

World Bank Comments on the Second review of the Adaptation Fund (SBI)

The World Bank welcomes the second Review of the Adaptation Fund (AF), as an opportunity for stocktaking, learning and improvements, and the opportunity to provide our comments.

The Bank fully recognizes the underlying premise of the AF, which is to provide funding directly to countries for adaptation to climate change. It would be of interest to consider the extent to which this premise is being met.

As a point of departure, we would be interested in learning about how the recommendations of the first review have been implemented, and what issues remain, if any.

Comments on the specific elements of the review follow.

“(a) The provision of sustainable, predictable and adequate financial resources, including the potential diversification of revenue streams, to fund concrete adaptation projects and programmes that are country driven and based on the needs, views and priorities of eligible Parties.”

- The shift in the financial framework within which the AF was established has clearly affected the predictability and level of the AF funding. This, in turn, has had repercussions on the pipeline of project proposal. The cap on multilateral funding coupled with the changes funding level have, for example, put on hold a World Bank project (Belize) in the pipeline, pending further availability of resources. We have noted a high demand from client countries for Adaptation Fund support, and for funding of adaptation to climate change in general. Regrettably, the uncertainties in the funding levels and of the process will impact progress toward a robust pipeline for the various Implementing Entities. If the Adaptation Fund wants to upscale, it would seem important to address these two barriers, and providing the appropriate signals to Parties and stakeholders.
- Members of the AF Board and Secretariat have earlier reached out to the Bank to discuss options for diversification of revenue streams. We welcome such discussions, and expect the Review to look into how effective such efforts have been, and future gaps. We would expect the review to assess the extent to which such diversification of revenue streams may have changed or change the nature of the AF funding and operations, as well as the impact on the larger climate finance architecture. Where for example, the funding of the AF has become more dependent on bilateral donors, how has the governance been affected and does this crowd out funding that might have been provided elsewhere?

“Lessons learned from the application of the access modalities of the Adaptation Fund”.

- We believe this is very important. Impressive gains have been made in establishing systems, procedures, approaches and mechanisms quickly, to operationalize the Fund. This is itself is challenging, and it is to be expected that further efficiencies can be found once implementation gains momentum. Initially, many of the implementation arrangements and procedures were modelled on those of the GEF, for which the GEF Secretariat which is also the interim Secretariat for the AF.

Given the long-standing concerns on the efficacy of the GEF project cycle, we do not feel this is the best model, but that more innovative and flexible approaches can be found for the AF.

- We specifically feel the Review could address: the arrangements for legal agreements between the NIEs/MIEs and the AF Board on project-by-project basis as compared to agreements at an organizational level; the transparency and efficiency in the proposal review process and criteria; the extent to which NIEs/MIEs may follow their own systems and procedures as compared to specific arrangements required by the AF; the level and burden of reporting, and the monitoring and evaluation arrangements and the use of this for knowledge management and lessons learnt.
- We recognize that many entities may have found access to be challenging, and this may be reflected in the emerging portfolio. How diverse, for example, is the access of funds among countries; and among NIEs/MIEs, and among MIEs, and what are underlying reasons? We are aware that the AF is planning capacity building activities to strengthen possible accreditation. To what extent are capacity barriers to access related to generic country systems, beyond the AF scope per se, or to the specific accreditation process? The Review might want to look closer at the Fund's role and objectives in terms of capacity building for direct access, to see what can be learned from different models tested, for example cases where countries both worked with an MIE and applied for its own accreditation.
- In this regard, we recognize that international development agencies can play an important role in helping build capacity for the management of internationally funded programs in beneficiary country implementation units through precursor investment and development projects. The World Bank remains committed to support countries, as needed and requested, to build such capacity through our core development investments.
- As the implementation of the portfolio gets underway, it may also be time to look at the cost structure of the AF projects, in terms of 'sustainability and adequacy of the operation of the Fund'. The initial fee level was set without actual cost data on development and implementation of such projects, but experience may now be available as to factual evidence and data on this.

“The institutional linkages and relations” and “the institutional arrangements for the Adaptation Fund, in particular the arrangements with the interim secretariat and the interim trustee”

- It would be interesting to gauge how effective the AF has been in establishing such partnership and linkages, and how its independent legal status has played a role. On institutional arrangements, the Adaptation Fund Secretariat is hosted by the GEF Secretariat, which in turn is hosted by the World Bank. We would therefore be very interested in the lessons learnt and recommendations on the transparency and effectiveness of this, also considering that our Independent Evaluation Group (IEG) has recommended that the Bank consider a policy for such hosting arrangements.
- While recognizing the uniqueness and complexity of the institutional arrangements with the Adaptation Fund, a review of this kind often includes a comparative analysis with similar funds and mechanisms, to contextualize the assessment, and to consider further donor harmonization. This may be useful for the second Review.

- Finally, we would hope that the Review can be forward-looking and consider the implications related to the AF within the larger climate finance architecture, and specifically the onset of the Green Climate Fund.
- We welcome the possibility in future to comment on our experience regarding the Adaptation Fund, as indicated in the ToR paragraph 3.