



ADAPTATION FUND

AFB/EFC.27/10
17 March 2021

Adaptation Fund Board
Ethics and Finance Committee
Twenty-seventh Meeting
Bonn, Germany (held virtually), 24-25 March 2021

Agenda item 7

UPDATE ON RESOURCE MOBILIZATION ACTIVITIES 2017-2020

Introduction

1. This document presents a summary of the Resource Mobilization activities during the period from the approval of the Resource Mobilization Strategy¹ to date. It is based upon the principles set out in the Resource Mobilization Strategy and Resource Mobilization Action Plan, and scoping carried out by the secretariat.
2. It is recalled that the key objectives of the Resource Mobilization Strategy are as follows:

Resource mobilization target

- US \$80 million per year target for 2016-2017 (Decision B.27/36)
- US \$90 million per year target for 2018-2019 (Decision B.31/31)
- US \$120 million per year target for 2020-2021 (Decision B.35.b./22)

Sources of revenue

- Focus on governmental contributions.
- 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.
- *Sub-national governments*: raise visibility amongst networks and alliances of regions and cities, explore potential to mobilise further resources at sub-national level.

Communications approach

- Government contributions needed as bridge to post-2020.
- Stress Fund's high potential to contribute to the implementation of the Paris Agreement.
- Highlight possibilities to link Fund to new market mechanism under the Paris Agreement.

Source of Revenue

Focus on governmental contributions:

National governments: continue to foster relations with existing and past funders; target new potential funders.

3. The secretariat has continued to have bilateral conversations with potential and ongoing contributors. Overall, over the past five years, there has been a positive resource mobilisation

¹ Board approved 2017 – 2020 resource mobilisation strategy in October 2016. (Decision B.28/44) Document AFB/B.32/Inf.6

trend in terms of absolute total amount pledged by year and the number and diversity of contributors. Important highlights are as follows:

- Nearly all contributions have come from sovereign governments and approximately 5% has been received from sub-national governments and private donors.
- The year 2018 was a single-year record in new pledges, corresponding to about US\$ 129 million, which were announced to the Fund during the Contributor Dialogue held on the margins of the Katowice Climate Conference and after it by a total of nine contributor governments, including two first-time contributors of the Fund. New Zealand represented the first contributor to the Fund from the Asia-Pacific region. In addition, a new US\$ 4.25 million project funded by Italy and implemented by Ethiopia's Ministry of Environment, Forests and Climate Change (MEFCC), which is one of the executing entities of the AF-funded Ethiopia project, built on the model of the Fund's project in the country and thereby extended its impact.
- The year 2019 included two new and significant contributors: Poland, representing the first contributor from the Eastern Europe region; and Quebec, Canada, as the first subnational government outside of Europe and the first contributor from North America. The Government of Sweden made the first multi-year pledge (4 years). Multi-year pledges can increase predictability of the Fund's financial situation and predictability. Other contributor governments have subsequently expressed informal interest in multi-year pledges.
- In the year 2020 at the second session of its thirty-fifth meeting, to meet the continuous high demand², the Board decided (Decision B.35.b./22) to raise its resource mobilization target to US\$ 120 million per year for both 2020 and 2021. In December 2020 during its virtual Contributor Dialogue to further Ambition in Adaptation Finance, an event coinciding with the 5th Anniversary of the Paris Agreement and Climate Ambition Summit 2020, the Fund raised US\$ 116 million in new contributions for 2020 with pledges from Germany, Italy, Sweden and Ireland, as well as Belgium's Walloon Region and Brussels-Capital Region. The total almost reached the set target and represents a remarkable effort during a challenging economic year ravaged by the COVID-19 pandemic.
- Following the financial pledge of EUR 10M made by the European Commission (EC) to the Fund made at the Katowice Climate Conference in December 2018 the secretariat has followed up with the EC and the Trustee regarding various fund flow options proposed for the disbursement of the pledge. However, due to legal and operational complexities, the fund flow arrangement could not be solved within the timeline the EC was internally bound, i.e. by 31 December 2020. In order to not completely lose the contribution for adaptation activities, the EC suggested to proceed swiftly to the only remaining identified option: directly funding a programme approved by the Board. The secretariat suggested channelling the funds to the Adaptation Fund financed programme "Adaptation Fund-UNDP Innovation Small Grant Aggregator Platform (ISGAP)", given that a transfer to UNDP was relatively easier based on existing arrangements. The contractual arrangement between the EC and UNDP was completed swiftly in December 2020.

² the Fund received record highs in new proposals for review cycles in 2019 and 2020 and has an active project pipeline of about US\$ 280 million

- In January 2021 as a new contributor to the Fund, Qatar, through the Qatar Fund for Development, broke ground by becoming the first non-Annex I Party to the UN Framework Convention on Climate Change to provide financial support to the Adaptation Fund and is further the first country from the Middle East to contribute to the Fund.

Sub-national governments: raise visibility amongst networks and alliances of regions and cities, explore potential to mobilise further resources at sub-national level

4. In preparation of the Annual Contributor Dialogue held at the Madrid Climate Conference (COP 25/CMP 15), the secretariat has reached out to sovereign and sub-sovereign entities both in face-to-face meetings and through dedicated correspondence. Preparation of communication materials for COP 26/CMP16 also included outreach to sovereign and sub-sovereign entities including a participation of contributors and other key stakeholders in project visits, particularly portfolio monitoring missions. Due to COVID-19 pandemic the project visit was not allowed.

Maintain light-touch contacts with foundations and private sector in case of opportunities

5. The Fund has also expanded its experience in dealing with alternative source of funding despite the limited financial resources and limited capacity at the secretariat. The Board at its 32nd meeting, held a discussion on the topic of the importance of documenting the procedural steps for receiving contributions from sources alternative to government funding. Considering the documents AFB/B.32/Inf.6 and AFB/B.32/Inf.7 and decision B.31-32/27, the Resource Mobilization Task Force recommended that the Board provide guidance to the secretariat and the trustee regarding engagement with non-governmental donors and a procedure for receiving funds from such donors. The secretariat intersessionally presented the document on the matter of 'procedural steps for receiving contributions from sources alternative to government funding' to the Board and the Board intersessionally decided as follows:

Having considered the procedural steps to be taken to receive contributions from sources alternative to government funding, the Board decides to approve the procedural steps to be taken to receive contributions from sources alternative to government funding as described in document AFB/B.35-36/3.Rev.1.

(Decision B.35-36/9)

6. In addition, in relation to alternative source of funding, the secretariat communicated the approval of the Board (decision B.33-34/33) on the engagement of the Fund in the 'Research Phase' of the "Corporate Air Passenger Solidarity (CAPS)" proposal to BVRio Institute and Oxford Climate Policy. The secretariat also reviewed the outcome of the Research Phase in view of the Fund's potential engagement in the 'Development Phase' and the 'Campaign Phase' of the CAPS Proposal in consultation with the Resource Mobilization Task Force, and submitted its review to the Board for its consideration.

7. The Board, having considered the information and the recommendation by the Resource Mobilization Task Force contained in document AFB/B.35a-35b/24 decided to:

a) Take note of the report on the Research phase of the CAPS proposal and the fact that it had been found to be “not feasible”;

b) Request the secretariat to engage with the authors of the CAPS proposal on possible, other options for the implementation of the CAPS in order to facilitate, through provision of information, the development of a new concept that the authors could submit to the Fund, to be reviewed by the secretariat and the Resource Mobilization Task Force.

(Decision B.35.a-35.b/84)

8. The secretariat continued to liaise with the United Nations Foundation (UNF) to transfer the financial donations received through the UNF’s private donation route (“Donate” button), which included the donations collected through the VISA’s interactive social giving kiosk at COP 24 as well as a donation from the Greta Thunberg Foundation³.

Shares of Proceeds

9. The Fund has continued to receive resources from the sales of Certified Emission Reduction units (CER), monetized by the trustee, although the revenue from that source has remained relatively low. The Conference of the Parties serving as the meeting of the Parties of the Paris Agreement (CMA) has decided that the Fund shall be financed from the share of proceeds from the mechanism established by Article 6, paragraph 4, of the Paris Agreement and from a variety of voluntary public and private sources (decision 13/CMA.1). However, the negotiations on operationalizing this have not been concluded. Further, it has been proposed that a share of proceeds also from the mechanism under Article 6, paragraph 2, of the Paris Agreement would be channelled to the Fund, yet there has not been agreement on this proposal.

Communications approach

- *Government contributions needed as bridge to post-2020*
- *Stress Fund’s high potential to contribute to the implementation of the Paris Agreement*
- *Highlight possibilities to link Fund to new market mechanism under the Paris Agreement*

10. The secretariat was also involved in the preparatory work of the Annual dialogue of climate finance delivery channels with other climate funds in the margins of COP 25/CMP 15 and COP 26/CMP16.

11. The secretariat supported the work of the Board’s Resource Mobilization Task Force, by facilitating a virtual meeting of the Task Force on 17 June 2020, in which the topic of resource mobilization target for years 2020-2021 and a possible virtual pledging event were discussed. On the topic of the resource mobilization target the secretariat prepared, in consultation with the Task Force, a proposal to be presented to the Board at the second part of its thirty-fifth meeting. The

³ <https://www.adaptation-fund.org/young-inspirational-leader-greta-thunberg-wins-freedom-prize-for-driving-climate-action-donates-a-share-of-prize-money-to-adaptation-fund/>

secretariat has also liaised with the UNFCCC secretariat and the incoming U.K. COP 26 Presidency in order to jointly explore possible activities to continue building a network with national and sub-national actors in order to identify potential contributors to the Fund.

12. Alongside outreach, and according to the Action Plan, activities also included the development of the Fund's 'offer' to contributors, such as increasing visibility of contributors to the Fund on the website i.e.: the development of specific web pages for each donor government on the Adaptation Fund website, to highlight contributions and how they are based on the priorities of the donor government and, when relevant, linked to the donor government's other on-going support activities.

Recommendation

13. The Ethics and Finance Committee may want to consider the information contained in document AFB/EFC.27/10 and recommend that the Board decide to request the secretariat to prepare, in consultation with Resource Mobilization Task Force, a proposal for a new Resource Mobilization Strategy for years 2021 – 2024 and a Resource Mobilization Action Plan, and present them to the Board for its consideration at its thirty-seventh meeting.