

# AOSIS Submission to the Fourth Review of the Adaptation Fund

## Background

*Reference: 4/CMP.16*

By its decision 4/CMP.16, the CMP:

[Invited] Parties to the Kyoto Protocol, Parties to the Paris Agreement and observer organizations, as well as other interested international organizations, stakeholders and nongovernmental organizations involved in the activities of the Adaptation Fund, and implementing entities accredited by the Adaptation Fund Board, to submit their views on the fourth review of the Adaptation Fund based on the terms of reference ... for consideration by the Subsidiary Body for Implementation at its fifty-sixth session (June 2022)

The terms of reference for the fourth review details the objective, scope and sources of information.

The objective of the review is to “ensure the effectiveness, sustainability and adequacy of the Fund and its operations.”

The scope covers the progress made to date and lessons learned in the operationalization and implementation of the Fund and it will focus on, inter alia:

- (a) The provision of sustainable, predictable, accessible and adequate financial resources and the mobilization of financial resources to fund concrete adaptation projects and programmes that are country driven and based on the needs, views and priorities of developing country Parties;
- (b) Lessons learned from:
  - i. The application of the access modalities of the Adaptation Fund, including its operational policies and guidelines, including its Streamlined Accreditation Process;
  - ii. The project approval procedures of the Adaptation Fund and timeliness of disbursement of approved adaptation grants;
  - iii. The results and impacts of approved adaptation projects and programmes;
  - iv. The readiness programme for direct access to climate finance, including lessons learned from South–South cooperation and enhanced direct access grants;
  - v. The programme for regional projects;
  - vi. The Innovation Facility;
- (c) Programming and project coherence and complementarity between the Adaptation Fund and other institutions funding adaptation projects and programmes, in particular

institutions under the Convention and the operating entities of the Financial Mechanism and its specialized funds;

- (d) The institutional arrangements for the Adaptation Fund, in particular the arrangements with the interim secretariat and the interim trustee.

## Adaptation Fund

### Overview

The Adaptation Fund (AF) is a Fund established under the Kyoto Protocol which also serves the Paris Agreement.<sup>1</sup> It funds adaptation projects and programmes in vulnerable communities in developing countries with modest resources and high demand for same.<sup>2</sup>

It is one of several multilateral funds that have adaptation as a focus. The other funds include the Least Developed Countries Fund (LDCF), the Special Climate Change Fund (SCCF), the Pilot Program for Climate Resilience (PPCR), and the Adaptation for Smallholder Agriculture. In addition to these funds, the Green Climate Fund, a multi foci fund, is the largest multilateral climate fund for adaptation finance.<sup>3</sup>

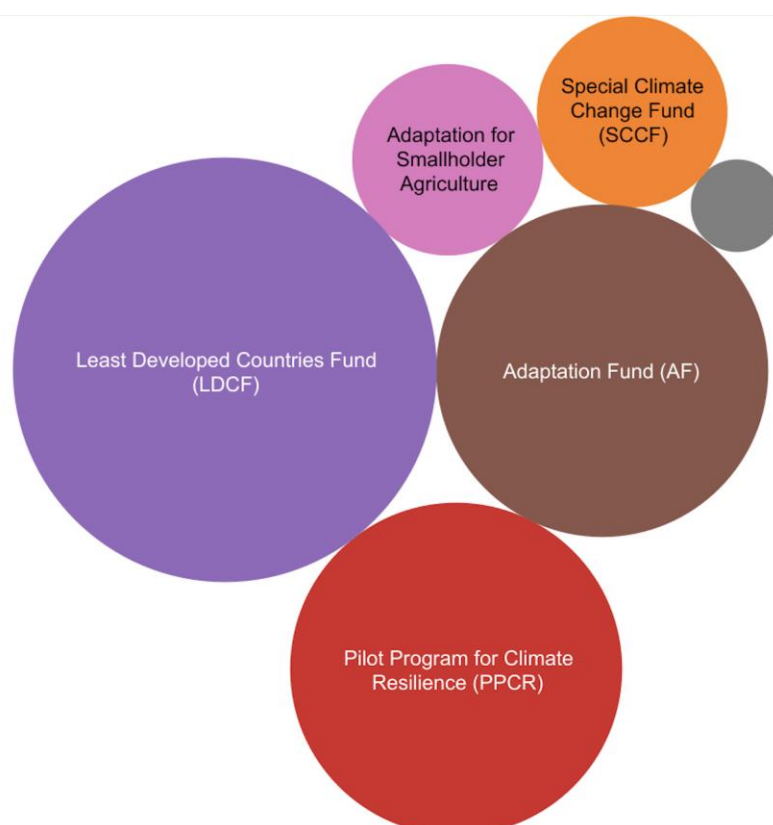


Figure 1: Size of Funds focused solely on Adaptation, Source: Climate Funds Update

<sup>1</sup> See [Decision 13/CMA.1](#), and [Decision 1/CMP.14](#)

<sup>2</sup> Extracted from [Adaptation Fund Trust Fund Report](#) prepared by the Trustee, dated 31 March 2022.

<sup>3</sup> [Climate Finance Thematic Briefing: Adaptation Finance, Climate Funds Update](#) (2021).

## Resources

Cumulative resources pledged to Adaptation Fund Trust Fund including Certified Emission Reductions sales proceeds amounted to USD 1,489.58 million as of March 31, 2022. Cumulative net funding decisions made by the AF Board through March 31, 2022 totalled USD 967.96 million, of which USD 895.35 million represents approvals for projects and programs, net of returned unused funds.

Funds held in Trust as of March 31, 2022 amounted to USD 622.94 million, excluding USD 3 million set aside for operational reserve. Funds available for AF Board funding decisions amounted to USD 263.39 million as of March 31, 2022.<sup>4</sup>

While the primary source of funding for the AF was intended to be a 2 percent share of proceeds of the Certified Emission Reductions issued by Kyoto Protocol's Clean Development Mechanism, a few developed country Parties are now the major source of funding for the AF. {See Figure 2 below}.

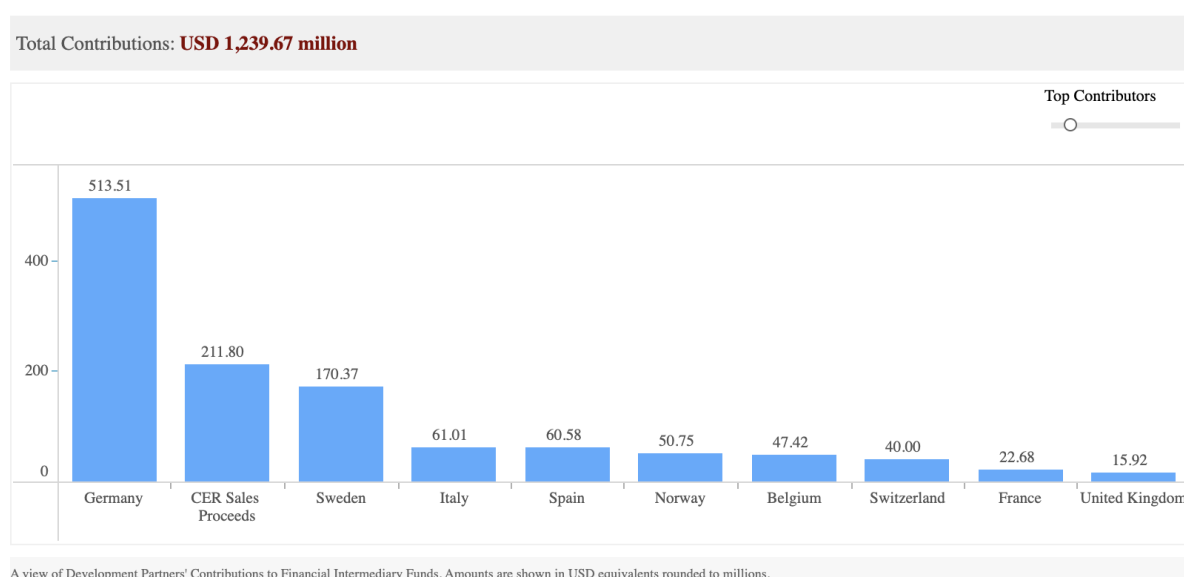


Figure 2: Total Contributions to the Adaptation Fund, Source: The World Bank, FIFTrustee

In the decisions taken at the Glasgow Climate Change Conference, the CMA decided to set a levy of share of proceeds at 5 percent of A6.4ERs at issuance. It also established that this share of proceeds shall be delivered to the AF.<sup>5</sup> While the levy of share of proceeds is not directly applicable to cooperative approaches under A6.2, the CMA decided that in reporting on cooperative approaches, the participating Party shall describe how each cooperative approach *inter alia* contributes resources for adaptation and in this regard strongly encourages participating Parties and stakeholders using cooperative approaches “to commit to contribute resources for adaptation, in particular through contributions to the AF, and to take into account the delivery of resources under Article 6, paragraph 4, to assist developing

<sup>4</sup> Adaptation Fund Trust Fund, Trustee Report, 31 March 2022.

<sup>5</sup> [Decision 3/CMA.3, CH. VII](#).

country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.”<sup>6</sup>

The Glasgow Climate Pact emanating from the aforementioned Conference also addressed the scaling up of adaptation finance resources and urged developed country parties to double their contributions to adaptation finance.<sup>7</sup>

### ***Access including SIDS experience***

#### ***- Modalities***

The AF was the first fund to pioneer direct access and enhanced direct access for national implementing entities. Parties access grant finance through Implementing Entities accredited by the AF Board (AFB).

To ensure that national implementing entities (NIEs) and regional implementing entities (RIEs) could access at least the same total amount of financing as multilateral implementing entities (MIEs), the AFB placed a 50 per cent cap on financing for MIE proposals in 2010. If the cumulative funding for MIE proposals would reach the 50 per cent cap, additional MIE proposals, once technically cleared by the Board, would be placed in a waitlist and funded when additional funds were received by the Fund.

For the SIDS as a whole, the number of national and regional implementing entities is low relative to the total number of SIDS that are AOSIS Members who are eligible to access the Fund (i.e. 39 countries).

Of the thirty-four (34) NIEs accredited to the Fund, only seven (7) are from SIDS. There is better representation in RIEs, where four (4) out of the nine (9) RIEs represent the Caribbean and Pacific regions. One SIDS region, the AIS, has neither an NIE nor a relevant RIE.

REGION	NIE	RIE
AIS	-	-
Caribbean	(4)	(2)
	Antigua and Barbuda	
	Belize	
	Dominican Republic	
	Jamaica	
		Caribbean Development Bank
		Caribbean Community Climate Change Centre
Pacific	(3)	(2)
	Cook Islands	

<sup>6</sup> [Decision 2/CMA.3, CH VII.](#)

<sup>7</sup> Decision 1/CMA.3

REGION	NIE	RIE
	Federated States of Micronesia	
	Tuvalu	
		Secretariat of the Pacific Regional Environmental Programme (SPREP)
		The Pacific Community (SPC)

The Fund maintains a readiness programme, an enhanced direct access programme and recently introduced the [Innovation Facility](#).

- ***Project-based Financing***

Any Party can access a total of up to US\$ 20 million from the Adaptation Fund once it had accessed funding amounting to at least US\$ 8 million for concrete single-country adaptation projects or programmes, or once four years had passed since the approval of the first concrete single-country adaptation project(s)/programme(s) by the Board, whichever occurred earlier.

SIDS are not accessing the levels of finance available to them under the Adaptation Fund.

According to the AF's 2021 Annual Performance Report (APR), between June 2010 to June 2021, the Fund had approved a total of 121 projects<sup>8</sup>. Of these, 39 projects are from LDCs and 20 from SIDS corresponding to 49.6 per cent of the total portfolio – with Comoros, Guinea-Bissau and Solomon Islands included in both groups. The referenced projects include single country projects as well as regional projects.

Further disaggregating the AF portfolio based on up-to-date entries on **single country projects** reflected on the Adaptation Fund website, there are only twenty-one funded projects covering 18 countries (just *under half* of eligible AOSIS Members) with some USD154 mn in AF resources or roughly 15 percent of AF allocations. There are currently only five single country projects and three regional projects (that include one or more SIDS) in the active pipeline, at various stages. {See Annex I}

The limited representation of projects from the different SIDS region begs the question whether the paucity of projects is a matter related to the Fund itself or whether it is a matter related to capacity constraints on the part of individual countries, or both.<sup>9</sup>

<sup>8</sup> According to the Adaptation Fund website there are currently 130 entries representing total approved projects. <https://www.adaptation-fund.org/projects-programmes/project-information/projects-table-view/>, accessed on 03/06/2022. Of these 130 entries, 21 represent total approved projects for SIDS that are members of the Alliance of Small Island States (AOSIS).

<sup>9</sup> See also *Adaptation Fund 2021 Annual Performance Report* accessible at [https://www.adaptation-fund.org/wp-content/uploads/2021/12/AF\\_APR\\_2021\\_English\\_final.pdf](https://www.adaptation-fund.org/wp-content/uploads/2021/12/AF_APR_2021_English_final.pdf) for a breakdown of countries that have accessed single-country concrete adaptation projects, and whether they meet the threshold for accessing resources beyond US\$ 10 Million as of 30 June 2021. Of note, any Party can access a total of up to US\$ 20 million from the Adaptation Fund once it had accessed funding amounting to at least US\$ 8 million for concrete single-country adaptation projects or programmes, or once four years had passed since the approval of the first concrete single-country adaptation project(s)/programme(s) by the Board, whichever occurred earlier.



Figure 3: Map View of Approved Projects in SIDS Regions

As noted above the Fund has established an Innovation Facility which provides small (**up to US\$250,000 each**) and large grants (**up to US\$ 5 million each**). Since the launch in 2018, only two proposals have been approved under the NIE Small Grants for Innovation for SIDS but only representing the Caribbean region (Antigua and Barbuda, and Dominican Republic). Here again the SIDS portfolio is negligible. Notably, in the Mid-term Performance Review of the Medium-Term Strategy (see below), one of the findings confirmed that the project pipeline and approval under the new funding windows have been slow due to lack of clarity on the concepts and intended purpose underpinning the innovation and learning grants as well as longer time than expected for preparation and set up of the windows, including guidelines.<sup>10</sup>

Under the readiness programme, a total of nine (9) grants have been approved to date covering:

AIS: Cabo Verde (1), Maldives (1), Mauritius (1)  
 Caribbean: Antigua and Barbuda (1), Dominica (1), Dominican Republic (1)  
 Pacific: Federated States of Micronesia (3)

### Challenges

The AF enjoys a very strong track record as an effective Fund.<sup>11</sup>

In a 2015 evaluation, the Fund was found to be efficient. Though small in size, it still played an important role to help close the adaptation finance gap and provide needed financial support to developing countries.<sup>12</sup>

<sup>10</sup> Mid-term Review of the Medium-Term Strategy of the Adaptation Fund-final edited

<sup>11</sup> UNFCCC Decision 2/CMP.13 (2017).

<sup>12</sup> Independent Evaluation of the Adaptation Fund, 2015.

The evaluation concluded however that the Fund still lacked a systematic approach for targeting vulnerability within recipient countries. At the time of publication, it noted that while the Fund has a mandate to give priority to particularly vulnerable countries and communities, it largely “prioritised those countries that were most “ready” or prepared to bring viable projects to the Adaptation Fund for consideration through an accredited implementing entity”. In addition to this shortcoming, it also flagged policy gaps, and the need for improvement in knowledge management.

Regarding direct access, it found that this modality can be an effective means of channelling adaptation finance, but that national implementing entities of SIDS and LDCs require sustained support to fully benefit from the accreditation process.

In response to these findings, one of the main recommendations was to address a targeted approach to vulnerable countries.

The Fund’s current Medium-Term Strategy (2018-2022) [AF 2018] includes four cross cutting themes:

- Engaging and empowering the most vulnerable communities and social groups
- Advancing gender equality and the empowerment of women and girls
- Strengthening long-term institutional and technical capacity for effective adaptation
- Building complementarity and coherence with other climate finance delivery channels

The first cross cutting theme is specifically addressed to engaging and empowering vulnerable communities.

The Mid-term Review of the MTS documents several steps taken by the Fund to better address the needs of vulnerable communities including:

- Board decisions (grants) to help increase direct access for entities.
- Board approved temporary changes to allow continuation of the Fund’s projects/programmes in the pandemic
- Increase of country cap to \$20million in 2021, and allowing countries two accredited NIEs.

The steps taken are aimed to better serve the most vulnerable. In addition the readiness and accreditation programmes as well as the EDA modality has the potential to scale up support targeted to vulnerable communities. To date for SIDS as a whole however the efforts have had limited impact.

## Conclusions

While there is no definitive estimate of global costs of adaptation, what is definitive is that adaptation finance continues to lag behind ever increasing needs. According to UNEP annual

adaptation costs in developing economies are likely to be in the higher bound estimates of the range of USD 155 to USD 330 billion by 2030.<sup>13</sup>

The need to drastically scale up resources for adaptation was underscored in the recent IPCC WGII Report and politically endorsed at the Glasgow Climate Change Conference. Specifically, in the Glasgow Climate Pact, developed country Parties are urged “to at least double their collective provision of climate finance for adaptation to developing country Parties from 2019 levels by 2025, in the context of achieving a balance between mitigation and adaptation in the provision of scaled-up financial resources, recalling Article 9, paragraph 4, of the Paris Agreement.”<sup>14</sup>

The Adaptation Fund continues to play an important role in the adaptation finance landscape as one of a few multilateral climate funds with a proven track record of supporting effective adaptation action. It is however unable to meet the growing demands on its limited resources. After over a decade, the Fund has barely topped USD1 billion. Due its limited resources, the Fund currently applies a cap of US\$ 20 million for each country funded for support by the Fund (increased from US\$ 10 million in 2021). However, once this allocation is exhausted, the AF in effect becomes redundant as a source of funding for the recipient country.

Given that the objective of the current review is to address the effectiveness, adequacy and sustainability of the Fund and further contemplated within the scope is the provision of sustainable, predictable, accessible and adequate financial resources and the mobilization of financial resources to fund concrete adaptation projects and programmes, AOSIS submits that the Fourth Review should take account of the current financial status of the fund relative to the adaptation needs of vulnerable countries and address:

- The importance of scaling up resources of the Fund including in the context of the Glasgow Climate Pact provisions relating to adaptation finance and specifically the doubling of adaptation finance
- The recommendation to developed country parties in providing an update of efforts to double adaptation finance in line with the Glasgow Climate Pact, to consider channelling additional resources to the Adaptation Fund
- Clarify the relevance of CERs in the Fund’s capitalization and to this end consideration of reviewing the implementation arrangements
- The importance that the levy of the share of proceeds under A6.4 of the Paris Agreement is effectively operationalized and further that participating Parties and stakeholders fully implement the guidance on cooperative approaches under A6.2
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Furthermore, given the aim of achieving parity between adaptation and mitigation, AOSIS submits that the Fourth Review presents a key political moment to institutionalize the systematic replenishment of the Fund.

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<sup>13</sup> [UNEP Adaptation Gap Report 2021](#).

<sup>14</sup> [U/CMA.3](#). See also *Climate Finance Thematic Briefing: Adaptation Finance*, Climate Funds Update (2021) in which it is observed that developed countries contributions to adaptation funds remain low compared to funds supporting mitigation.



Another important outcome of the Fourth Review should be to better inform how the Fund targets and measures its impact on vulnerable communities. Already as observed efforts are underway to enhance access through the launch of new windows and through continued programming of support for readiness and accreditation.

Referring to the objective of the Review to address effectiveness of the Fund and its operations and having regard for the scope in addressing lessons learned, AOSIS submits that the Review should take account of the limited coverage of the Fund's portfolio of SIDS as well as of the narrow accreditation of SIDS NIEs. AOSIS further recommends that the Review should have an immediate term focus on the finalization of the current MTS and the mid-term focus on the elaboration of the next MTS. In particular, the Review could encourage greater efforts to enhance support to SIDS in the near term with a view to building on experience and expanding coverage of the Fund to all SIDS in time for its Fifth Review. The Review could also support these efforts by calling for an in-depth analysis of the Funds engagement with SIDS.

## Adaptation Fund

### Approved Projects (21)

Country	Title	Implementing Entity	Approved Amount in USD	Amount Transferred in USD	Approval Date	Status
Antigua and Barbuda	<a href="#">An integrated approach to physical adaptation and community resilience in Antigua and Barbuda's northwest McKinnon's watershed</a>	Department of Environment Ministry of Health and the Environment (ABED)	9,970,000	8,399,000	2017-03-17	Project Under Implementation
Belize	<a href="#">Belize Marine Conservation and Climate Adaptation Initiative</a>	International Bank of Reconstruction and Development	6,000,000	6,000,000	2014-08-18	Project Under Implementation
Cook Islands	<a href="#">"Akamatutu'anga kia Tukatau te Ora'anga ite Pa Enua" Pa Enua Action for Resilient Livelihoods (PEARL)</a>	Ministry of Finance and Economic Management	2,999,125	2,999,125	2018-03-22	Project under implementation
Cook Islands	<a href="#">Akamatutu'anga i te iti tangata no te tuatau manakokore ia e te tau'anga reva – Strengthening the Resilience of our Islands and our Communities to Climate Change</a>	UNDP	5,381,600	5,381,600	2011-12-14	Project completed
Cuba	<a href="#">Reduction of Vulnerability to Coastal Flooding through Ecosystem-based Adaptation in the South of Artemisa and Mayabeque Provinces</a>	UNDP	6,067,320	6,067,320	2012-12-14	Project under implementation
Dominican Republic	<a href="#">Enhancing Climate Resilience in San Cristóbal province, Dominican Republic Integrated Water Resources Management and Rural Development Programme</a>	Dominican Institute of Integral Development of Dominican Republic	9,953,692	7,962,954	2019-03-15	Project under implementation
Fiji	<a href="#">Increasing the resilience of informal urban settlements in Fiji that are highly vulnerable to climate change and disaster risks</a>	UN Habitat	4,235,995	1,797,380	2017-10-10	Project under implementation
Guinea-Bissau	<a href="#">Scaling up climate-smart agriculture in East Guinea Bissau</a>	Banque Ouest Africaine de Developpement	9,979,000	3,034,000	2017-10-10	Project under implementation
Haiti	<a href="#">Implementing Measures for Climate Change Adaptation and Disaster Risk Reduction Mitigation of School Facilities in Haiti</a>	United Nations Educational, Scientific and Cultural Organization	9,916,344		2022-02-23	Proposal Approved
Jamaica	<a href="#">Enhancing the Resilience of the Agricultural Sector and Coastal Areas to Protect Livelihoods and Improve Food Security</a>	Planning Institute of Jamaica	9,965,000	5,980,360	2012-06-28	Project Under Implementation
Maldives	<a href="#">Increasing climate resilience through an Integrated Water Resource Management Programme in HA, Ihavandhoo, ADh, Mahibadhoo and GDh, Gadhdhoo Island</a>	UNDP	8,989,225	8,989,225	2011-06-22	Project completed
Mauritius	<a href="#">Climate Change Adaptation Programme in the Coastal Zone of Mauritius</a>	UNDP	9,119,240	9,119,240	2011-09-16	Project completed
Micronesia	<a href="#">Practical Solutions for Reducing Community Vulnerability to Climate Change in the Federated States of Micronesia</a>	Micronesia Conservation Trust	970,000	776,883	2018-03-22	Project under implementation
Micronesia	<a href="#">Enhancing the Climate Resilience of vulnerable island communities in Federated States of Micronesia</a>	Secretariat of the Pacific Regional Environment Programme	9,000,000	5,903,581	2017-03-17	Project under implementation
Papua New Guinea	<a href="#">Enhancing adaptive capacity of communities to climate change-related floods in the North Coast and Islands Region of Papua New Guinea</a>	UNDP	6,530,373	6,530,373	2012-03-16	Project completed
Saint Lucia	<a href="#">Building resilience for adaptation to climate change and climate vulnerabilities in agriculture in Saint Lucia</a>	Caribbean Development Bank	9,858,570	4,271,552	2019-07-08	Project Under Implementation

Country	Title	Implementing Entity	Approved Amount in USD	Amount Transferred in USD	Approval Date	Status
Samoa	<a href="#">Enhancing Resilience of Samoa's Coastal Communities to Climate Change</a>	UNDP	8,732,351	8,732,351	2011-12-14	Project completed
Seychelles	<a href="#">Ecosystem Based Adaptation to Climate Change in Seychelles</a>	UNDP	6,455,750	6,455,750	2012-12-20	Project under implementation
Solomon Islands	<a href="#">Enhancing urban resilience to climate change impacts and natural disasters: Honiara</a>	UN Habitat	4,395,877	2,202,550	2017-10-10	Project under implementation
Solomon Islands	<a href="#">Enhancing resilience of communities in Solomon Islands to the adverse effects of climate change in agriculture and food security</a>	UNDP	5,533,500	5,533,500	2011-03-18	Project completed
Trinidad and Tobago	<a href="#">Multisectoral Adaptation Measures to Climate Change in the South Oropouche River Basin for Flood Relief</a>	Development Bank of Latin America	10,000,000	0	2022-04-08	Proposal Approved

- AIS
- Caribbean
- Pacific

## Active Pipeline Projects

### - Proposal Not Approved

Country	Title	Implementing Entity	Submission Date	Amount Requested	Grant Category
Regional	<a href="#">Increasing the Resilience of the Education System to Climate Change Impacts in the Eastern Caribbean (Antigua and Barbuda and Saint Lucia)</a>	UN-Habitat	01/10/2022	13,996,500	Regular Size Project
Regional	<a href="#">Use of Nature-based Solutions to Increase Resilience to Extreme Climate Events in the Atlantic Region of Central America (Belize, Honduras, Guatemala)</a>	Central American Bank for Economic Integration	01/10/2022	13,248,121	Regular Size Project

## Endorsed Concept

Country	Title	Implementing Entity	Submission Date	Amount Requested	Grant Category
Belize	<a href="#">Building Community Resilience via Transformative Adaptation</a>	Protected Areas Conservation Trust	08/09/2021	5,000,000	Enhanced Direct Access

Country	Title	Implementing Entity	Submission Date	Amount Requested	Grant Category
Cape Verde	<a href="#">Increasing the Resilience of Local Communities to Climate Change through Improved Watershed Management and Land Restoration</a>	FAO	01/20/2022	9,998,228	Regular Sized Project
Papua New Guinea	Adaptation of Small-Scale Agriculture for Improved Food Security of Resilient Communities in Papua New Guinea (ASSA)	The Pacific Community (SPC)	01/10/2022	9,908,461	Regular Size Project
Vanuatu	<a href="#">Enhancing Livelihood Resilience in Vanuatu through Forest and Landscape Restoration</a>	FAO	08/09/2021	7,128,450	Regular Size Project
Regional	<a href="#">Strengthening the Adaptive Capacity of Coastal Communities of Cuba and Panama to Climate Change Through the Binational Exchange of Best Practices for Climate Management and Local Food Security (Cuba_Panama)</a>	FAO	08/09/2021	14,000,000	Regular Size Project

- AIS
- Caribbean
- Pacific

## Non-endorsed Concept

Country	Title	Implementing Entity	Submission Date	Amount Requested	Grant Category
Belize	<a href="#">Securing Water Resources through Solar Energy and Innovative Adaptive Management (SEAM)</a>	Protected Areas Conservation Trust	08/09/2021	4,970,000	Innovation Large Project

- AIS
- Caribbean
- Pacific