



ADAPTATION FUND

ADAPTATION FUND SUBMISSION TO THE STOCKTAKE ON PRE-2020 IMPLEMENTATION AND AMBITION AT THE 24TH CONFERENCE OF THE PARTIES TO THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

1. 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.
2. The second phase of the overall evaluation of the Adaptation Fund was completed in June 2018. The evaluation report concluded that 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. The evaluation report also highlights that the portfolio's alignment with other climate funds and global commitments on climate finance and international development provides a strong basis for potential collaboration and coordination. It further concludes that the Fund is making progress in all seven outcome areas of its strategic results framework and that its projects contribute to strengthening resilience at the national and local level.

Financing concrete adaptation projects

3. As of 12 October 2018, the Adaptation Fund Board had allocated USD 532.0 million to 80 concrete adaptation projects and programmes in 63 countries, including 14 small island developing States (SIDS) and 21 least developed countries (LDCs). The portfolio of the Fund benefits 5.6 million direct beneficiaries in the most vulnerable communities in developing countries. It covers most sectors related to adaptation, namely, coastal zone management, sustainable agriculture, water management, urban and rural development, and disaster risk reduction. The projects and programmes funded are of a value up to USD 10.0 million, which is replicable and scalable with funding from other sources. Eight projects and programmes funded by the Fund in Georgia, Honduras, Maldives, Nicaragua, Pakistan, Senegal, Solomon Islands and Turkmenistan have already achieved completion, and 30 have completed their midterm evaluation.
4. Direct access represents 31 per cent of the Fund portfolio. Twenty national implementing entities (NIEs) are currently implementing a total of 26 projects funded by the Fund, and one has completed its first project (Centre de Suivi Ecologique, Senegal).

5. The Fund's project review cycle is swift and can be completed in nine weeks. It has been lauded by the second phase of the overall evaluation of the Fund as efficient. 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.

Capacity building and readiness

6. 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.
7. 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.
8. The Readiness Programme has also contributed to establishing a community of practice among NIE practitioners. This community meets annually 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.
9. 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 30 June 2018, among the 59 entities accredited by the GCF, 38 entities 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.
10. 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 2018, six 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

11. 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 over USD 700.0 million since its inception and has allocated USD 476.0 million for concrete adaptation and readiness projects/programmes. Sixty 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.
12. 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. 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. 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. The Fund has raised USD 199.5 million from the sale of certified emission reductions since May 2009.

Medium-term strategy

13. In October 2017, the Adaptation Fund Board completed the process of developing a medium-term strategy, which it had started in March 2016. The process of drafting the strategy was stepwise and consultative, and the secretariat's work was guided by a task force elected among Board members.
14. The strategy, which covers a period of five years, from 2018 to 2022, builds on the existing mandate of the Fund, and on an analysis of its key strengths and how it can help meet objectives derived from the 2030 Agenda for Sustainable Development and the Paris Agreement. The strategy outlines three main pillars of support for vulnerable developing countries: (1) action, (2) innovation and (3) learning and sharing. It calls for the Fund to accelerate and enhance the quality of adaptation action in developing countries and support country-driven projects and programmes, innovation and multilevel global learning and sharing for effective adaptation. According to the strategy, all activities are to be designed as gender-responsive and to benefit the most vulnerable. Developing countries will be supported in undertaking high-quality adaptation projects and programmes that align with their development needs and goals. While the Fund has supported innovation and learning throughout its history, the strategy foresees targeted funding for these activities, such as support for scaling up proven innovative adaptation practices and technologies across countries or regions. Practical knowledge and lessons learned will also be captured and communicated from effective Fund activities and impact themes.

Coherence and complementarity

15. 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.

16. 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) and the Standing Committee on Finance. 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.
17. In 2015, the Board considered establishing an operational linkage between the Fund and the GCF for channelling resources for adaptation, and identified two options: (a) seeking accreditation as a financial intermediary with the GCF; and (b) entering into a memorandum of understanding (MOU) or an ad hoc agreement with the GCF. The Board had also considered how to enhance complementarity with the GCF through concrete activities. Following the mandate from the Board, the Chair started, in May 2016, a dialogue with the Co-Chairs of the Board of the GCF on potential linkages between the two funds, and the secretariat discussed with the GCF secretariat concrete activities to initiate collaboration, including, but not limited to, the following areas: readiness support, including by organizing joint activities such as workshops or seminars in regions; results-based management; accreditation; and project and programme identification. Dialogue at the level of the chairpersons of the two funds, and at the secretariat level, is on-going.

Way forward

18. From the record number of project and programme proposals received by the Adaptation Fund Board from vulnerable developing countries in the period 2015–2018, it is evident that the demand for the Fund’s resources is rapidly increasing. In particular, the number of proposals submitted through NIEs and RIEs has reached new levels as an increasing number of those entities have gained momentum in developing project proposals. As at 30 June 2018, the active pipeline of single-country 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 100.0 million. Furthermore, the interest in regional projects and programmes remains high, with three projects having been approved and an active pipeline of proposals (as defined above) amounting to over USD 170.0 million. This clearly indicates a demand exceeding the available resources.
19. 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.
20. 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.

21. Moving forward, the process for the Fund to serve the Paris Agreement will contribute to speeding up the operationalization of the Paris Agreement, including its provisions on adaptation, finance, capacity-building and the sustainable development mechanism.