Introduction to the Adaptation Fund

Climate Finance Readiness Workshop for the Central Africa Region
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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>Operational</th>
<th>Currently</th>
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<tbody>
<tr>
<td>Least Developed Countries Fund (LDCF)</td>
<td>2002</td>
<td>$658.69 M</td>
<td>($1,365 M)</td>
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<tr>
<td>Special Climate Change Fund (SCCF)</td>
<td>2004</td>
<td>$82.06 M</td>
<td>($352.8 M)</td>
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<td>Pilot Program on Climate Resilience</td>
<td>2008</td>
<td>$9.2 M</td>
<td>($1,200 M)</td>
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<td>Adaptation Fund</td>
<td>2009</td>
<td>$482.61 M</td>
<td>($861.9 M)</td>
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<td>Green Climate Fund</td>
<td>2015</td>
<td>$3,991 M</td>
<td>($7,167 M)</td>
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Under UNFCCC:

Outside of the UNFCCC process:

Under the Kyoto Protocol of UNFCCC:
The Adaptation Fund was established under the Kyoto Protocol of the UNFCCC

- **Goal:**
  - Increase resilience through **concrete adaptation** projects & programmes
  - Focus on **most vulnerable countries and communities**

- **Innovative Features:**
  - Governed by **majority of developing countries**
  - **Levy on** Clean Development Mechanism **proceeds** & other sources of funding
  - **Direct access** alongside **conventional access through international orgs**
There are 3 modalities that developing countries can use to access Adaptation Fund resources

- Funding decision (AFB)
- Funds transfer (Trustee)
- Proposal submission
- Project supervision
- Financial responsibility
- Project execution: work on the ground
- Report to the IE

6 RIEs accredited
11 MIEs accredited
28 NIEs + 1 accredited
accredited Adaptation Fund pioneered fully operational direct access to climate financing.

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 National Implementing Entity meeting the funds' fiduciary standards, environmental and social safeguards and gender policy.
The number of direct access entities is increasing

46 Implementing Entities
- 28 NIEs (46% LDCs, SIDS)
- 6 RIEs
- 12 MIEs
Benefits of Direct Access

- Funds projects directly managed and led by countries
- Elevates issues relating to climate change and adaptation to the national level
- Improves intragovernmental collaboration and amplifies stakeholder voices
- Fosters transparency, inclusiveness and competition in project formulation
- Sustains institutional knowledge and enhances internal management
- Empowers developing countries to build national adaptive capacities
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
US$ 532 million allocated and/or disbursed to 81 countries (18 SID; 28 LDCs)
62% transferred
50% cap on cumulative resources in the trust fund for MIEs
Support for projects available:

- Project Formulation Grants
- Readiness grants
  - Technical assistance
  - Project formulation assistance
  - South-South Cooperation
  - Readiness support package
- Learning
- Project scale-up
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

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$ 129 M / US$ 90 M
2019: US$ 0.0 M / US$ 90 M

Projects and programmes under development: US$ 262 M
Funds available for funding decisions: US$ 273 M
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)

MTS Implementation Plan: approved in March 2018
Evaluation: Phase II (2017-2018) – portfolio

- **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.
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

TERG Chairperson appointed January 2019

Photos: UNDP Turkmenistan
Adaptation Fund and the Paris Agreement

In summary, Decision -/CMA.1: “Matters Relating to the Adaptation Fund”

- Decided that AF shall serve the PA under the guidance of, and be accountable to, the CMA with respect to all matters relating to the PA, effective 1 January 2019

- Recommended AF shall exclusively serve the PA once the share of proceeds under mechanism to contribute to mitigation of GHG emissions and support SD becomes available

- Decided when AF serves PA it shall be financed from the share of proceeds from the mechanism and from a variety of voluntary public and private sources

CMP made decisions aligning with CMA.1 decision, including:

- That AF shall exclusively serve PA and shall no longer serve KP once the share of proceeds from mechanism becomes available

- That Parties to the PA are eligible for membership on the Adaptation Fund Board

- Requested AFB to look at matters related to AF serving the PA
What happens next as Adaptation Fund serves the PA?

- SBI 50 (June 2019), to consider the eligibility for membership on AFB, and to forward a recommendation to CMP 15 in November 2019

- AFB to make recommendations to CMP 15 with a view to the recommendations being forwarded to CMA 2 in November 2019:
  
  (i) the rules of procedure of the Board;
  (ii) the arrangements of the Fund with respect to the Paris Agreement;
  (iii) any other matter so as to ensure the Fund serves the Paris Agreement smoothly; and
  (iv) implications of the Fund receiving the share of proceeds from activities under Articles 6, 12 and 17 of the Kyoto Protocol when the Fund serves the Paris Agreement.

- AFB to continue efforts to enhance complementarity and coherence with other funds both under and outside the Convention, including to better align processes and leverage financing