighting possibilities to link the Fund to revenues from the new market mechanism envisaged by the Agreement.

80. In this way, governments are not being asked for an open-ended commitment, but rather to bridge the gap until the implementation of a strong Paris Agreement gives the Adaptation Fund a renewed mandate and more secure funding stream.

81. Communications from Board members and the secretariat should therefore:

   1) Stress that the Fund is meeting its mandate: it is successful, in demand, and meeting a gap for adaptation to climate change;

   2) Emphasise the connection between supporting the Fund and the US $100 million per year obligation;

   3) Stress the Fund’s high potential to contribute to the implementation of the Paris Agreement and encourage formal linkages;

   4) Highlight the possibility to link the Adaptation Fund to the proposed new market mechanism wherever possible and encourage Parties to connect the Fund to revenues from this mechanism to secure the long-term financial sustainability of the Fund.