AILAC´s inputs on the SBI conclusions for the Fourth Review of the Adaptation Fund

June 8, 2022

Conclusions by SBI56 on the fourth review of the Adaptation Fund should inform the preparation of the Technical Paper to be prepared by the Secretariat before CMP17/CMA4, as well as the results of the review itself, by including the following:

- Adaptation planning, preparedness and action are quite expensive and risky for conventional sources of financing. Hence, the challenge to attract investments for resilient infrastructure and implementing adaptation actions is immense, particularly in the developing world where adaptation measures are underdeveloped,
- There is an adaptation finance gap that is quite large –USD 230 billion of annual adaptation costs to all developing countries[1]- and likely to grow substantially over the coming decades, unless significant progress is made to secure new and additional finance for adaptation. In response to the commitment made by developed countries as part of the Glasgow Climate Pact to at least double the provision of adaptation finance by 2025 in relation to 2019, in the context of scaled-up financial resources, additional resources must be channeled through the Adaptation Fund,
- This Review should look at how the Fund has performed over the last four years and, in consequence, inform the Fund's Medium Term Strategy (MTS) 2023-2027 as well as its longer-term perspective so to effectively contribute to overcome the underfunding of adaptation and define additional arrangements and financial sources for the Adaptation Fund to become a central entity to the UNFCCC future financial architecture, one that fosters ambitious, systemic, and truly transformational adaptation action throughout the developing world. Hence, it should contain:

    1. A recognition of the work of the Fund over the last years, in particular the launching of 7 new funding windows[2], its 80% increase in projects portfolio, primarily for regional projects and the Fund's Board decision to double the amount of resources available for single-country projects in developing countries. It should also recognize that the Adaptation Fund is unique in nature, in legal standing and is the one single Fund that is solely directed to address the adverse effects of climate change in developing countries. This Fund must continue to grow and to deliver in ambitious adaptation action for the years and decades to come, including by growing and developing to its full potential and that of its new funding windows that for the time being are unrefined and need an additional impulse to deliver impactful adaptation projects and programs at scale.

    2. From an implementation perspective, it should recommend improvements in the administrative and bureaucratic performance of the Fund:

        a. to continue improving direct access, including through better and more direct relationships with eligible countries and to provide support and training to access the Fund provided that communication tends to happen through third parties/implementing agencies, rather than having a direct link between national entities and the Fund,

[1] Estimates of OECD current adaptation finance minus the annual estimated costs of adaptation as estimated by UNEP in the *Adaptation Gap Report 2020*, p. xiv, 29 & 30

[2] 1) Innovation large grants, 2) innovation small grants, 3) AFCIA, 4) Enhanced Direct Access window, 5) Learning small grants, 6) Readiness package grants, 7) scale-up grants

b. to count on regional staff that can address implementers and interested parties in more than one official UN language, so to overcome the language barrier that some developing countries face in establishing communication with the Fund provided that technical/implementation staff do not necessarily speak English,
c. to simplify its bureaucratic processes in order to shorten the length of time that goes from project approval to fund disbursement,
d. to drive coherence and ambition on the overall impact of the Adaptation Fund by requesting that any project subject for approval of the Fund is consistent with the corresponding country's NDC, Long-term strategy, National Adaptation Plans, Adaptation Communication and/or adaptation planning vehicle, SDG13, the Sendai Framework, as well as corresponding national development plans, and
e. to promote the private sector's active involvement through developing instruments and incentives for the increased participation in adaptation actions to reduce climate risks and take advantage of climate-related opportunities in the areas in which its operations are located.

3. Approval of a formal process of multi-year replenishment for the Adaptation Fund that is similar to that of the Green Climate Fund in order to improve predictability to forward-planning and programming as well as for the overall ambition of the Fund.

4. Alignment of the Fund's goal, impact, vision and mission, as well as its overall operations on how to better impact the adaptation and resilience transition to 1.5°C so to cover the costs of the said transition and facilitate the transformation that systemic adaptative action and planning and resilient development require. This calls for embedding a longer-term perspective into the Fund's planning processes, so to envision the Fund towards 2030, 2040 and 2050, in response to the implementation of Article 2.1 a) and 2.1 b) of the Paris Agreement and not stop only in 2027 and as part of the definition of its next Medium Term Strategy 2023-2027. This should aim for the Fund to become a transformational one that helps address the adaptation needs and priorities of developing countries and move beyond isolated, small-scale adaptation efforts.