

Briefing to ADP Co-Chairs by Ms. Marcia Levaggi, Manager of the Adaptation Fund Board secretariat, on behalf of the Chair of the Adaptation Fund Board, Mr. Hans-Olav Ibrekk

Co-Chairs of the ADP, Distinguished Delegates, Ladies and Gentlemen,

I would like to provide an update on the achievements of the Adaptation Fund in channeling finance to concrete climate change adaptation projects and programmes in developing countries. The Fund has pioneered a number of innovative practices that have demonstrated its effectiveness as a global financial mechanism. In contrast to its successes, the primary source of revenue to the Fund – a global two per cent levy on carbon emission reductions (CERs) – has diminished due to a collapse of the carbon price in international markets. The Fund is now seeking an increase in bilateral contributions from Parties in order to sustain its work.

Since becoming fully operational in 2010 the Fund has achieved:

- The approval of US\$ 184 million in grant funding for 28 adaptation projects and programmes, including 4 direct access proposals;
- The operationalization of direct access to climate finance, allowing 15 national institutions – subject to meeting fiduciary standards approved by the Board - to become National Implementing Entities (NIE), hence taking on the implementation role normally undertaken by multilateral institutions;
- A clear focus on results-based management to track key indicators, including gender considerations, to measure the performance of approved projects and programmes;
- Enhanced transparency and accountability in all the operations of the Fund;
- The substantive involvement of civil society, including allowing comments on proposals under consideration, involvement at Board meetings and monitoring during project and programme implementation

To date, the Fund has received cumulative revenues of US\$ 324.94 million, of which US\$ 188.24 million was generated through sales of CERs and US\$ 134.50 received in bilateral contributions from developed countries. The Board has committed US\$ 184.47 million to projects, of which US\$ 150.13 million was awarded to projects and programmes implemented by Multilateral Implementing Entities (MIE) and US\$ 34.19 million to those implemented by NIEs.

To ensure that funds would be available for the direct access modality used by NIEs, the Board instituted a cap of 50 per cent of the Fund's funds that could be allocated to MIEs. The remaining 50 per cent is reserved for projects and programmes implemented by national and regional entities. In the 19th Board meeting in December 2012, the cumulative value of MIE projects and programmes recommended for approval exceeded 50 per cent, and as a result, seven recommended projects were placed in a pipeline, to be approved by the Board when funds become available. The funds available for new projects and programmes implemented by MIEs now amount to just US\$ 1.21 million and none of the projects in the pipeline can currently be funded.

The main source of revenue for the Fund – the sale of CERs accrued through the two percent levy on Clean Development Mechanism projects – has drastically diminished due to the situation in the carbon market. The price of CERs, which had been relatively constant between 11 and 14 euros per ton between May 2009 and May 2011, dropped rapidly during the second half of 2011 and remained low through 2012, reaching under 0.5 euros per ton by the end of 2012. In light of the diminished

revenue and the resultant uncertain funding situation the Board has established a fundraising task force and set a goal of raising US\$ 100 million through the end of 2013.

I would like to recall that, In order to access the resources of the Fund, potential implementing entities are evaluated by independent experts of the Accreditation Panel for compliance with the Fund's fiduciary standards. There are currently 10 accredited MIEs and 15 accredited NIEs, of which one-third come from either Least Developed Countries (LDCs) or Small Island Developing States (SIDS). Once accredited, implementing entities can apply for funding of up to US\$ 10 million per country for concrete climate change adaptation projects or programmes.

Among the Key policies of the Adaptation Fund I would like to highlight the following:

Ensuring ownership by the countries implementing projects and programmes through the formal endorsement by the Designated Authority of the country. Consultation with all relevant stakeholders, particularly local communities and vulnerable groups such as women, is a requirement for all projects and programmes approved by the Board.

Transparency and accountability are ensured in all operations. Every proposal received by the secretariat is published on the Fund website before being reviewed and the Board publishes in its meeting reports a decision about every proposal it receives. All technical reviews by the secretariat are published online, whilst all Board meetings are open to observers and broadcast live online. The Board also conducts a regular dialogue with civil society in conjunction with Board meetings. The transparency of the Fund has been recognized internationally, evidenced by its ranking as the first among climate finance institutions in the 2012 Aid Transparency Index assessed by the International Aid Transparency Initiative and 17th out of 72 institutions overall. Furthermore at its 20th meeting, the Board decided to take the necessary steps for the Fund to comply with IATI standard and start publishing IATI-compatible data. The Chair of the Board has officially signed the IATI standard on behalf of the Board, on 17 April 2013, the AF becoming the first climate finance fund to sign on to the initiative.

Focus on results and cost-effectiveness. The Fund has tracked results both at the project and programme level and at the fund level since the portfolio became active in early 2011. Results cover eight broad areas of climate change adaptation, including tracking specific indicators. The results-based management system of the Fund is based on annual reporting by the implementing entities to the Board through the secretariat. Through a performance-based disbursement system, funding is provided to a project or programme in annual tranches, which are released upon review and approval of the report of the preceding period. Each project and programme undergoes a final evaluation, and a mid-term review is required for projects and programmes with a duration of four years or more.

In closing I would like to mention the swift processes of the Fund, which allow accreditation to be done in three months in cases where applicants provide complete and satisfactory evidence. Similarly, for project reviews, a decision can be made in nine weeks. Project proponents receive the results, and funding in the case of positive decisions, within three months.

This concludes my report. Thank you Mr. Co-Chairs.