



ADAPTATION FUND

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Adaptation Fund Board
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Agenda item 9

RESOURCE MOBILIZATION STRATEGY 2022-2025

Introduction

1. The Adaptation Fund Board (the Board) at its thirty-eighth meeting, *having considered documents AFB/B.38/6 and annex I thereto, AFB/B.38/6/Add.1. and annex I thereto and AFB/B.38/6/Add.2, decided* to request the secretariat:

(a) To conduct a survey of the Board during the intersessional period (B.38-B.39), with a view to receiving input on the draft resource mobilization strategy set out in document AFB/B.38/6 /Add.1 and the draft resource mobilization action plan set out in document AFB/B.38/6/Add.2;

(b) To update the draft resource mobilization strategy and the draft resource mobilization action plan to reflect the input provided by the Board through the intersessional survey referred to in subparagraph (a), above, for the Board's consideration at its thirty-ninth meeting.

(Decision B.38/50)

2. The decision followed the discussion the Board had at its thirty-sixth meeting when:

Having considered the comments and recommendation of the Ethics and Finance Committee, the Adaptation Fund Board (the Board) decided to request the secretariat, in consultation with Resource Mobilization Task Force, to prepare a draft resource mobilization strategy for the period 2021– 2024 and a draft resource mobilization action plan and present them to the Board for its consideration at its thirty-seventh meeting.

(Decision B.36/36)

3. In order to address the Board request (B.38/50 (b)), the secretariat has sent out an additional survey to the Board during the intersessional period between its thirty-eighth and thirty-ninth meetings, with a view to receiving input on the draft resource mobilization strategy set out in document AFB/B.38/6 /Add.1 and the draft resource mobilization action plan. Overall, the results of the survey indicate that most of the Board members supported the action items presented. The matter that received most of the comments is about the Resource Mobilization Target for the period 2022-2023. The following document lays out the draft mobilization strategy and associated draft action plan for the Fund.

4. As reported in the last Resource Mobilization Strategy (2016),¹ 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

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

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. The Fund has continued to receive resources from the sales of CER units, monetized by the trustee, although the revenue from that source has remained relatively low². 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). At its third session, the UNFCCC Conference of the Parties serving as the meeting of the Parties of the Paris Agreement (CMA 3) in Glasgow, the CMA completed Article 6 “rulebook” negotiations of the Paris Agreement through decisions on CMA including their annexes on guidance (on Article 6.2 of Paris Agreement), rules (on Article 6.4), and a work programme (on Article 6.8), respectively. As set out in annex to decision on CMA 3 agenda item 12b (paragraph 58), an equivalent of 5 per cent of the “share of proceeds” from carbon markets linked to the 6.4 multilateral mechanism will be transferred to the Adaptation Fund to assist developing countries Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.³ The CMA also decided to request the Supervisory Body to elaborate and further develop recommendations, for consideration and adoption by the CMA 4 (November 2022), on a number of issues related to Article 6.4 mechanism, including “appropriate levels for the share of proceeds for administrative expenses and its operation, including in order to enable a periodic contribution to the share of proceeds for adaptation for the Adaptation Fund.” However, it is noteworthy that details of administrative system to make the Article 6.2 and Article 6.4 mechanisms work are complex and are expected to take time to implement, and it is not yet clear on how much resources will be generated and provided for the Adaptation Fund.

5. In addition to the Article 6.4 mechanism, new guidance on “cooperative approaches” (Article 6.2), was adopted at COP26 in Glasgow. The guidance states that:

Participating Parties and stakeholders using cooperative approaches are strongly encouraged to commit to contribute resources for adaptation, in particular through contributions to the Adaptation Fund, and to take into account the delivery of resources under Article 6, paragraph 4, to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.⁴

Through Article 6.2, strong encouragement is provided to Parties to provide funding to the Fund voluntarily.

6. As outcome of the market shift, the monetization of CERs cannot currently be counted to generate substantial income for the Fund. To fill the gap, the Fund will continue to largely rely upon donations from contributor governments. These contributions have mostly been made on an ad hoc basis, in response to repeated encouragement by the Conference of the Parties

² In 2012, Parties agreed to augment the Adaptation Fund’s income during the second commitment period of the Kyoto Protocol through proceeds from Assigned Amount Units (AAUs) and Emission Reduction Units (ERUs),

³ Paragraph 58, Decision on CMA agenda item 12b, “At issuance, the mechanism registry administrator shall effect a first transfer of 5 per cent of the issued A6.4ERs to an account held by the Adaptation Fund in the mechanism registry for assisting developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.”

⁴ <https://unfccc.int/process-and-meetings/the-paris-agreement/the-glasgow-climate-pact/cop26-outcomes-finance-for-climate-adaptation#eq-2>

servicing as the meeting of the Parties of the Kyoto Protocol (CMP) and CMA, and appeals from the Board and in connection with annual UNFCCC conferences.

7. Responding to the decline in revenue from the CERs, the Board commissioned (Decision B.17/24) a fundraising strategy (AFB/EFC.9/5) which was presented to the Board in 2013. The goal of the initial 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.

SWOT Analysis and Mobilization Framework

8. The following draft resource mobilization strategy and associated draft action plan will also follow an approach based upon diversification and lays out the current financial situation of the Fund, provides an overarching strength, weaknesses, opportunity and threat (SWOT) analysis of the Fund's ability to mobilize resources. The draft resource mobilization strategy builds on the SWOT analysis to define a framework for raising resources, and finally lays out an overarching resource mobilization strategy and associated action plan to guide the Adaptation Fund in its fund raising efforts and to support a Board decision in setting resource mobilization targets for the 2022-2025 timeframe.

9. As part of the development of the resource mobilization strategy, the secretariat designed and deployed a survey to solicit feedback from Board members, contributors, civil society, the UNFCCC Secretariat and the UN Secretariat to better inform the development of the strategy and to gain insight into what stakeholder's perceive as the comparative advantage of the Fund.

10. As part of the development of the current resource mobilization strategy, the secretariat undertook a SWOT analysis to identify the Fund's strengths and weaknesses as well as opportunities and threats related to raising funds. These areas are detailed below and summarized in figure 1.

Strengths

11. Adapting to climate change has never been more pressing. The recent Working Group I contribution to the IPCC's Sixth Assessment report⁵ finds that: "Every region is projected to increasingly experience concurrent and multiple changes in climatic impact-drivers. Changes in several climatic impact-drivers would be more widespread at 2°C compared to 1.5°C global warming and even more widespread and/or pronounced for higher warming levels."

- *The Fund is in demand and has an active project pipeline of about US\$ 333 million* Since 2010, the Adaptation Fund has committed nearly US\$ 923.5 million for climate change adaptation and resilience projects and programmes, including more than 132 concrete, localized projects in the most vulnerable communities of developing countries. This spans nearly 100 countries, including 22 small island developing states and 41 least developed countries, serving

⁵ <https://www.ipcc.ch/ar6-syr/>;

https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Headline_Statements.pdf

about 35.9 million total beneficiaries. This led the Board to increase its annual resource mobilization target for 2020 and 2021 by a third to US\$ 120 million, while noting more would be welcome and needed to fund projects in the pipeline.

At its 36th meeting, the Board responded to the continued record demand for projects by doubling the funding amount that countries can access from the Fund from US\$ 10 to 20 million per country and by enabling countries to accredit up to two national implementing entities (NIEs) per country instead of just one. The Board further launched two new funding windows to support innovation and enhanced direct access.

- The Fund pioneered *Direct Access*, empowering countries to access funding and develop projects directly through accredited national implementing entities. Currently 57 Implementing Entities are accredited with the Fund of which 60% are national entities. The Fund's unique mandate to serve the most vulnerable communities to smaller, community-led projects has enabled an institutional set up that directly involves affected and often-marginalized communities in project design and implementation.

- At CMA 1 and CMP 14, Parties decided that the AF shall *serve the Paris Agreement* under the guidance of, and be accountable to, the CMA with respect to all matters relating to the Paris Agreement, effective 1 January 2019. CMP 14 also decided that the AF shall continue to serve the Kyoto Protocol until the share of proceeds under Article 6, paragraph 4, of the Paris Agreement becomes available.⁶ At the UNFCCC's Twenty-Sixth session of the Conference of the Parties (COP 26) in Glasgow, the CMA decided that at issuance, the mechanism registry administrator shall effect a first transfer of 5 per cent of the issued A6.4ERs to an account held by the Adaptation Fund in the mechanism registry for assisting developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.⁷ In addition, upon the CMA's invitations⁸, the CMP decided to confirm that developing country Parties to the Paris Agreement that are particularly vulnerable to the adverse effects of climate change are eligible for funding from the Adaptation Fund and to request the Adaptation Fund Board to amend the relevant operational and policy guidelines, as well as its strategic priorities, policies and guidelines accordingly.⁹ The CMP also decided to confirm that Parties to the Paris Agreement are eligible for membership on the Adaptation Fund Board and to request the Adaptation Fund Board to amend the relevant procedures and modalities.¹⁰ The CMP also noted the importance of finalizing the draft resource mobilization strategy of the Adaptation Fund for 2021-2024 in order to encourage mobilization of resources for the Adaptation Fund.

- The Adaptation Fund held its annual Contributor Dialogue in November 2021, at the UN COP26 climate change conference in Glasgow, and received a record-shattering equivalent of US\$ 349 million in new pledges for support from contributing national and regional governments announced at the dialogue and over the next days. A record 17 contributors announced new pledges for the Fund. The Fund's previous annual resource mobilization record was US\$ 129 million, which it reached in 2018 at COP24 in Katowice, Poland.

⁶ Decisions 13/CMA.1, para. 1; and 1/CMP.14, paras. 1–2.

⁷ Decision X/ CMA3 (agenda item CMA 12b), Annex, para.58.

⁸ [Decision -/CMA.3](#): Matters relating to the Adaptation Fund, paragraphs 7 and 8.

⁹ [Decision -/CMP.16](#): Report of the Adaptation Fund Board for 2020 and 2021, paragraph 6.

¹⁰ *Ibid.*, paragraph 7.

12. Part of the strength of the Fund is that it serves a unique niche within the international climate finance architecture. This niche as identified in the Medium-term Strategy 2018-2022 (MTS) of the Fund¹¹ is defined as follows:

The Fund's specialised niche within the evolving architecture of international climate finance is characterised by its focus on:

- *Concrete action in developing country Parties;*
- *Small-scale ("starter") projects/programmes, typically under US\$10 million for a single-country project or US\$15 million for a regional programme;*
- *Direct and Enhanced Direct Access modalities;*
- *Building the capacities and track records that NIEs require to access significantly higher levels of adaptation finance;*
- *Testing new practices, tools, and technologies for effective adaptation; and*
- *Pragmatic learning and sharing, especially through south-south collaboration.*

- During the recent deliberations by the UNFCCC's SBI on the *Fourth Review of the Adaptation Fund*, Parties recognized the important role of the Fund in supporting concrete adaptation action in developing countries as well as the need for predictable resources for the Fund.

13. As the above highlights, the Fund has demonstrated strengths and has achieved concrete results over its ten years of operations. Other strengths include the Fund's close and trusted engagement with the Fund's implementing entities; and the Board's operational culture that allows small and poorer countries to carry equal weight to those of contributors.

Weaknesses

14. Once it became clear that the monetization of CERs cannot be counted upon to generate substantial income for the Fund, the Fund has had to largely rely upon donations from contributor governments. These contributions have mostly been made on an ad hoc basis, in response to appeals from the Board and in connection with annual COP/CMP meetings.

- The ad-hoc and unpredictable nature of resourcing limits the Fund's ability to carry out its mission and to maximize its role in the international climate finance architecture. The fact that the Fund was set-up with the initial notion that a steady funding stream would be available through the sale of CER has meant that not only was the secretariat not structured to undertake fundraising, no other mechanisms for regular, predictable financing was instituted.

- The Fund's secretariat is relatively small in terms of full-time staff. This leaves limited time for staff to devote time to resource mobilization efforts, and the Fund currently has no dedicated staff for them. Without turning the Fund into a much larger institution, it might be worthwhile to allocate a specific annual budget toward resource mobilization, as the Board did, for the first time for Fiscal Year 2022, to support the multiple strategies for resource mobilization outlined in the next section. Investment is required over time in order to give these strategies adequate time to work properly. In March 2021 at its 36th meeting, the Board has approved (Decision B.36/30) a new position of Senior Programme Officer with the main responsibility to coordinate country and agency relations and oversee and coordinate separate but interlinked

¹¹ https://www.adaptation-fund.org/wp-content/uploads/2018/03/AFB.B.31.Inf_.7.Comparative-advantages-of-the-Adaptation-Fund_final.pdf

work streams of accreditation, readiness and resource mobilization. The new position will enable efficient and coordinated management of the different work streams aimed at enabling countries' access to the Fund (readiness and accreditation) and support for it (resource mobilization).

- Another difficulty is the Fund's circumstance as part of the broader climate finance architecture in which it lacks direct control over alternative funding sources, such as the share of proceeds under Article 6 of the Paris Agreement, for which negotiation is ongoing.

- It may also be seen as a weakness of the Fund in terms of resource mobilization, that under its existing arrangement, it can only receive resources to its overall budget, without the opportunity for contributors to direct funding i.e. to a specific window. On the positive side, operating the current system in which all resources in the trust fund are available for any funding decision by the Board is relatively simple. Further, revising the arrangement would require substantial consideration at different levels.

Opportunities

15. On the world stage, calls for increasing adaptation finance absolutely and proportionally compared to other climate finance, have been made across several fora. The Glasgow Climate Pact includes an unprecedented goal for developed countries to double the funding provided to developing countries for adaptation by 2025, taking the annual figure to around US \$40 billion¹². The current global awareness of and strong momentum for the need for additional funding for adaptation and resilience combined with the Fund's strong track record for providing climate funding represents an opportunity to request support for more predictable and increased resources.

16. One major opportunity is to expand to additional contributors including national and sub-national governments. The Fund was the first to mobilize resources from sub-national governments several years ago, and since then regional governments have been a consistent source of revenue for the Fund. This could be further built and expanded upon. The Fund also has a close connection to cities through its projects, partnerships and networks which could be further leveraged, as well.

17. There is an opportunity for the Fund to further map out potential new national and sub-national contributors and proactively seek funding from these entities. Similarly, opportunities with foundations and private sector can continue to be pursued and examined. The Board has approved '*procedural steps for receiving contributions from sources alternative to government funding*' (Decision B.35-36/9), which can open the doors to accepting foundation and private sector funds.

18. Information originally presented in the document "Target for Resource Mobilization" (AFB/B.35.b/Inf.8) on the resource mobilization outcome per year for the Adaptation Fund has been updated and is presented in Table 1 below. Most of the resources continues to be from governments, and mainly has been from sovereign governments. Less than 5 per cent of contributions have been received from subnational governments, and an even smaller proportion from private donors.

¹² <https://unfccc.int/process-and-meetings/the-paris-agreement/the-glasgow-climate-pact/cop26-outcomes-finance-for-climate-adaptation#eq-2>

Table 1: Resource mobilization outcome per year

Target year	Pledges, total	Contributors
2015	US\$ 74.1 M	4
2016	US\$ 81.4 M	7
2017	US\$ 95.9 M	6
2018	US\$ 129.0 M	9
2019	US\$ 90.0 M	11
2020	US\$ 116.0 M	6
2021	US\$ 349.0 M	17

19. Overall, resource mobilization of the Fund continues to show a positive trend both in terms of absolute total amount pledged per year, and the number and the increased diversity of contributor governments who have supported the Fund. The trend demonstrates that there is an opportunity to continue to diversify and add national and sub-national contributors.

20. While the Fund does not have a regular formalized replenishment process, and one is not foreseen, it is noteworthy that the Government of Sweden was the first contributor to announce, at the Madrid Climate Conference in December 2019, a multi-year pledge to the Fund, spanning a period of four years. Multi-year pledges can be instrumental in increasing the predictability of the Fund's financial situation. Following Sweden's multi-year pledge, Norway, Ireland, Switzerland and Iceland have made multi-year pledges. In 2018, New Zealand represented the first contributor to the Fund from the Asia-Pacific region and in 2019, the Fund had 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. Moreover in 2021, another new contributor to the Fund, Qatar, through the Qatar Fund for Development, broke ground by becoming the first non-Annex I Party to the UNFCCC to provide financial support to the Fund and is further the first country from the Middle East to contribute to the Fund. New pledges include first-time contributions from the United States, Canada (at the national level), Qatar, Iceland, Japan and several contributions that were significantly higher than in the past from some of the Fund's other contributors such as the European Commission, Spain, Ireland, the Province of Quebec of Canada, and Brussels-Capital Region of Belgium, and still others such as Finland who returned to contribute after several years.

21. Given the high demand from developing countries for funds to address building resilience and adaptive capacity to climate change and variability, the messaging that the Fund provides meaningful results in this area and especially through direct access and enhanced direct access modalities could yield dividends in the years to come.

22. Finally, the Fund continues its relationship with United Nations Foundation, Inc. (UNF), a not-for-profit corporation to transfer the financial donations received through the UNF's private donation route ("Donate" button on the Fund's website). This modality of fundraising is unique to the Fund and was utilized for donations collected through the VISA's interactive social giving

kiosk at COP 24 as well as a donation from the Greta Thunberg Foundation¹³. It should be noted that the amount of funding raised so far through this modality has been relatively minor. The Fund could further explore ways of utilizing this modality to raise funds and conduct an analysis of the types of donations as well as individuals that have donated through this channel.

Threats

23. While there are many opportunities for the Fund to mobilize resources there are also several threats and barriers that may limit the Fund's ability. The first of these is that the Fund does have other institutions operating in the same area/field, that are seeking limited contributor-country resources. All of these institutions provide their own unique strengths.

24. Other threats include the possibility that governments will reduce funding due to macroeconomic factors such as the continued COVID-19 global pandemic as well as other economic and financial considerations. This is especially difficult for the Adaptation Fund as it has relied on voluntary contributions that have mostly been in the form of annual or year-to-year.

25. Finally, pursuing multiple types of donors (i.e. private, government, national/sub-national) can be demanding as each may have their own specific requirements. The Fund must be careful as it navigates pursuing multiple avenues to mobilize resources. A cost-benefit analysis may be needed to ensure that the effort required for expending time and effort on multiple donor types is worth the amount raised.

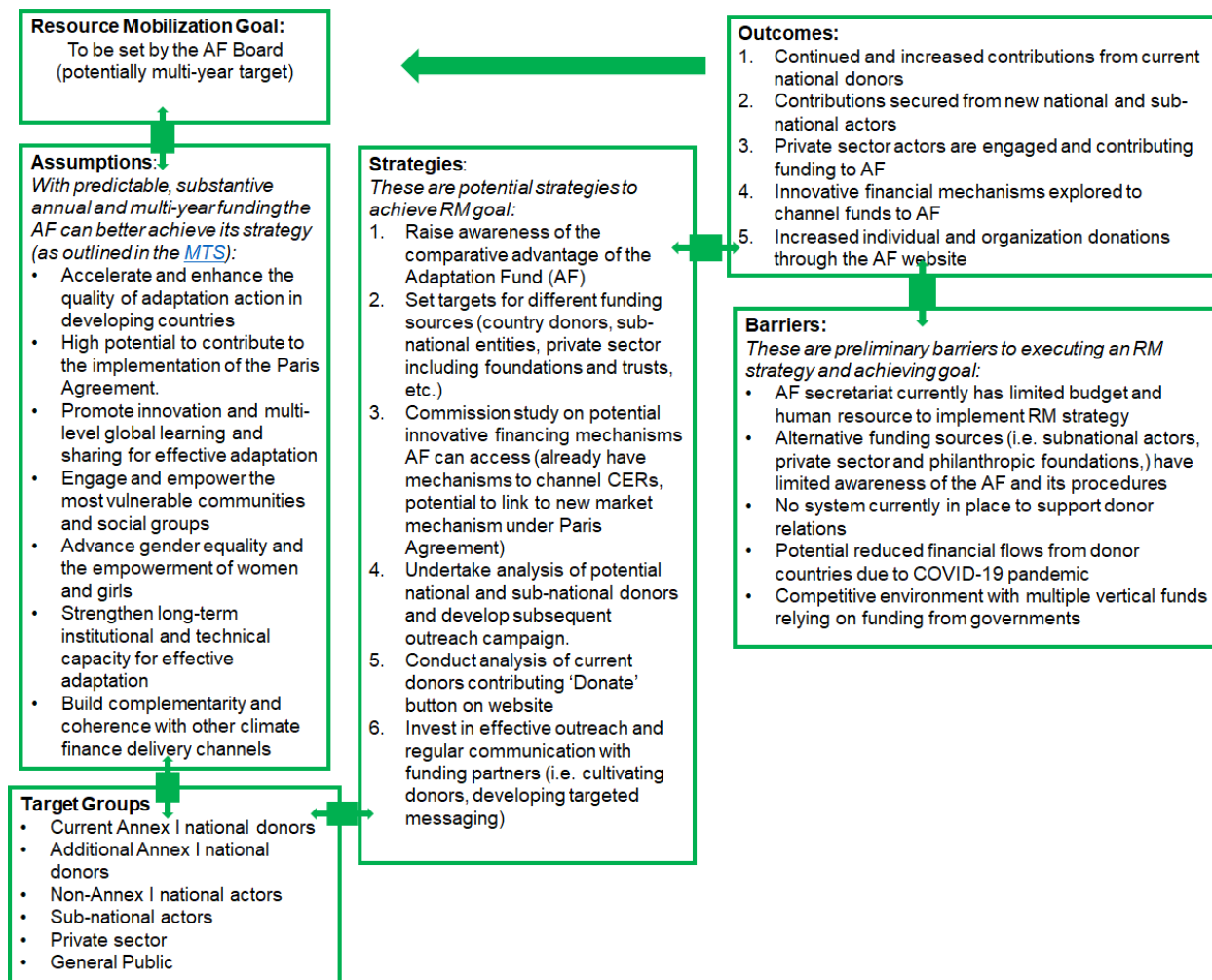
¹³ <https://www.adaptation-fund.org/young-inspirational-leader-greta-thunberg-wins-freedom-prize-for-driving-climate-action-donates-a-share-of-prize-money-to-adaptation-fund/>

Figure 1. Adaptation Fund: Summary SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Long-standing government donors • 10+ years of experience in funding concrete and locally-led adaptation projects • Ability to channel innovative financing mechanisms (i.e. CERs) • Secretariat is small, efficient with low overheads (nimble and efficient) • Official funding mechanism under Paris Agreement • Strong support from non-Annex I countries • First fund to pilot direct access as well as enhanced direct access (EDA) modality) • Board's operational culture allows small and poorer countries to carry equal weight to those of donors 	<ul style="list-style-type: none"> • Small size makes it difficult to reach out across multiple dimensions • Political sensitivity around which countries should provide resources for climate adaptation measures in developing countries • Lack of direct control over alternative funding sources (i.e. Article 6.4 of the Paris Agreement) • Fund's secretariat is relatively small in terms of full-time staff • Any alternative source will face several challenges and will take time to realize • Limited time of Board Members to support outreach and fund raising efforts
Opportunities	Threats
<ul style="list-style-type: none"> • Expansion to additional donors – government as well as private sector • Collaboration and coordination with other climate funds • Focus and awareness of climate change impact/threats is increasing • Demand from developing countries for funds to address building resilience and adaptive capacity is high • Demand for new strategic areas such as innovation and learning is high • Can receive contributions from sources alternative to government funding such as philanthropic foundations and private sector and has procedures in place to do so 	<ul style="list-style-type: none"> • Limited funding from governments • Other climate funds seeking the same pool of available funding • Reduced funding from governments • Requirements from multiple types of donors (private, public sector) can be demanding • Uncertainty of voluntary contributions and especially annual or year-to-year contributions

26. Based on the SWOT analysis an overarching resource mobilization framework has been developed that outlines current barriers to mobilizing resources, potential strategies that can be deployed to mobilize resources, indicative outcomes for the Fund's RM Strategy and the assumptions underlying the overarching framework. The resource mobilization framework is depicted in figure 2 and further explained below.

Figure 2. Adaptation Fund Resource Mobilization Framework



27. The resource mobilization framework is built on the assumption that with predictable, substantive, preferably multi-year funding the Adaptation Fund will better achieve its overarching mission as outlined in the Fund's [Medium-Term Strategy \(2018-2022\)](#):

The Adaptation Fund serves the Paris Agreement by accelerating and enhancing the quality of adaptation action in developing countries. The Fund does so by supporting country-driven projects and programmes, innovation, and global learning for effective adaptation. All of the Fund's activities are designed to help build gender-responsive capacity to reach and benefit the most vulnerable.

The current MTS outlined the need for more ambitious resource mobilization targets due to record trends in demand for adaptation project financing, as well as the need for adjusting targets to accommodate further potential rises in demand. This practice is in line with the Fund's history of being nimble and responsive to countries' needs.

The resource mobilization framework assumes further that if the amount of resources that the Fund can deploy is increased, then the Fund will be better able to reach the following desired outputs under the MTS:

- Accelerate and enhance the quality of adaptation action in developing countries;
- Increase contribution to the implementation of the Paris Agreement, specifically by supporting Parties' ability to adapt to the adverse impacts of climate change while fostering climate resilience and sustainable development;
- Promote innovation and multi-level global learning and sharing for effective adaptation;
- Engage and empower the most vulnerable communities and social groups;
- Advance gender equality and the empowerment of women and girls;
- Strengthen long-term institutional and technical capacity for effective adaptation; and
- Build complementarity and coherence with other climate finance delivery channels.

28. The resource mobilization framework is also based on the assumption that increased and more predictable funding will be more aligned with the Fund's second MTS for the next period (2023- 2027), to be considered by the Board at its thirty-ninth meeting, which partly draws on the findings of the Mid-term Review (MTR) of the MTS. The MTR found that the new MTS "should be used to further strengthen the Fund's niche based on areas of demonstrated value, building on the Fund's role and added value for providing quick and direct financing; creating new solutions built on what works; supporting innovative solutions with higher risk, complementing others through catalytic financing and bringing needed new players into the climate change adaptation space" (para. 18 (v)).

29. Barriers to achieving an increased resource mobilization goal are also outlined in the framework, these include: (i) the current ad-hoc nature of donations and lack of predictable financing (ii) the limited budget to implement a resource mobilization strategy; (iii) the small staff of secretariat who already undertake multiple tasks need support to implement a resource mobilization strategy; (iv) no system currently in place to support contributor relations; (v) potential for reduced financial flows from contributor countries due to macroeconomic factors; and (vi) competitive environment with multiple vertical funds relying on funding from governments.

30. To increase funding mobilized for the Adaptation Fund and to overcome some of the current barriers, the overarching framework lays out several entry-points that could be pursued: (i) raise awareness of the comparative advantage of the Fund; (ii) set targets for different funding sources (national contributors, sub-national entities, private sector including foundations and trusts); (iii) develop potential "window" or pilot programme to target specific innovations or themes; (iv) commission study on potential innovative financing mechanisms the Fund can access; (v) undertake analysis of potential national and sub-national contributors and develop subsequent outreach campaign; (vi) conduct web analysis of current individual donors donating through "Donate" button on the Fund's website; and (vii) invest in effective outreach and regular communication with funding partners (i.e. cultivating donors, developing targeted messaging). Several of these entry points are further developed as part of the overall resource mobilization strategy in the section below.

Specific strategies

31. As was the case in the last resource mobilization strategy for the Fund (2018-2021) there is still a need for governments of developed countries to contribute to the Adaptation Fund. At the same time, its longer-term future can be strengthened by revenues from the new market mechanism envisaged by the Paris Agreement (Article 6).¹⁴ In this way, the focus is on bridging the gap until the implementation of a strong Paris Agreement or other funding sources gives the Adaptation Fund a renewed mandate and a more secure funding stream.

32. Since the implementation of the Paris Agreement is beyond the control of the Fund, in the interim, seeking voluntary contributions from national and sub-national contributors will still be required. As highlighted by the SWOT analysis, the nimble and innovative nature of the Fund allows it to seek funding from a wide-range of actors with administrative mechanisms set-up to do so however, the Fund must balance the time and effort needed to pursue resources with an estimate of the volume of funds that can be realistically secured from each actor.

Specific strategies to pursue include the following:

Continue to raise awareness of the comparative advantages of the Adaptation Fund

33. The Adaptation Fund is associated with financing concrete adaptation projects and building country capacities through Direct Access, and has demonstrated that it can do even more. Since its inception, the Fund has contributed to piloting innovative approaches to climate finance, including piloting direct access, enhanced direct access, and operationalizing the Share of Proceeds of CERs.

34. The Fund also has many features that make it unique compared to many other channels of climate finance, this includes its focus on the most vulnerable people and communities, comparatively small projects and programmes, pioneering (enhanced) direct access, its mandate to explore innovative sources of finance, and its experience in the design, monitoring, and evaluation of adaptation projects. Continuing to ensure that information about the Fund's unique position as well as its successes is widely disseminated can spur greater interests in the Fund and may lead to further financial support.

35. Continuing to raise awareness of what makes the Fund unique and why it is a good option for contributors is aligned with the Fund's overall strategic communications approaches and messaging on the comparative advantages of the Fund and will help reach other audiences that may have an interest in funding climate change adaptation.

Explore options of other innovative source of funding to scale up funding

36. The Fund has recently set aside funding for regional programmes as well as enhanced direct access projects/programmes¹⁵. The Fund could accommodate contributors' requests to

¹⁴ Article 6, paragraph 4, of the Paris Agreement (decision 13/CMA.1)

¹⁵ Decision B.36/1 (regional) and Decision B.36/2 (EDA)

provide funding for such specific set-asides or open a window on a pilot basis to accelerate learning in an area or pilot innovation on a small-scale.

37. There are also opportunities to leverage, replicate or scale-up projects. Several Fund projects have received additional leveraged funds from their governments, or other sources such as NGOs, private sector or others, and more than 10 have been scaled-up with additional funding from other climate funds. Still other Fund projects have been replicated with funding from other national or regional governmental contributors. As such, it is worth exploring opportunities among potential contributors to invest in scaling-up or replicating specific Fund projects or leveraging additional funds on certain AF projects.

38. From 2013-2015, most philanthropic funds channeling funding through intermediary institutions took the form of earmarked funding for specific purposes (81%).¹⁶ Exploring how options for earmarking could work may be necessary to engage foundations and potentially other private sector entities.

Secure multi-year commitments from existing or new potential contributors

39. The Fund has formally served the Paris Agreement since 1 January 2019, and has established itself as a well-established and nimble innovative Fund that delivers consistently on its mandate. It has also secured its long-term institutional arrangements in addition to having received multiple positive independent evaluations of its work, and there is an opportunity to leverage potential contributors improved overall perceptions of the Fund. This opportunity could be leveraged by investing in efforts to try to secure long-term financial commitments to the Fund, following the example of Sweden, which would improve the sustainability and security of the Fund. These multi-year commitments could also be positioned as an investment in a green, sustainable, resilient future that builds broader resilience against economic, environmental and health risks that strengthens communities. Seeking and securing multi-year commitments was also recommended in the resource mobilization survey.

Outreach to new potential national and sub-national contributors

40. To date, 25 national and four sub-national contributors have contributed to the Fund over its lifetime. Some of these contributors provided initial funding to support the operationalization of the Fund with others having committed funding over several years.

41. With the Fund serving the Paris Agreement, there is an important opportunity to solicit funds from contributors who may have donated small amounts at the start of the Fund as well as others that have yet to donate. Since actively fundraising with national and sub-national entities could be challenging, the Fund may begin by mapping out potential new contributors and providing information of interest to decision makers through targeted outreach.

Invest in outreach and regular communication with current contributors

42. For those contributors that have committed funding annually or regularly, it might be worthwhile to provide updates or opportunities to contributors.

¹⁶ [OECD 2018 Private Philanthropy for Development](#)

43. Providing an opportunity for current contributors to accompany the secretariat on a monitoring visit to the field would also fall under this strategy. Such a visit would provide an opportunity for contributors to see the impact of their funding on the ground and allow for potential interaction with direct beneficiaries.

44. It might also be worth exploring leveraging the Fund's growing community of sub-national contributors. The Fund was the first to have a sub-national contributor, and since then has had a steady stream of regional government contributions. It also has connections to cities through its projects and partnerships, so exploring dialogues with this growing community of subnational contributors, which includes regions inside and outside of Europe, and ways to further leverage additional subnational contributors may be worthwhile

Explore additional options with private sector contributors, including foundations

45. As outlined in the Board document *Update on Resource Mobilization Activities 2017-2020*, the secretariat has 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 donations collected through the VISA's interactive social giving kiosk at COP 24 as well as a donation from the Greta Thunberg Foundation. Over the years UNF has channeled US\$ 70,000 to the Adaptation Fund. Given the amount channeled, it is likely not cost-effective to devote too many resources into the "Donate" button but it might be useful to collect information on whether this modality could be used to generate more substantive resources for the Fund, such as through light social media campaigns, however previous such 'booster' campaigns have yielded neutral cost results and no net profit.

46. 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)

47. Some private sector donors have expressed interest or preference to donate to the Fund through the regular Trustee process, rather than the Donate button. However, the verification process to donate to the Fund *outside* of the donate button through the Trustee, which is designed so that it ensures that no funds are received from questionable sources is, as a result, arduous and lengthy, and it is not guaranteed that donors are even 'accepted' at the end. As such it may sometimes have the effect of 'turning off' potential private sector donors or other such donor opportunities, or simply be too long a process to be pragmatic when some private sector campaigns are based on timed events. It may be worth examining if there are more streamlined, efficient and more attractive to potential private sector donors and others, including crowdfunding platforms, as well as small to midrange private donors and other such 'out of the box' opportunities, so that the process is nimbler and allows potential opportunities to materialize

more quickly and be publicized if possible afterward. Seeking opportunities from foundations and the private sector is also a recommendation that arose from the resource mobilization survey, so making the process as user-friendly as possible is pivotal. There may be diverse opportunities through the social responsibility arms of private sector companies, as well, that could be worth exploring

Options for Action

48. The above strategies taken in tandem can all support the following key outcomes for the Fund's resource mobilization strategy:

- Continued and increased contributions from current national and sub-national contributors
- Contributions secured from new national and sub-national actors
- Private sector actors are engaged and contributing funding to the Fund
- Innovative financial mechanisms explored to channel funds to Fund
- Increased individual and organization donations through the Fund website

The Fund has developed two resource mobilization strategies since it was operationalized. The first in 2013 and the second in 2016. For each of those, the Board targeted a minimum funding target per year. The latest targets were as follows:

- US \$80 million per year target for 2016-2017
- US\$ 100 million per year for 2018-2020
- US \$120 million per year for 2020-2021

49. The main focus of both the 2013 and 2016 resource mobilization strategies were to bridge the gap with country contributor donations while trying to diversify funding away from contributions from contributor governments, towards raising revenue from the private sector. The rationale behind this was a lack of consistent, predictable funding from contributor 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.

50. Over the past seven years, the Fund has met with mild success in diversifying sources of funding however, the attempts are far from sufficient for meeting funding needs. As has been highlighted above there is a need for more predictable resources for the Fund.

The current strategy for the period 2022-2025 indicates a strong need for the Fund to rely on contributions from contributor governments. This can be done by focusing on broadening the Fund's contributor base as well as seeking increases of individual contributor country contributions and multi-year contributions from contributor countries. Therefore, pursuing increased finance from several other contributor sources will still need to be a main strategy to ensure predictable and sustainable resources for the Fund.

51. The current strategy also outlines clearly that new funding sources are also needed. There is a need for additional and diverse sources of finance to meet the Fund's demand and

the Fund is in a unique position to explore additional innovative finance sources. However, alternative funding sources face several challenges and will take time to realize.

52. Overall, the current strategy seeks to ensure significant mobilization of resources from governments, sub-national governments, and alternative sources of funding are secured based on single and multi-year targets. For the current version of the strategy (B.39), a follow-up survey was sent to the Board. Based on input from the survey, the definition of the target for resource mobilisation is outlined here.

It is evident that the Fund cannot fulfil the entirety of global adaptation needs. However, as the Fund has matured there are data points that can be utilised to justify ambitious but at the same time realistic and attainable targets. The Fund is not the only channel to address adaptation, there are many others, therefore a calculation that is a straight proportion of global adaptation needs to be met through the Fund is not possible to quantify. Therefore the Fund defines the target of resource mobilisation based on: i) the resource requirements associated with the status and projected development of the pipeline of ongoing and proposed projects; ii) objectives for expected impact and results, amongst other factors; and iii) macroeconomic considerations including global economic trends that may affect recipients and/or contributors.

Resource Mobilization Strategy Comparison

	Strategy (2016-2020)	Current Strategy (2022-2025)
Resource mobilization target	<ul style="list-style-type: none"> • 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) 	Progressive Target definition taking into account the Glasgow Climate Pact goal of doubling adaptation finance by 2025
Focus for funding	<ul style="list-style-type: none"> • Focus on governmental contributions. <ul style="list-style-type: none"> - <i>National governments</i>: continue to foster relations with existing and past funders; - <i>Sub-national governments</i>: raise visibility amongst networks and alliances of regions and cities, explore potential to mobilise further resources at sub-national level. 	For government contributions – both National and Sub-national: <ul style="list-style-type: none"> - Secure multi-year commitments from existing or new potential contributors - Map out potential sub-national and national contributors - Outreach to new potential national and sub-national contributors - Invest in outreach and regular communication with current contributors

Private sector strategy	Maintain light-touch contacts with foundations and private sector in case of opportunities.	<ul style="list-style-type: none"> • Explore additional options with private sector donors, including foundations • Examine alternative ways non-government donors can make contributions to Fund (i.e. to donate to the Fund through the regular Trustee process vs a “Donate” button)
Communications approach	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Raise awareness of the comparative advantages of the Adaptation Fund • Continue to embed in the Fund’s overall communications strategy to streamline messaging on the unique nature of the Fund
Others		<p><i>-Market Mechanisms:</i> Explore additional and diverse innovative finance sources; define a workplan to explore workable alternative sources of funding</p> <p><i>-Set-asides or Windows:</i> Examine the possibility of contributors to link their support to dedicated windows or programmes</p>