

Adaptation Fund submission to the Standing Committee on Finance

The Adaptation Fund Board secretariat would like to thank you for the invitation to provide information on the topics related to the first biennial assessment and overview of climate finance flows to be prepared by the Standing Committee on Finance (SCF). The Adaptation Fund Board secretariat is pleased to have participated as an observer in a number of SCF meetings in which these matters have been discussed.

The Adaptation Fund represents several features that are very particular within the climate finance architecture under the Convention and its Kyoto Protocol. The Adaptation Fund Board has, through its operations, garnered a considerable amount of experience on a number of aspects of adaptation finance that may be useful for the biennial assessment and overview. Areas in which the Fund has made headway include, inter alia, the groundbreaking direct access modality, the swift proposal review process, and accountability and efficiency through results-based management. The Adaptation Fund has also been recognized for its transparency, and was ranked first among climate finance institutions in the International Aid Transparency Index (IATI) ranking published in October 2012 by Publish What You Fund's Global Campaign for Aid Transparency¹. The Fund was also the first climate fund to join the IATI Initiative in 2013, and it has made significant efforts to ensure that the public can easily access information regarding its decision-making and other activities. All Board meetings are open to observers and are broadcast live on the Adaptation Fund website. The Board also conducts a regular dialogue with civil society in conjunction with the Adaptation Fund Board meetings. All proposals for projects or programmes received by the Adaptation Fund Board secretariat are published on the website prior to technical review, and civil society may submit comments to the secretariat about the proposals. The secretariat publishes all of its technical reviews on the Adaptation Fund website.

1. Comments on the draft outline of the report: Are there any missing elements/aspects?

- It is positive that access modalities are included in the section 4: Assessment. For consistency, it may be beneficial to present the current status with these access modalities also in the preceding section 3: Overview.
- In describing and assessing flow of climate finance from its sources to its destinations, an aspect that is currently not present in the outline is the temporal aspect: from identification of a climate finance need by the country (or at a subnational level), until that finance has been approved and channeled to the country, there is typically a delay that in some cases can be several years. Practically this has to do with decision-making processes in the prospective recipient country and also with the project cycles and administrative procedures of the financing entity; there are differences in how swiftly different climate funds and other financiers are able to mobilize finance. It may be useful to consider this temporal element in the overview and assessment.

¹ Climate finance institutions were not considered in the 2013 ranking of the index.

- Another aspect that is currently not included in the outline is consideration of how accountability and efficiency is fostered through transparent and results-based mechanisms of channeling funding flows. In the Adaptation Fund's experience, linking periodic reporting on project/programme results at the output level to the release of subsequent tranches of funding for those projects/programmes has multiple benefits. This performance-based disbursement of funds means that stakeholders and the general public can access current information about the progress of projects/programmes. It also encourages implementing parties to swiftly attain the planned results.

2. Contributions for the overview section of the report (data, recent and upcoming reports, on-going research)

Please find attached the following annexes which provide relevant information for the report:

- Annex 1: Operational policies and guidelines of the Adaptation Fund, which among other things describes the direct access modality as operationalized by the Fund and the rapid 9-week project review process.
- Annex 2: The situation, as of January 2014, of national, regional and multilateral implementing entities accredited by the Adaptation Fund.
- Annex 3: Schedule of Receipts and Cash Transfers to the Adaptation Fund as of November 30, 2013.
- Annex 4: Projects, programmes and project formulation grants approved for funding by the Adaptation Fund, as of January 2014.
- Annex 5: The Annual Performance Report of the Adaptation Fund for Fiscal Year 2013.
- Annex 6: An excerpt of the first annual performance report of the Adaptation Fund (AFB/EFC.7/4.Rev.2) which outlines the results-based reporting process.

3. Criteria for assessment: against which criteria the finance flows should be assessed and how this assessment should be done

- The criteria/goals listed in parentheses in the proposed outline are valid. In addition to them, as mentioned above, it may be useful to include the temporal element of finance flows in the assessment, including both the administrative steps in the project cycles, and the actual observed development/approval times. It may also be useful to consider the accountability and efficiency of mechanisms for channeling flows, including the use of results-based approaches.

4. Finance needs, including finance for technology, capacity building, forestry, adaptation and mitigation, and readiness to receive climate finance

- The Adaptation Fund has pioneered direct access to its resources by eligible entities as one of its innovative features. It has successfully enabled direct access for accredited National Implementing Entities (NIEs). The other access modalities include through Regional Implementing Entities (RIEs) and through the most

commonly used, Multilateral Implementing Entities (MIEs). So far, the Fund has accredited 15 NIEs and 3 RIEs. Despite this relative success, the number of NIEs is still low compared with the number of countries that could potentially directly access the Fund's resources. Moreover, of the existing NIEs and RIEs, only 5 have thus far received project or programme funding for their proposals, while others are still working on preparing proposals. Recognizing the need to support countries in getting NIEs accredited and efficiently developing quality proposals to be submitted for funding, the Board has approved a programme to strengthen readiness for direct access to climate finance. The readiness programme is described in detail in document AFB/B.22/6 discussed by the Adaptation Fund Board in its twenty-second meeting in November 2013, and available on-line at <https://www.adaptation-fund.org/afb-meeting/3750>. The Board approved Phase I of the programme. The execution arrangements of the programme, criteria/eligibility criteria to allocate the funds to the accredited implementing entities for specific activities, as well as a timeline of activities will be decided upon by the Board intersessionally before mid-March 2014.

5. Assessment of experience in mobilizing private funds using public finance

- The Adaptation Fund experience shows that mobilizing private funds for adaptation using public finance is a new area, where best practices have yet to be identified. The advances the Fund has been able to make include some promising examples. A list of some examples is included in Annex 7.

The Adaptation Fund Board secretariat would be happy to provide further information on any of these areas.