

Adaptation Fund Board  
Forty-fourth meeting  
Bonn, Germany

## **Utilization of Resource Caps within the Adaptation Fund and Options for Revision**

### **Strategic Issues**

- a) Delivering financing for concrete adaptation projects is core to the mandate of the Adaptation Fund and a key measure of its effectiveness.
- b) The Adaptation Fund has applied, since becoming operational, a caps-based approach to setting maximum amounts for countries (certain project types), individual projects and for different types of implementing entities, with the objective of a balance between availability and equitability in access to resources.
- c) The adaptation financing needs of countries, demand for Adaptation Fund grants, and capacity to absorb grant financing exceed the current country cap of US \$20 million.
- d) Parties have decided to pursue efforts to at least triple the annual outflows of from the funds under the UNFCCC, including the Adaptation Fund, from 2022 levels by 2030 at the latest.
- e) Increasing the size of country cap limits, especially for MIEs, will create a stronger project and programme pipeline for the Adaptation Fund.

### **Purpose**

1. The document recommends the Board consider and decide on specific options for revising the maximum project sizes, country caps, the MIE cap, and continued annual allocations for other funding windows. Annexes provide detailed data on country cap utilization, accredited entities, GCF-accredited entities not accredited with the AF, and regional proposal submissions.
2. This board paper proposes that the Board increase the country cap from US \$20 million to US \$30 million; increase the single-country project size from US \$10 million to US \$15 million; increase the regional project size from US \$14 million to US \$20 million; and increase the cap on funding implemented by MIEs from 50% to 60%.

### **Recommended Decision**

3. The Adaption Fund Board, having considered document AFB/B.44/9, refers to its [decision B.43/33](#) requesting the Secretariat to undertake additional analysis and further elaborate options for caps and project and program size and decides:

- (a) To Increase the country cap to US \$30 million;
- (b) To increase the single-country project/programme size to US \$15 million;
- (c) To increase the regional project/programme size to US \$20 million;
- (d) To increase the cap on funding implemented by MIEs to 60%;
- (e) To apply the MIE cap to regular single-country and regular regional projects/programmes only;
- (f) To request the Secretariat at the start of each Medium-Term Strategy (MTS) period,
  - i. To propose a periodic country cap;
  - ii. To propose a periodic MIE cap, taking into consideration the number of NIEs as a proportion of total IEs, and/or other relevant matters.

## Background

4. The Adaptation Fund Board sets the grant cap size according to its mandate from the CMP ([1/CMP.4](#)) to ensure “access to the Fund in a balanced and equitable manner”. The Board’s Operational Policies and Guidelines stipulate that the Board will review its procedures for allocating grant financing at least every three years, and further will periodically set the cap in resource allocation per eligible host country, project and program based on assessment of available resources<sup>1</sup>.

5. The cap for each country eligible for support with the Adaptation Fund was set at US \$10 million in 2011 ([Decision B.13/23](#)), and that cap subsequently effectively functioned as the maximum size for single-country projects and programmes. The country cap was increased to US \$20 million in 2021, with individual single-country projects and programmes then capped at US \$10 million ([Decision B. 36/41](#)).

6. The funding for regional, multi-country projects and programmes has been capped at US \$14 million each<sup>2</sup>, first on a pilot basis in 2015 and as a regular funding window the following year, but there has not been a cap for the number of regional projects or programmes that a country can be part of. The provisional allocation of funding for regional

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<sup>1</sup> [Operational Policies and Guidelines \(2022\)](#), para 19.

<sup>2</sup> The Board decided via [Decision B.43/19](#) to invite a MIE to submit a proposal for US \$15 million, however.

projects and programmes during each fiscal year has been determined by the Board before the turn of the year.

7. In 2010, in an attempt to safeguard resources for national implementing entities (NIEs), the Board set a cap for cumulative budget allocation for funding projects submitted by MIEs, at 50 per cent of the Fund's project funding, a threshold that has not changed since then ([Decision B.12/9](#)).

8. At its 42nd meeting the Board requested the Secretariat to prepare an analysis of the usage of the various caps and to develop options for adjusting project- and programme related caps, including the cap for MIEs and present them to the Board at its forty-third meeting ([B.42/59](#)). During discussion at its 43rd meeting, the Board expressed broad support for an increase in country and regional grant caps but expressed a desire for additional analysis and further elaboration of options for caps and project and program size, for consideration by the Board at its forty-fourth meeting ([B.43/33](#)). The full decision is as below:

Having considered document [AFB-B;09-70](#) the Adaptation Fund Board (the Board) decided to request the secretariat to undertake additional analyses and further elaborate options for caps and project and programme size including for setting the country cap periodically for consideration by the Board at its forty-fourth meeting;

.([Decision B;09-99](#))

9. Should the Board decide to adopt a decision, the next step would be for the Secretariat to inform the countries and IEs, and offer additional guidance concerning the changes, as needed, as well as to make the necessary revisions and reflect the changes in its project templates and other materials, including future updates of the Operational Policies and Guidelines.

10. The rest of this paper provides a brief background and current status of caps, current utilization of resources under the caps, challenges posed by the current caps, and proposed options for revision.

11. Annex A provides detailed data on country cap utilization.

### **Background and Current Caps:**

12. The Adaptation Fund (the Fund) operates under a framework of caps to ensure equitable resource allocation among developing countries. Key historical decisions regarding these caps are detailed below:

- (a) Country Cap: Initially set at US \$10 million per country ([Decision B.13/23](#)), it was raised to US \$20 million ([Decision B.36/41](#)) with conditions (reaching US \$8

million in funding or four years after the first project approval). This cap is a one-time allocation.

- (b) **Regional Project Cap:** A pilot program ([Decision B.25/28](#)) initially capped regional projects at US \$14 million each, while setting a cap for the entire programme at US \$30 million. Subsequent decisions ([B.28/1](#), [B.31/3](#)) adjusted the process for managing regional project proposals, eventually leading to annual allocations for regional projects.
- (c) **MIE Cap:** A 50% cap on funding for projects submitted by MIEs was established ([Decision B.12/9](#)) to promote access by National Implementing Entities (NIEs). This cap has been maintained, sometimes leading to project waitlists (as per [Decision B.17/19](#)).
- (d) **Other Funding Windows:** The Fund has expanded to include various funding windows beyond single-country and regional projects (e.g., enhanced direct access (EDA)- turned to locally-led adaptation (LLA), innovation projects, learning grants). These windows also receive annual funding provisions.

#### **Current Utilization:**

- (a) **Country Cap:** As of the 43rd Board meeting, 88 countries had approved single-country projects. 70 had utilized over US \$8 million, and 63 had requested/accessed US \$10 million or more. A significant number of countries have limited funds remaining under their cap (Annex I).
- (b) **Regional Projects:** The Fund has received funding requests for 67 regional projects totaling US \$677 million, involving 11 MIEs and 6 Regional Implementing Entities (RIEs). The approved regional portfolio comprises 26 proposals valued at US \$286 million (Sections 13-14).

#### **Challenges Posed by Current Caps:**

- (a) **Country Cap:** The US \$20 million cap is considered insufficient by many countries. It limits the scale of adaptation projects and may discourage countries from accrediting NIEs for direct access.
- (b) **MIE Cap:** While intended to support NIEs, the MIE cap may hinder access for countries lacking accredited NIEs, as the remaining 50% is available to both NIEs and RIEs. The number of accredited NIEs remains limited (35).
- (c) **Project Size:** The US \$10 million maximum project size has significantly decreased in real value since its inception due to inflation, limiting the impact of AF projects. Adaptation needs have also grown substantially since 2011.

**Proposed Options for Revision:**

13. The document proposes several options for revising the various caps:

(a) Maximum Project Size (Single-Country):

- i. Option 1: Increase to US \$15 million (inflation adjustment).
- ii. Option 2: Increase to US \$25 million (aligning with GCF simplified approval process).

(b) Maximum Project Size (Regional):

- i. Option 1: Increase to US \$20 million (inflation adjustment).
- ii. Option 2: Increase to US \$30 million (proportional to single-country increase).

(c) Country Cap:

- i. Option 1: Maintain the status quo.
- ii. Option 2: Raise the cap to US \$30 million and consider future adjustments as per Board's practice to-date.
- iii. Option 3: Set a periodic country cap at the start of each MTS period, resetting at the beginning of each MTS.

(d) MIE Cap:

- i. Option 1: Maintain the status quo.
- ii. Option 2: Raise the MIE Cap to 60 per cent.
- iii. Option 3: Set a periodic MIE cap at the start of each MTS period, resetting at the beginning of each MTS, taking into consideration the number of NIEs as a proportion of total IEs, and/or other relevant considerations.
- iv. Option 4: Windows other than the single-country funding window, i.e. those which fall outside the country cap, should also not be subject to the MIE Cap.

(e) Other Programming Caps:

- i. Continue annual allocations for other funding windows, adjusting based on demand and funding availability.

- ii. Option 1: Maintain status quo, i.e. continue to subject the windows to MIE Cap.

#### Annex I: Utilization of Country Cap in the Adaptation Fund

No of Countries	Country	No. of Projects approved	Amount approved in USD	Amount left under US\$ 20M Cap	Proposals/Concept submitted but not yet approved	Amount left including concepts/proposals submitted
1	Afghanistan	0	0	20,000,000	9,432,556	10,567,444
2	Albania	0	0	20,000,000	10,000,000	10,000,000
3	Algeria	0	0	20,000,000	10,000,000	10,000,000
4	Antigua and Barbuda	1	9,970,000	10,030,000		10,030,000
5	Argentina	2	9,936,817	10,063,183	10,000,000	63,183
6	Armenia	2	3,941,100	16,058,900	8,384,851	7,674,049
7	Azerbaijan	1	10,000,000	10,000,000	10,000,000	10,000,000
8	Bangladesh	1	9,995,369	10,004,631	10,000,000	4,631
9	Barbados	0	0	20,000,000	10,000,000	10,000,000
10	Belize	2	10,000,000	10,000,000		10,000,000
11	Benin	2	5,988,289	14,011,711	3,053,742	10,957,969
12	Bhutan	1	9,998,955	10,001,045		10,001,045
13	Bolivia	0	0	20,000,000	10,000,000	10,000,000
14	Bosnia	0	0	20,000,000	10,000,000	10,000,000
15	Botswana	0	0	20,000,000	10,000,000	10,000,000
16	Cabo Verde	0	0	20,000,000	9,998,228	10,001,772
17	Chad	0	0	20,000,000	10,000,000	10,000,000
18	Cambodia	3	19,954,273	45,727		45,727
19	Cameroon	1	9,982,000	10,018,000		10,018,000
20	Central African Republic	1	10,000,000	10,000,000		10,000,000
21	Chile	1	9,960,000	10,040,000		10,040,000
22	Colombia	1	8,518,307	11,481,693		11,481,693
23	Comoros	0	0	20,000,000	10,000,000	10,000,000
24	Congo, Republic of	1	9,999,909	10,000,091		10,000,091
25	Cook Islands	2	8,380,725	11,619,275		11,619,275
26	Costa Rica	2	19,970,000	30,000		30,000
27	Côte d'Ivoire	2	10,000,000	10,000,000	10,000,000	0
28	Cuba	1	6,067,320	13932680		13,932,680
29	Djibouti	2	9,997,841	10,002,159	9,997,436	4,723
30	Dominican Republic	1	9,953,692	10,046,308	10,000,000	46,308
31	Ecuador	2	9,938,841	10,061,159	10,000,000	61,159

32	Egypt, Arab Republic of	2	9,999,280	10,000,720	8,000,000	2,000,720
33	El Salvador	1	8,484,503	11,515,497		11,515,497
34	Eritrea	1	6,520,850	13,479,150		13,479,150
35	Eswatini	0	0	20,000,000	10,000,000	10,000,000
36	Ethiopia	1	9,987,910	10,012,090	9,999,725	12,365
37	Fiji	2	9,943,095	10,056,905	15,560,000	<sup>3</sup> -5,503,095
38	Gambia, The	1	10,000,000	10,000,000		10,000,000
39	Georgia	3	19,808,060	191,940		191,940
40	Ghana	1	8,293,972	11,706,028		11,706,028
41	Grenada	0	0	20,000,000	10,000,000	10,000,000
42	Guatemala	1	5,425,000	14,575,000		14,575,000
43	Guinea	0	0	20,000,000	10,000,000	10,000,000
44	Guinea Bissau	1	9,979,000	10,021,000		10,021,000
45	Haiti	1	9,916,344	10,083,656		10,083,656
46	Honduras	2	10,000,000	10,000,000	4,000,000	6,000,000
47	India	6	9,860,436	10,139,564		10,139,564
48	Indonesia	5	9,721,441	10,278,559	9,783,615	494,944
49	Iraq	1	9,999,660	10,000,340		10,000,340
50	Jamaica	1	9,965,000	10,035,000		10,035,000
51	Jordan	1	9,226,000	10,774,000		10,774,000
52	Kenya	1	9,998,302	10,001,698		10,001,698
53	Kyrgyz Republic	1	9,999,313	10,000,687		10,000,687
54	Kiribati	0	10,000,000	20,000,000	9,974,655	26,345
55	Lao People's Democratic	3	17,561,131	2,438,869		2,438,869
56	Lebanon	1	7,860,825	12,139,175	4,300,000	7,839,175
57	Lesotho	1	9,999,894	10,000,106	10,000,000	106
58	Liberia	1	9,592,082	10,407,918		10,407,918
59	Libya	1	9,995,758	10,004,242		10,004,242
60	Madagascar	1	5,104,925	14,895,075		14,895,075
61	Malaysia	1	10,000,000	10,000,000		10,000,000
62	Malawi	1	9,989,335	10,010,665	10,000,000	10,665
63	Maldives	1	8,989,225	11,010,775		11,010,775
64	Mali	1	8,533,348	11,466,652		11,466,652
65	Mauritania	1	7,803,605	12,196,395	10,000,000	2,196,395
66	Mauritius	1	9,119,240	10,880,760		10,880,760
67	Mexico	0	0	20,000,000	7,999,991	12,000,009
68	Micronesia, Federated States	2	9,970,000	10,030,000		10,030,000
69	Moldova	1	6,008,095	13,991,905		13,991,905
70	Mongolia	3	17,961,117	2,038,883	2,038,883	0

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<sup>3</sup> Proposal submitted for AFB44

71	Montenegro	1	10,000,000	10,000,000		10,000,000
72	Morocco	1	9,970,000	10,000,000	9,171,939	858,061
73	Myanmar	1	7,909,026	12,090,974		12,090,974
74	Namibia	1	4,999,674	15,000,326	10,008,000	4,992,326
75	Nauru	1	7,999,493	12,000,507		12,000,507
76	Nepal	1	9,527,160	10,472,840	10,000,000	472,840
77	Nicaragua	2	15,500,950	4,499,050		4,499,050
78	Niger	1	9,911,000	10,089,000	10,000,000	89,000
79	North Macedonia	0	10,000,000	20,000,000	9,991,711	8,289
80	Pakistan	3	20,000,000	0		0
81	Panama	1	9,967,559	10,032,441	10,000,000	32,441
82	Papua New Guinea	2	16,530,373	3,469,627	3,469,627	0
83	Paraguay	1	7,128,450	12,871,550		12,871,550
84	Peru	4	19,999,971	29		29
85	Philippines	0	0	20,000,000	9,994,955	10,005,045
86	Rwanda	1	9,969,619	10,030,381	9,850,000	180,381
87	Samoa	1	8,732,351	11,267,649		11,267,649
88	Senegal	2	9,970,000	10,030,000		10,030,000
89	Seychelles	1	6,455,750	13,544,250		13,544,250
90	Sierra Leone	1	9,916,925	10,083,075		10,083,075
91	Solomon Islands	2	9,929,377	10,070,623		10,070,623
92	Somalia	0	0	20,000,000	10,000,000	10,000,000
93	South Africa	2	9,937,737	10,062,263		10,062,263
94	Sri Lanka	2	7,989,727	10,010,273		10,010,273
95	St Kitts and Nevis	0	0	20,000,000	9,994,600	10,005,400
96	St. Lucia	1	9,858,570	10,141,430	10,000,000	141,430
97	Suriname	0	10,000,000	20,000,000	9,998,839	1,161
98	Syrian Arab Republic	1	9,997,156	10,002,844		10,002,844
99	Tajikistan	1	9,996,441	10,003,559		10,003,559
100	Tanzania	5	9,888,564	10,111,436	3,500,000	6,611,436
101	Trinidad and Tobago	1	10,000,000	10,000,000		10,000,000
102	Tunisia	1	9,997,190	10,002,810	9,997,000	5,810
103	Turkmenistan	1	2,929,500	17,070,500		17,070,500
104	Tuvalu	0	0	20,000,000	2,000,000	18,000,000
105	Uganda	2	17,255,600	2,744,400		2,744,400
106	Uruguay	1	19,967,678	32,322		32,322
107	Uzbekistan	1	5,415,103	14584897	10,000,000	4,584,897
108	Vanuatu	0	0	20,000,000	7,128,450	12,871,550
109	Vietnam	1	6,345,292	13,654,708	3,580,000	10,074,708
110	Yemen	0	0	20,000,000	9,998,560	10,001,440
111	Zambia	0	0	20,000,000	10,000,000	10,000,000
112	Zimbabwe	2	9,989,000	10,011,000	9,050,000	961,000