

Environmental Integrity Group (EIG) Submission on the Fourth review of the Adaptation Fund

1 April 2022

Pursuant to: FCCC/SBI/2021/L.19, para. 3

For consideration by: the Subsidiary Body for Implementation at its fifty-sixth session (June 2022)

On behalf of EIG comprising of: Georgia, Liechtenstein, Mexico, Monaco, the Republic of Korea and Switzerland.

The submission considers selected elements of the scope outlined in the terms of reference for the fourth review of the Adaptation Fund (FCCC/SBI/2021/L.19, Annex, para. 2).

On the provision and mobilization of financial resources

The various sources of finance are currently not able to keep pace with increasing needs for adaptation in view of rising impacts of climate change on human systems (economic/financial, social, cultural) and nature, and ensuing costs (see e.g. UNEP Adaptation Gap Report 2021). In this context, the Adaptation Fund (AF), while not the sole channel to deploy adaptation finance, would benefit from increased resources to fulfill its mandate. In this regard, the operationalization of Article 6.4 of the Paris Agreement is critical and will hopefully soon channel enhanced resources to the AF and provide a sustained source of financing. At the same time, additional voluntary contributions from all contributors, including developed and developing countries, can complement AF resources. Voluntary multi-year contributions by contributors can help to improve the AF's predictability. The EIG does not support the establishment of a replenishment process, given the transaction costs and anticipated cumbersome political bargaining involved. This has been discussed at length in the context of the CMP and there is no consensus to establish a replenishment process.

On the results and impacts of approved adaptation projects and programmes

While the quantity of resources is important, their impact is even more so. Thanks to a well-articulated results management system, the AF provides aggregated adaptation results information, including at the highest level of the result chain with two impact-level results and five associated core indicators, and other performance analysis on a yearly basis. Gathering and analyzing such fund-wide result information is challenging given the diverse nature of the AF's work covering many sectors but offers a useful overall view of impacts helping accountability, learning and decision-making.

The AF has made progress over the years in enhancing the accessibility of its resources and the quality of projects and programmes. Currently a new Mid-term Strategy (MTS, 2023-2027) is being elaborated. It provides an opportunity for the AF to further strengthen its "niche" with a view to reach adaptation impact for the most vulnerable people.

On projects and programmes that are country driven and based on the needs, views and priorities of developing country parties

Evaluations and other feedback generally attest the AF country-drivenness. Programmes and projects are designed and implemented in consultative processes. In the AF Board developing country representatives have a majority and make their voice heard. The decision making process in the AF Board is constructive and consensus-oriented, which ensures that the view and priorities of developing country representatives in the Board are well reflected. Enhancing the capacity of country stakeholders to lead the national adaptation effort and in particular of National Implementing Entities to devise and implement effective projects and programmes, requires an increasing effort by the fund. The AF given its uniqueness (one of very few players entirely focusing on adaptation) can indeed make a leading contribution to the capacity of developing countries to prioritize, plan, coordinate and implement adaptation action (through NAPs, etc.).

On programming and project coherence and complementarity between the Adaptation Fund and other institutions funding adaptation projects and programmes

Given the rising complexity of the climate finance provider landscape and with a view to have sustainable impact over time, it is important to not only seek coherence and better cooperation with other climate funds (as currently done through ongoing initiatives) but also other institutions, e.g. with MDBs and UN organizations (which largely are also accredited implementing entities). Furthermore, while cognizant that coordination comes with costs, it is important to not only coordinate with climate finance providers in the narrow sense, but given adaptation's wide developmental and sector ramifications also with other stakeholders of the broader development and humanitarian ecosystem. Coordination and cooperation should include harmonizing formats and processes related to accreditation and projects/programmes, to the extent possible in light of institutional specificities, in particular with the operating entities of the Financial Mechanism and its specialized funds. For developing countries partnering with those funds, this would surely greatly decrease unnecessary transaction and opportunity costs. Ultimately, the AF should also help to further build the coordination capacities of country stakeholders. In a given national context, it is them that should lead through adaptation planning the coherence and complementarity of different sources of adaptation finance.

On the institutional arrangements for the Adaptation Fund

The AF functions well, including its Board, and no fundamental changes are needed. The governance and institutional arrangements (e.g. for encashment of the SOPs or oversight) need however to be ready in light of the upcoming legal change with the AF exclusively serving the Paris Agreement. This will require modifications to a number of policies and guidelines to ensure the appropriate legal status and arrangements, in some cases the Board may simply need to adjust the terminology. In addition, the EIG supports an expansion of the number of seats in the AF Board for voluntary contributors, irrespective if from developed countries or developing countries, to provide an incentive for further voluntary contributions. The EIG further supports the elaboration of a policy for civil society engagement in the AF Board.