



Adaptation Fund Board
Forty-fifth meeting
Bonn, Germany

Concept Note

Assessment of the Implications of the New Collective Quantified Goal On Adaptation Fund Operations

Strategic Issues

- a) The decision taken at COP 29 to set a New Collective Quantified Goal (NCQG) establishes a new financial and operational levels of ambition for some multilateral climate funds under the UNFCCC, including the Adaptation Fund (the Fund).
- b) The NCQG decision could have important implications for the operations of the Fund, all the more important to identify in the current evolving aid landscape and with the Fund's Medium-Term Strategy (MTS II 2023-2027) at the mid-point of its implementation.

Purpose

1. This board paper presents to the Board a concept note on potential implications of the New Collective Quantified Goal (NCQG) on the Adaptation Fund's operations, seeking the Board's guidance on key issues and questions.

Recommended Decision

2. The Adaption Fund Board, having considered document AFB/B.45/6, provides its guidance on the interpretation of key questions of defining the tripling of the financial outflow of the Fund, and on that basis requests the Secretariat to prepare further analysis of the impact of a tripling of financial outflow from the Fund on key operational processes of the Fund.

Background

3. At COP 29, held in Baku from November 11-22, 2024, the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement took a [decision](#) on the new collective quantified goal (NCQG) on climate finance, which included a number of dimensions with possible implications on the operations of the Adaptation Fund.
4. In response to the Parties' decision regarding the NCQG, the Adaptation Fund Board at its 44th meeting in April 2025 requested the Secretariat to begin an assessment of the implications of the NCQG decision on the operations of the Adaptation Fund.
5. The concept note attached as Annex A forms a part of this assessment and proposes key issues and questions for the Board's consideration to guide further assessment work and subsequent possible operational changes. Key issues and questions include what the decision regarding the NCQG specifically means and what the tripling of outflows could mean. The Board's guidance

will help clarify these questions for the Adaptation Fund's operations as it works towards the Parties' mandate articulated in the NCQG decision.

6. On the basis of the Board's guidance, the Board may wish to request the Secretariat to conduct further analysis to explore the impact of its guidance regarding a tripling of outflows of the Fund as conveyed in this paper on the Fund's operations.



ADAPTATION FUND

Annex A: Concept Note: Assessment of the Implications of the New Collective Quantified Goal On Adaptation Fund Operations

Context

1. At COP 29, held in Baku from November 11-22, 2024, the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement took a [decision](#) on the new collective quantified goal (NCQG) on climate finance, which included a number of dimensions with possible implications on the operations of the Adaptation Fund.
2. The Parties took this decision in an evolving landscape of funding for climate change and adaptation. Various estimates have been published recently, of the need for adaptation finance in developing countries relative to available finance. A recent report by the United Nations Environment Program (UNEP) estimated that the costs of adaptation could be “US\$ 240 billion per year this decade (up to 2030), with a range of US\$ 130–415 billion per year”.¹ A paper by the World Resource Institute (WRI) recently argued similarly that the “global need for adaptation finance far exceeds current public and private flows”, and further argued that the benefits of investing in adaptation are compelling: US\$ 1 invested in adaptation is expected to yield over US\$ 10.50 in benefits over a 10-year period, with evidence that investments in adaptation avoid loss and damage and produce economic development gains, positioning adaptation projects for a key role in catalyzing various forms of finance that would produce concrete adaptation projects, build resilience, and support the Sustainable Development Goals (SDGs).²
3. In response to the Parties’ decision regarding the NCQG, the Adaptation Fund Board at its 44th meeting in April 2025 requested the Secretariat to begin an assessment of the implications of the NCQG decision on the operations of the Adaptation Fund.
4. This concept note forms a part of this assessment and proposes key issues and questions for the Board’s consideration to guide further assessment work and subsequent possible operational changes. Key issues and questions include what the decision regarding the NCQG specifically means, what the tripling of outflows could mean, what are the possible key governance and operational areas of the Fund potentially impacted by the NCQG decision. The Board’s guidance will help clarify these questions for the Adaptation Fund’s operations as it works towards the Parties’ mandate articulated in the NCQG decision.

¹ Watkiss, P., de Bruin, K., Dasgupta, S., Ebi, K., Hinkel, J., Hunt, A., Lincke, D., Rozenberg, J., Sayer, P., Shariq, A., Sulser, T., Tiggeloven, T., Tröltzsch, J., Ward, P. and Wreford, A. (2023). Chapter 2. The modelled costs of adaptation. In online resource. Adaptation Gap Report 2023: Underfinanced. Underprepared. Inadequate investment and planning on climate adaptation leaves world exposed. The Adaptation Finance Gap Update 2023. Nairobi.

² Brandon, C., B. Kratzer, A. Aggarwal, and H. Heubaum. 2025. “Strengthening the investment case for climate adaptation: A triple dividend approach.” Working Paper. Washington, DC: World Resources Institute. Available online at doi.org/10.46830/wriwp.25.00019.

Key Issues for the Board's Consideration

For Consideration: What does the NCQG decision involve

5. Although the specific definition of the NCQG decision is a matter for which the Parties may provide further guidance, for the purposes of this paper it is understood as a financial target via a funding channel and by means of several operational modalities to deliver that financing.

(a) Financial Target

The NCQG decision text describes a broad ambition of “scaling up of financing to developing country Parties for climate action from all public and private sources to at least US\$ 1.3 trillion per year by 2035” (1/CMA.6, para 7), and within that ambition sets a financial target of at least US\$ 300 billion per year by 2035, from a wide variety of sources (public, private, bilateral, multilateral, including alternative sources) with developed countries taking the lead, in the context of meaningful and ambitious mitigation and adaptation action, and transparency in implementation, recognizing the voluntary intention of Parties to count all climate-related outflows from and climate-related finance mobilized by multilateral development banks towards achievement of the goal set forth in this paragraph (1/CMA.6, para 8).

(b) Funding Channel

The NCQG decision text further decides for a significant increase in public resources to be provided through the operating entities of the Financial Mechanism, the Adaptation Fund, the Least Developed Countries Fund and the Special Climate Change Fund, and also decides to pursue efforts to at least triple the annual outflows from these funds from their 2022 levels by 2030 to deliver on the above financial target (1/CMA.6, para 16).

(c) Operational Modalities

The Parties also included in the NCQG decision a call for multilateral climate funds, including the operating entities of the Financial Mechanism, the Adaptation Fund, the Least Developed Countries Fund and the Special Climate Change Fund to strengthen their efforts to enhance access and promote effectiveness, including (as appropriate) by:

- i. Scaling up and prioritizing direct access
- ii. Simplifying and harmonizing application pre-approval and post-approval requirements and disbursement processes
- iii. Establishing flexible information requirements
- iv. Promoting programmatic approaches
- v. Streamlining reporting requirements

(Decision 1/CMA.6, para 24)

For Consideration: The Mandate of the Adaptation Fund and the NCQG Decision

7. The mandate of the Fund is established by a number of decisions that include 5/CP.7, 5/CMP.10, 28/CMP.1, 5/CMP.2, 1/CMP.3, 3/CMP.16, and 13/CMA. The Fund's mandate and strategic priorities are further captured in the Strategic Priorities, Policies and Guidelines of the Adaptation

Fund (SPPG) adopted by decision 1/CMP.4 in 2009 and last amended in 2022³ by decision 4/CMP.17. The mandate and strategic priorities of the Fund can be summarized as:

- a) Fund concrete adaptation projects and programmes on a full adaptation cost basis in eligible developing country Parties that are particularly vulnerable to the adverse effects of climate change in a balanced and equitable manner;
 - b) Be country driven and clearly based on the needs, views and priorities of eligible Parties, taking into account national sustainable development strategies, poverty reduction strategies, national communications and national adaptation programmes of action and other relevant instruments;
 - c) Provide funding for eligible Parties for national, regional and community level activities;
 - d) Not duplicate other sources of funding for adaptation in the use of the Adaptation Fund;
 - e) Facilitate access to funds, including short and efficient project development and approval cycles and expedited processing of eligible activities;
 - f) Efficient and effective management, operation and governance of the fund, including financial and risk management, and arrangements for monitoring, evaluation, and impact assessment;
 - g) Able to receive contributions from other sources of funding;
8. The mandate of the Fund strongly supports the elements of the NCQG decision. Regarding financial targets, while not envisioning any fund size or volume of outflow, a plain reading of the mandate of the Fund is for the Fund to finance adaptation projects with a response adequate to combat the effects of climate change and its adverse effects. Accordingly, a tripling of the outflows of the Fund would be consistent with the mandate of the Fund. The mandate of the Fund also supports the operational modalities called for in the NCQG decision, such as prioritizing direct access, simplifying and harmonizing application requirements and disbursement processes, and making information and reporting requirements flexible and streamlined such as through its locally-led adaptation and direct access approaches.

For Consideration: The Relationship between the Medium-Term Strategy II (2023-2027) and the NCQG Decision

9. A key issue for the Board’s consideration is how to consider the NCQG decision in the context of the Fund’s [Medium-Term Strategy II \(2023-2027\)](#) for the Fund approved by the Board in 2022. The Medium-Term Strategy II (2023-2027) describes the mandate of the Fund as “to assist developing country Parties that are particularly vulnerable to the adverse impacts of climate change in meeting the costs of adaptation, by financing concrete adaptation projects and programs that are country driven and based on the needs, views and priorities of eligible Parties”.⁴
10. The mission of the Fund is based on this mandate, described in the Medium-Term Strategy II (2023-2027) as “to serve the Paris Agreement by accelerating effective adaptation action and efficient access to finance, including through direct access, to respond to the urgent needs and priorities of developing countries.” The Fund does so through the three pillars of: (i) action

³ Strategic Priorities, Policies and Guidelines of the Adaptation Fund adopted by CMP (SPPG). Document AFB/B.39/9/Add.1, para 5. https://www.adaptation-fund.org/wp-content/uploads/2022/10/Doc.AFB_B.39.9.Add_1_amendment-of-SPPG_final_typo-corrected.pdf

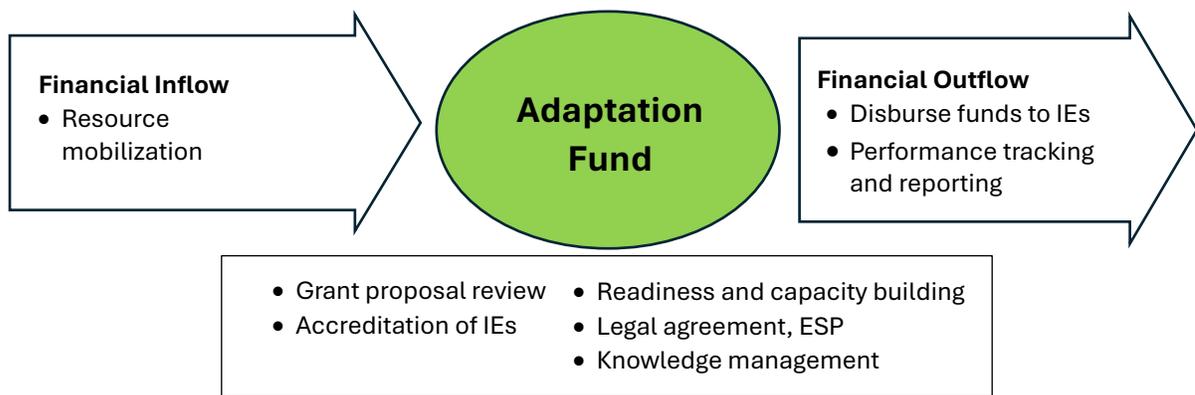
⁴ Adaptation Fund. Medium-Term Strategy II (2023-2027). https://www.adaptation-fund.org/wp-content/uploads/2022/09/AFB.B.39.5_Rev.2_Annex-2_Draft-MTS-2023-2027.pdf. p.1

(supporting country-driven adaptation projects and programs), (ii) innovation, and (iii) learning and sharing, all to produce concrete results at the local level that can be scaled up.⁵

11. The action pillar emphasizes supporting funding requests, expanding the readiness program, and engaging local and vulnerable groups. The innovation pillar focuses on expanding access to the Innovation Facility for a wide range of actors (including unaccredited actors), plus readiness and capacity building support, as well as capturing knowledge and learning, to support innovation and risk-taking. The learning and sharing pillar seeks to consolidate and systematize learning across the Fund’s processes and operations, strengthening linkages and synergies between the pillars.
12. Cutting across these pillars are the six themes of:
 - a) Promote locally based or locally led adaptation
 - b) Enhance access to climate finance and long-term institutional capacity
 - c) Empower and benefit the most vulnerable people and communities as agents of change
 - d) Advance gender equality
 - e) Enable the scaling and replication of results
 - f) Strengthen complementarity, coherence, and synergies with other adaptation funders and actors.
13. This concept note views the mandate and mission of the Fund, supported by its three pillars and six cross-cutting themes, as strongly aligned with the NCQG decision and make the Fund well suited to bring to reality this decision.

For Consideration: The Adaptation Fund’s Operating Model and the NCQG Decision

14. In addition to the strong alignment between the Fund’s mandate and Medium-Term Strategy II (2023-2027) and the NCQG decision, there is strong alignment between the Adaptation Fund’s operating model and the NCQG decision. To illustrate this alignment, this paper proposes for the Board’s consideration the graphic below as a means of conceptualizing some of the core operational activities of the Fund that support financial inflows and outflows, as it relates to the NCQG decision:



15. This graphic conceptualizes the Adaptation Fund as primarily a fund focused on the core functions of financial inflows and financial outflows that deliver the three pillars of the Medium-

⁵ Adaptation Fund. Medium-Term Strategy II (2023-2027). https://www.adaptation-fund.org/wp-content/uploads/2022/09/AFB.B.39.5_Rev.2_Annex-2_Draft-MTS-2023-2027.pdf. p. 1

Term Strategy II (2023-2027) of action, innovation, and learning and sharing, as well as serve as vehicles for the six cross-cutting themes described above (e.g. locally led adaptation, enhance access to climate finance, advance gender equality, scale and replicate). This conceptualization of the Adaptation Fund with core ‘money in’ and ‘money out’ functions is important for fulfilling the NCQG decision understood in part as a financial target and involving the Adaptation Fund as a channel of financial flows. Other key functions of the Secretariat, such as communications, partnership management, board operations and governance, and internal financial and business operations could all be understood to play a supportive role to enable the core ‘money in’ and ‘money out’ functions of the Fund.

16. In addition to alignment of the Adaptation Fund with the NCQG decision as a financial target and involving the Fund as a financial channel, there is further strong alignment between the Adaptation Fund’s operational modalities and those of the NCQG decision. The Adaptation Fund prioritizes direct access in the delivery of its financing, a key operational modality of the NCQG decision. The Adaptation Fund pioneered direct access to climate financing in 2010 and was the first to create a Locally Led Adaptation funding window. This modality relies on accredited national implementing entities to manage all aspects of climate adaptation projects, from design through implementation to monitoring and evaluation. This empowers countries to take ownership of their adaptation efforts, reducing reliance on intermediaries and ensuring funding reaches targeted communities. Through locally led adaptation, the Fund promotes solutions that are grounded in local knowledge and responsive to regional contexts. Through its direct access approach and Locally Led Adaptation funding, the Fund promotes strong and inclusive stakeholder engagement to ensure that communities are meaningfully involved, fostering transparency, accountability, and community empowerment. This aspect of the Fund’s operational model positions the Fund to respond suitably to the NCQG decision.

Key Questions for the Board’s Consideration

17. With the above graphic as a proposed working construct to conceptualize core operations of the Fund and the strong alignment between the Fund’s Medium-Term Strategy II (2023-2027) and operating model and elements of the NCQG decision, the sections that follow propose key questions for the Board’s consideration to guide follow up assessment work. The intent of these questions is to gain the Board’s views and guidance on whether these questions are the right ones to ask and whether the Board has any initial views on the scope of possible answers to these questions.

Key Question: Defining the Financial Target

18. The NCQG decision text describes an ambition of scaling up financing to US\$ 1.3 trillion per year by 2025 and a financial target of at least US\$ 300 billion per year by 2035 (1/CMA.6, para 8), with financial outflows of the operating entities of the Financial Mechanism, the Adaptation Fund, the Least Developed Countries Fund and the Special Climate Change Fund tripling from 2022 levels by 2030 with a view to significantly scaling up the share of finance delivered through them in delivering on the goal contained in paragraph 8 of the NCQG decision text (1/CMA.6, para 16).
19. The working assumption in this concept note is that the financial target of US\$ 300 billion per year and the broader ambition to scale financing to US\$ 1.3 trillion per year are collective targets to which the Adaptation Fund would contribute through a tripling of its outflows.

Key Question: Financial Inflows

20. A tripling of the Adaptation Fund's outflows towards contributing to a collective ambition of scaling finance to US\$ 1.3 trillion per year and a collective target of US\$ 300 billion annually naturally raises key questions of the financial inflows to the Adaptation Fund. Questions of financial inflow are questions of resource mobilization, which will be discussed in detail in the resource mobilization strategy.

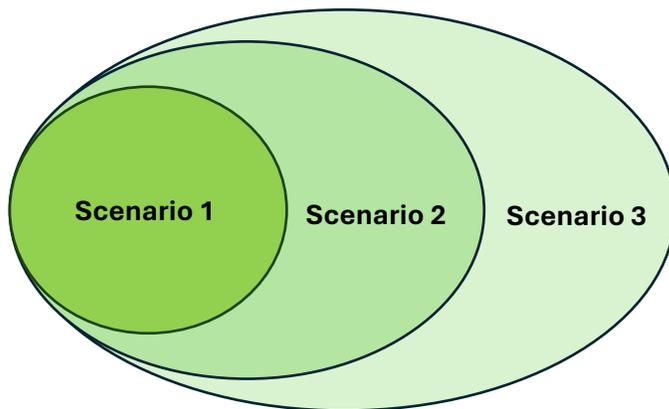
Key Questions: Financial Outflows

21. This concept note proposes for guidance from the Board three possible scenarios for to contribute to the collective target of US\$ 300 billion per year and the broader ambition to scale financing to US\$ 1.3 trillion per year:

- a. Scenario 1: The first scenario is a tripling of financial outflows from the Fund as grants on a dollar-in-dollar-out basis. In this first scenario the Adaptation Fund would triple its outflow of grants through accredited implementing entities, contributing to an annual collective target of US\$ 300 billion per year with little to no scaling of finance to contribute to the broader collective ambition of US\$ 1.3 trillion per year.
- b. Scenario 2: The second scenario involves a tripling of outflows from the Fund as grants through accredited implementing entities (scenario 1), plus working with more accredited implementing entities who would contribute their own funding as additional, external, unconditional funds to Adaptation Fund projects. In this second scenario, Adaptation Fund grants would continue to be available to eligible parties within existing caps, but eligible Parties could choose implementing entities who could also add their own funds to Adaptation Fund grants to increase the amount of funding for Adaptation Fund projects in their country. Further, Adaptation Fund grants could be used in a more programmatic way to scale projects, and the tripling of grants out of the Fund could contribute toward the collective target of US\$ 300 billion per year, with any additional external financing from an accredited implementing entity using Fund grants possibly contributing toward the broader collective ambition of scaling financing to US\$ 1.3 trillion per year.
- c. Scenario 3: The third scenario would involve tripling financial outflows from the Fund as grants (scenario 1), plus accredited implementing entities providing their own additional external funds to Adaptation Fund projects (scenario 2), plus the creation of funding windows to leverage additional external funds into Adaptation Fund projects (scenario 3). In this scenario, Adaptation Fund grants would continue to be available to eligible parties within existing caps, with eligible Parties able to choose implementing entities who could also add their own funds to Adaptation Fund grants to increase the amount of funding for Adaptation Fund projects in their country. Funding windows along the lines of the locally-led adaptation window would make Adaptation Fund resources available for funding partnerships that can bring more financing for adaptation responses to climate change. In this scenario, the tripling of funds out of the Fund could contribute toward the target of US\$ 300 billion per year, with any additional external funding from an accredited implementing entity and any additional financing leveraged through a funding window to possibly contributing toward a broader ambition of US\$ 1.3 trillion per year.

22. A working understanding with a diagram and a few examples is offered below to support guidance from the Board.

- a. What is meant by leveraging additional external funds: this concept note proposes a working understanding of leveraging additional external funds as two or more sources of funding joined together for the benefit of a recipient country. Primarily this would mean Adaptation Fund grants joined with one or more additional external sources of funding on an unconditional basis to create a greater volume of financial flow for adaptation projects into recipient countries.
- b. What is not meant by leveraging additional external funds: in this concept note, leveraging additional external funds does not change the Adaptation Fund’s mandate that eligible Parties should receive grant-based funding from the Adaptation Fund driven by the needs, views, and priorities of eligible Parties, on a cost of adaptation basis, and without conditions. No eligible Party has to contribute co-financing to receive Adaptation Fund grants. An eligible Party that receives a grant from the Adaptation Fund will continue to select the implementing entity it wishes to work with, and as such eligible Parties can choose to work with an implementing entity that can bring additional external funding of its own to an Adaptation Fund project in line with the country driven approach based on the needs, view, and priorities of those Parties.
- c. The diagram below may offer a graphic representation of the three scenarios as it might possibly relate to the Adaptation Fund:



- **Scenario 1**: tripling of grants contributes to US\$ 300 billion target; no support for scaling to US\$ 1.3 trillion
- **Scenario 2**: tripling of grants contributes to US\$ 300 billion target; additional external funding through IEs contributes to scaling to US\$ 1.3 trillion
- **Scenario 3**: tripling of grants contributes to US\$ 300 billion target; additional external funding through IEs and new funding windows contribute to scaling to US\$ 1.3 trillion

- d. Some examples of how Adaptation Fund grants could leverage additional external funds under scenario 2 and be thereby used to increase the flow of financing for adaptation projects into recipient countries through implementing entities. These examples build on the Adaptation Fund’s operating model of disbursing grant funding through implementing entities and are not meant to be an exhaustive list.
 - i. Multilateral Development Banks (MDBs) or a Private Sector Entity as an Implementing Entity: This approach already exists as a number of MDBs are accredited as implementing entities, however, MDBs have had low engagement with the Fund in recent years, which may have been in turn related to the Fund’s limited maximum project size (until the 44th meeting of the Board), and/or concerns about the legal agreement. In this approach, an MDB or private sector entity acting as an accredited implementing entity for Adaptation

Fund grants would add funding from their own balance sheet. This blended finance approach could also be used to partner with private sector entities seeking to invest their resources in projects implemented or managed by governments or CSOs as part of corporate ESG commitments. This approach could be viewed as in line with the NCQG decision (1/CMA.6) para 8(c) that recognizes “the voluntary intention of Parties to count all climate-related outflows from and climate-related finance mobilized by multilateral development banks towards achievement of the goal”.

- ii. Private Sector Arm of an MDB Implementing Entity: This approach would be consistent with the Fund’s operating model of directing grant funds through an implementing entity, but would involve inviting the private sector arms of MDBs to apply for accreditation. As implementing entities, they would be able to blend Adaptation Fund grants with their own funds to bring private sector actor funding into adaptation projects, for instance through a public-private partnership for climate resilient infrastructure or agriculture.
 - iii. Shared Implementing Entity: In this approach, the Adaptation Fund would partner with other funding sources who would use the same implementing entity to channel Adaptation Fund grants and funding from one or more additional external funding sources (e.g. another climate fund or a foundation) to create a larger programmatic approach to meeting the adaptation needs of an eligible Party. The implementing entity would be a shared platform that aggregates funding from the Adaptation Fund and funding from other external sources of funding in a coherent programmatic approach.
- e. Some examples of how Adaptation Fund grants could leverage additional external funds under scenario 3:
- i. Leveraging through labeled bonds: Leveraged bonds are financial instruments designed to address environmental and social issues, and specifically to potentially mobilize capital to support the ambition of scaling finance to US\$ 1.3 trillion annually. The Adaptation Fund could work with a partner with this kind of expertise to structure and issue one of these bonds, with the Adaptation Fund and other potential funders providing grant contributions for private investors to purchase the bond.
 - ii. Leveraging through De-Risking: This approach would explore the role of Fund grants in mitigating risks for the private sector and supporting innovation and market development for new adaptation-beneficial technologies and services. By leveraging grants that the Adaptation Fund offers, private sector entities can design and implement new approaches, practices, and partnerships that can attract private sector involvement that scale up adaptation efforts.
23. There could be several benefits to using Adaptation Fund grants to leverage additional external funds. The first such potential benefit is that this approach would expand the volume of financing for adaptation for countries facing the twin challenges of adverse effects of climate change and significant adaptation financing gaps. A second potential benefit is that this approach could be understood to support the ambition to scale financing to US\$ 1.3 trillion per year. A third potential benefit is the opportunity to build on the Adaptation Fund’s experience with scaling the impact of its projects, either through one-off replications of projects in the same or another sector or geographic location, perhaps by another climate fund, or through longer-term changes to policies and institutions. An example of this latter type of scaling could be an adaptation project that builds resilience to climate shocks in a given sector for specific concrete assets creating a demonstration effect that leads to mainstreaming of climate shock reduction efforts in other

sectors and covering more assets. Or supporting the creation of new markets and financial products, such as insurance products, that can be scaled.

Key Questions: Operational Modalities

24. The NCQG decision calls on multilateral climate funds, including the operating entities of the Financial Mechanism, the Adaptation Fund, the Least Developed Countries Fund and the Special Climate Change Fund to strengthen their efforts to enhance access and promote effectiveness, including (as appropriate) by:
- a) Scaling up and prioritizing direct access
 - b) Simplifying and harmonizing application pre-approval and post-approval requirements and disbursement processes
 - c) Establishing flexible information requirements
 - d) Promoting programmatic approaches
 - e) Streamlining reporting requirements
25. As mentioned above, the Adaptation Fund has several features that position it to make further progress on the operational modalities requested by the Parties to the funds to pursue enhancing access and promoting effectiveness, including its direct access modality. Operational efficiency is a standing priority for the Adaptation Fund but could take specific directions depending on the Board's guidance.

Next Steps for the Board's Consideration

26. This concept note presents key issues and questions for the Board's consideration and guidance, specifically:

Financial Target

- a. Does the Board consider the NCQG financial target of at least tripling the annual outflows from 2022 levels by 2030 a target that directly calls the Adaptation Fund to triple its outflows?

Financial Inflows

- b. Key questions on financial inflows to the Adaptation Fund are taken up in the Resource Mobilization strategy but noted here for only comprehensiveness to the construct of the Adaptation Fund in this concept note.

Financial Outflows

- c. Does the Board wish to pursue scenario 1, 2, or 3 (or some other scenario) toward tripling the Adaptation Fund's financial outflows in support of the US\$ 300 billion a year target and scaling ambition of US\$ 1.3 trillion per year?

Operational Modalities

- d. Based on the Board's guidance regarding scenarios 1,2, or 3, the Board may wish to request the Secretariat to prepare further analyses of potential implications on the Fund's operations.