



**Views regarding the Terms of Reference for
the Review of the Adaptation Fund**
Submission by Climate Action Network – International
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CAN-International is a coalition of more than 500 environmental and development non-governmental organisations worldwide, committed to limiting human-induced climate change to ecologically sustainable levels.

Having closely followed the development of the Adaptation Fund (AF) since the inception of the Adaptation Fund Board (AFB), CAN International appreciates the opportunity to submit its views and recommendations on the possible terms of reference for the review of all matters relating to the Adaptation Fund, which will be undertaken at the sixth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) in accordance with decision 1/CMP.3, paragraphs 32 to 34, including the institutional arrangements referred to in paragraphs 19 and 23 of the same decision.

Key areas of progress

CAN welcomes the significant progress that the AFB has achieved over the past two years. The AF is well positioned to meet the challenges of adaptation, particularly of the most vulnerable populations and ecosystems, for several reasons.

An unprecedented characteristic of the AF is its explicit emphasis on funding the most vulnerable populations. The **strategic priority that “in developing projects and programmes, special attention shall be given by eligible Parties to the particular needs of the most vulnerable communities”** is a crucial element in the existing AF provisions. The provision is not a prescriptive conditionality imposed by developed countries, but it has been agreed by all Kyoto Parties. Furthermore, it links into basic human rights standards and principles which many governments have committed to. Since the identification of most vulnerable communities is left fully to discretion of countries it adheres to the principle of country-drivenness.

In addition, the AFB has developed a **transparent working mode, which facilitates participation and accountability, particularly of and to civil society and vulnerable populations**. All documents are available on the website, the AFB meetings are being webcasted so that everyone can follow the debates. All interested observers are allowed to participate and sit in the meeting room of the AFB, except for a very few closed sessions. While the Board previously had decided that all project and programme proposals submitted by Parties would be put on the AF website, it has now also adopted a further important provision which requires the AF Secretariat to provide facilities on the website to enable public comments on project proposals before they are adopted, establishing a vehicle for civil society to weigh in and be heard before funding decision are taken. With these steps the AFB has achieved a high level of transparency which, however, needs some further institutionalisation and strengthening.

CAN rejects the often-heard accusation that the AFB is another negotiating body and instead argues strongly that the AFB meetings have increasingly developed a well-informed and professional discussion atmosphere that is transparent, inclusive and participatory.

Further innovative features mark the uniqueness of the AF. The **principle of direct access** increases the ownership of developing countries, in the spirit of the Paris Declaration and the Accra Agenda for Action, and ensures that especially vulnerable countries have a voice in decision-making. The AFB's **equitable and balanced governance structure**, which gives non-Annex I countries a slight majority of votes on the AFB¹, and its **innovative funding source**, which delivers resources for adaptation apart from conventional voluntary contributions of Official Development Assistance (ODA), are further unique features. Furthermore, it is an advantage that the Adaptation Fund does not have a mandate to support **response measures**, which continues to be a highly contentious issue in the AWG-LCA negotiations with additional confusion created through the Copenhagen Accord.

The establishment of robust rules for challenging issues, such as the implementation of the direct access principle, the legal capacity of the AFB, and the establishment of a transparent working mode, takes time. The fact that the AFB has taken the time to “get things right” from the start should be valued and recognized as an achievement. The fact that this has therefore meant that the AFB has not yet approved or financed a project should not be used to disregard the progress of the AFB.

¹ Despite the fact that they are a large majority in the UNFCCC, with 151 out of 192 Parties

Key constraint: scarce resources

Important challenges still remain to be dealt with in the upcoming months, such on the selection of projects, the accreditation of National Implementing Entities, and the prioritisation of certain country groups.

Nevertheless, the key constraint for the AF is the scarcity of available resources. This limits its possibility to support adaptation in a larger number of particularly vulnerable countries. It limits how seriously the AF can take its strategic priority of giving special attention to the particular needs of the most vulnerable communities, as countries will require resources for inclusive and participatory planning processes and human vulnerability and climate risk assessments. The scarcity of resources also limits the possibility to support larger scale programmes that go beyond single projects, something which is particularly desired by countries, including developed countries. However, this will not really be possible without a significant increase in resources. It is not an appropriate solution to limit funding to a very small number of countries, as it is the case for example in the Pilot Programme on Climate Resilience managed by the World Bank. The challenge of climate change adaptation is too big for too many countries.

Recommendations

Against this background, the Terms of Reference on the review of all matters relating to the Adaptation Fund should at least address aspects related to:

- Stakeholder participation:
 - o Review of the effectiveness of the current provisions for the inclusion of stakeholders, such as in the project/programme template, the website facilities to publicly comment on project proposals and in the communication with multiple stakeholders, including gender-equitable participation;
 - o Design of a “results framework” which ensures in its monitoring and evaluation system, including in the preparation of annual project status reports and terminal evaluation reports, that the views of the most vulnerable populations are heard on whether and how adaptation funding enables them to adapt successfully, and that hereby connects measurable inputs at the international/national level with measurable outputs/outcomes at the local level.
- Availability of funds:
 - o Review of the projected amount of adaptation resources required by particularly vulnerable developing countries, taking into account that current mitigation pledges made under the Copenhagen Accord would likely lead to a global temperature increase of more than 3°C compared to pre-industrial levels²;
 - o An analysis of the projected amount of resources delivered through the current levy on the CDM and its relation to the projected amount required (see above);
 - o An analysis of how much of the fast-start finance promised through the Copenhagen Accord is likely to go into the Adaptation Fund;
 - o Proposals for additional innovative sources of revenue for the Adaptation Fund and the requirements for their implementation;
- Institutional arrangements:
 - o Review of the effectiveness of the current institutional arrangements between the AFB, the GEF as the provider of secretariat services and the World Bank as Trustee, including the cost-benefit ratio of the resources provided for the services delivered by the GEF and the World Bank, and of the fees paid to implementing entities;
 - o Review of the effectiveness of the design of the direct access approach and the National Implementing Entities in developing countries, including the identification of support for their preparation and the inclusion of stakeholders on the national level;
- Future of the Adaptation Fund:
 - o Options to ensure an appropriate role of the AF within the future design of the financial mechanism, including addressing possible consequences of the non-extension of the 1st commitment period of the Kyoto Protocol. The AF must be seen as not just an existing and essential element of the Kyoto Protocol, but also as a key part of the overall financial mechanism under the Convention.

The review should seek to strengthen the AF with its innovative features and facilitate overcoming existing barriers in the operation of the Adaptation Fund.

² <http://www.climateactiontracker.org/>, as of 19 March 2008