



ADAPTATION FUND

ADAPTATION FUND SUBMISSION TO THE STOCKTAKE ON PRE-2020 IMPLEMENTATION AND AMBITION AT THE 25TH CONFERENCE OF THE PARTIES TO THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

1. The Adaptation Fund (the Fund) was established under the Kyoto Protocol of the United Nations Framework Convention on Climate Change (UNFCCC). Since January 1, 2019 the Fund is serving also the Paris Agreement under the guidance of, and be accountable to, the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) with respect to all matters relating to the Paris Agreement as per decision 13/CMA.1.
2. The Adaptation Fund finances concrete adaptation projects in developing countries that are particularly vulnerable to the adverse effects of climate change. All projects and programmes are country-driven and based on the needs, views and priorities of eligible Parties (Decision 1/CMP.3).
3. During its over 10 years of operations, the Adaptation Fund has established itself as a fully operational financial mechanism for concrete adaptation projects and programmes that also offers targeted readiness support for developing countries' national entities to access climate change adaptation finance. The Fund provides country-driven access to its resources through its direct access modality, which also contributes to building in-country institutional capacity for the overall management of projects and programmes during the process.
4. As highlighted in the second phase of the overall evaluation of the Adaptation Fund (June 2018), the Fund remains relevant to the global climate finance architecture through its various activities and that it specifically adds value to the global climate finance architecture in three aspects: focusing exclusively on adaptation, supporting concrete activities and implementing direct access.

Financing concrete adaptation projects

5. As of 11 October 2019, the Adaptation Fund Board had allocated USD 720 million to 100 concrete adaptation projects and programmes in 79 countries, including 19 small island developing States (SIDS) and 27 least developed countries (LDCs). The portfolio of the Fund benefits 8.7 million direct beneficiaries and over 19 million indirect beneficiaries in the most vulnerable communities in developing countries. The projects and programmes funded are of a value up to USD 10.0 million for single country projects and up to USD 14 million for regional projects. Twelve projects and programmes funded by the Fund have already achieved completion, and thirty-five have completed their midterm evaluation.
6. Of the 100 projects approved to date, 33 are being or have been implemented by national implementing entities (NIEs), including the three newly approved projects funded through grants

for innovation and project scale-up, 12 by regional implementing entities (RIEs), and 58 by multilateral implementing entities (MIEs).

7. The Fund's project review cycle is swift and can be completed in nine weeks. The Fund has all its policies and procedures in place, including operational policies and guidelines for Parties to access its funding, a zero-tolerance policy on fraud and corruption, a risk management framework, an environmental and social policy, a gender policy and action plan, and a number of guidance documents to facilitate compliance with the policies mentioned above. All these documents are available at the Fund's website.
8. Specifically, the Fund's Environmental and Social Policy (ESP) ensures that projects and programmes supported by the Fund promote positive environmental and social benefits and mitigate or avoid adverse environmental and social risks and impacts. Managing these risks is integral to the success of the projects/programmes and the desired outcomes are described in the 15 environmental and social principles of the Environmental and Social Policy. Additionally, the Fund's principles-based Gender Policy and its accompanying Gender Action Plan aim at mainstreaming gender and ensuring that projects and programmes supported by the Fund provide women and men with an equal opportunity to build resilience, address their differentiated vulnerabilities and increase their capability to adapt to climate change impacts.
9. In 2019, the Board re-established an evaluation function for the Fund, through a Technical Evaluation Reference Group (AF-TERG), consisting of a Chair and four members, and served by a dedicated secretariat. The AF-TERG held its inaugural meeting in August 2019, and started preparing a draft work programme. Three studies are prepared to assist in work programme development and implementation: The first study is an evaluability assessment of projects financed by the Fund, the second study focuses on ex-post evaluation approaches to inform a Fund-specific approach to ex-post evaluations five years after project closure, and the third study focuses on innovative monitoring evaluation and learning approaches in the climate change adaptation space.

Capacity building and readiness

10. The Adaptation Fund has a successful record of building institutional capacity through the direct access modality. This happens throughout the process, from accreditation to implementation and evaluation of nationally designed projects and programmes, as a number of representatives of applicant entities have acknowledged. The report on phase I of the overall evaluation has recognized the Fund as a learning institution.
11. The Fund also offers capacity-building support for accreditation and project development through its Readiness Programme. The programme supports NIEs in accessing funds for adaptation, including through South-South cooperation, and provides technical assistance grants for environmental and social safeguards and gender considerations.
12. The Readiness Programme has also contributed to establishing a community of practice among NIE practitioners. This community meets regularly to address matters of common interest, to exchange knowledge and lessons learned and to share experience. Aside from this NIE gathering, the Fund convenes regional workshops and webinars in partnership with other institutions.

13. The expertise of the Fund has been shared with other climate funds, and its direct access model has proven replication value for other climate financing organizations. The Board of the Green Climate Fund (GCF) decided to fast-track accreditation of implementing entities accredited by the Board. As at 11 October 2019, 30 entities accredited to the Adaptation Fund had been fast-track accredited by the Board of the GCF due to their prior accreditation with the Fund. The Fund is the first climate fund to engage in enhanced direct access. Allowing national institutions to directly access adaptation finance promotes country-owned and country-driven processes, with the strengthening of local institutions in project identification and implementation and in resource mobilization.
14. According to stakeholders interviewed during the first phase of the Fund's overall evaluation, it is well suited to "generating timely lessons about [...] scalable and replicable action benefiting the most vulnerable communities and social groups". The independent evaluation team elaborated, concluding that the Fund's "design supports pilot activities with substantial potential for scaling up impact at sub-national, national, and regional levels". Such scaling up has already happened, particularly with funding from the GCF: as at June 2019, at least seven projects approved by the GCF had been developed on the results and lessons learned from prior projects funded by the Fund. The Board recognized this specific role of the Fund when developing the medium-term strategy for 2018–2022, which it adopted in October 2017. The medium-term strategy lays out how the Fund will support countries in testing, evaluating, rolling out and scaling up innovative adaptation practices, products and technologies.

Mobilizing finance

15. The evaluation of the Fund in its first phase concluded that the Fund is closing the adaptation gap by contributing to funding concrete adaptation projects. The Fund has mobilized USD 890.7 million since its inception and has allocated USD 720 million for concrete adaptation and readiness projects/programmes. Forty-nine per cent of the amount allocated has already been disbursed. The Board has set up a resource mobilization target of USD 90.0 million per year for the biennium 2018–2019.
16. Altogether 16 sovereign donors and 4 subnational governments have contributed to the Adaptation Fund. Among the contributors, Canada (Quebec) and New Zealand contributed to the Fund for the first time in 2019. In addition to contributions by developed countries and subnational governments, the Fund is funded by a share of the proceeds of the clean development mechanism under the Kyoto Protocol. The Fund has raised USD 201.4 million from the sale of certified emission reductions since May 2009. At CMP 8, Parties decided that for the second commitment period of the Kyoto Protocol, the Fund shall be further augmented through a 2 per cent share of the proceeds levied under the joint implementation and emissions trading mechanisms. At CMA 1, Parties further decided that when the Fund serves the Paris Agreement, it shall be financed from the share of proceeds from the mechanism established by Article 6, paragraph 4, of the Paris Agreement and from a variety of voluntary public and private sources. The Fund has experience and expertise in monetizing carbon assets for funding adaptation and has the systems in place to continue receiving funding from innovative sources for that. At COP 24, the Fund, in partnership with the UNFCCC secretariat and Visa Inc., organized an innovative contribution platform, where COP attendees could help to mobilize resources for the Fund by tapping a generic Visa credit card on a reading sensor attached to an interactive display, which depicted ecosystems and communities strengthening climate resilience with each successive tap.

Visa donated EUR 3 (USD 3.4) to the Fund for each tap. The campaign proved popular and, with nearly 20,000 taps overall, generated USD 67,453 for the Fund.

Medium-term strategy

17. The Adaptation Fund Board adopted a five-year Medium-Term Strategy (MTS) in October 2017, affirming its key strengths in supporting concrete actions in vulnerable developing countries while building around the UN Sustainable Development Goals and serving the Paris Agreement to help meet the tremendous challenge of climate change by accelerating adaptation action.
18. The strategy outlines three main pillars of support for vulnerable developing countries: (1) action, (2) innovation and (3) learning and sharing.
19. Under these three main pillars NIEs can access funding outside of their country cap, through the provision of innovation small grants of up to USD 250,000, learning grants and scale-up grants for USD 150,000 and USD 100,000, respectively, with the first funding proposals approved by the Board in October 2019. In addition, with the purpose of devolving decision-making in the programming of internationally allocated funds to the national and sub-national levels, a financing window for enhanced direct access will be developed.
20. Under the innovation pillar, the small grants will be awarded to vulnerable developing countries through two routes: directly through NIEs particularly to those countries that have accredited NIEs, and through MIE aggregator delivery mechanisms to other entities (organizations, groups, associations, institutions, businesses, agencies, etc.) that are not accredited with the Fund. Under the MIE aggregator approach, the secretariat developed a guidance to the MIE aggregators for preparing proposals for small grants programmes for innovation, and the Board invited the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UN Environment) to submit to respective proposals, which were approved by the Board at its 34th meeting.

Coherence and complementarity

21. CMP 10 requested the Board to consider options for developing operational linkages, as appropriate, between the Fund and constituted bodies under the Convention, taking into consideration the mandates of the respective bodies. CMP 13 noted the efforts made by the Board in enhancing cooperation with other funds to ensure coherence and complementarity, and encouraged the Board to continue such efforts.
22. The Board has taken action to promote linkages with other bodies under the Convention, such as the Adaptation Committee, the Climate Technology Centre and Network, the GCF, the Global Environment Facility (GEF), the Standing Committee on Finance and the Paris Committee on Capacity Building. The secretariat, a dedicated team of officials providing secretariat services to the Board, is hosted by the GEF secretariat, which promotes the exchange of information and knowledge, and provision of cross-support, when needed.
23. The Board and secretariat have continued discussions with the GCF to advance the collaborative activities and explore the options for fund-to-fund arrangements in line with decision B.32/41.

The discussions have been taking place at two levels: through dialogue between the AFB Chair and Vice-Chair with the Co-chairs of the GCF Board both exclusively and in the context of the annual dialogue among a larger group of climate funds, and through ongoing discussions between the secretariats of the Fund and the GCF on concrete activities. The Chair and Vice-Chair, assisted by the secretariat, attended the second annual dialogue organized by the GCF as well as a bilateral discussion between the boards of the two funds on the margins of the COP24 in Katowice, Poland. The Board at its thirty-fourth meeting decided (decision B.34/47) to continue considering the four options for fund-to-fund arrangements, as described in document GCF/B.22/09 and its Annex 1, from the perspective of whether they are comprehensive of all potentially feasible options of operational linkages between the Green Climate Fund and the Adaptation Fund; To take note of the information that an independent legal analysis is being undertaken by the GCF, with a view to producing, as its expected outcome, an independent legal opinion for the GCF to determine whether any potential legal arrangements between the GCF and the Adaptation Fund are implementable.

24. During the implementation of the MTS, the engagement with other climate finance delivery channels is done through dialogue between funds and through specific activities under the three strategic focal areas. One of the expected results under the action pillar of the MTS is to prepare countries to scale up effective projects/ programmes with support from other climate funds and finance channels (including private sector). This has been also supported by the second phase of the overall evaluation of the Fund, which concluded that the Fund's "design supports pilot activities with substantial potential for scaling up impact at sub-national, national, and regional levels".
25. Starting this reporting period until financial year 2023, the Fund plans to make project scale-up grants available for national implementing entities up to a maximum of US\$ 200,000 per year, with the first scale-up project approved by the Board during its thirty-fourth meeting (October 2019).

Way forward

26. From the record number of project and programme proposals received by the Adaptation Fund Board from vulnerable developing countries in the period 2015–2019, it is evident that the demand for the Fund's resources is rapidly increasing. As at 11 October 2019, the active pipeline of single-country and regional projects and programmes under development by NIEs, RIEs and multilateral implementing entities (projects that were submitted during the latest 12-month period but were either at the concept stage or were at the fully developed project proposal stage but were found to still require further clarification or amendment and therefore have not yet been approved) totalled over USD 248.4 million. This clearly indicates a demand exceeding the available resources.
27. The Fund is a fully operational mechanism that provides funding for adaptation in developing countries, and the demand for its funding is higher than ever. However, the sustainability and predictability of its financial flows are not secured due to the reliance on voluntary contributions from developed countries. Its experience in monetizing carbon assets can contribute to the operationalization of the sustainable development mechanism of the Paris Agreement.

28. Through its direct access modality and Readiness Programme, the Fund contributes to building the capacity of national institutions in developing countries, in line with Article 11 of the Paris Agreement, and moving forward, the Fund will contribute to speeding up the operationalization of the Paris Agreement, including its provisions on adaptation, finance, capacity-building and the sustainable development mechanism.