



ADAPTATION FUND



ADAPTING TO CLIMATE CHANGE MEANS SAFEGUARDING DEVELOPMENT

The science of climate change is unambiguous. There is broad scientific consensus that climate change is already a serious challenge and it is likely to happen more quickly than was expected to some years ago. With it comes a decrease in food security, less predictable availability of fresh water, and adverse health effects. Climate change is undermining development and increasing the burdens on the poorest people in the world, who are often hardest hit by weather

catastrophes, desertification, and rising sea levels, but who have contributed the least to the problem of global warming. Helping the most vulnerable countries and elements of societies is thus an increasing challenge and duty for the international community, especially because adaptation to climate change requires significant resources in addition to what is already needed to achieve internationally agreed-on development objectives such as the Millennium Development Goals.

PROVIDING SUPPORT TO VULNERABLE DEVELOPING COUNTRIES: THE ADAPTATION FUND

The Adaptation Fund under the Kyoto Protocol was specifically initiated to assist developing country Parties to the Protocol that are particularly vulnerable to the adverse effects of climate change in meeting the costs of adaptation, and to finance concrete adaptation projects and programs that are country driven. At the 7th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) held in Marrakesh (Morocco) in 2001, first steps were taken to set up the Fund. After the Third Meeting of the Kyoto Protocol¹ Parties in Bali (Indonesia) in 2007, the Adaptation Fund Board, the governing body of the Adaptation Fund, began to develop guidelines and rules to make the Fund an effective tool for funding adaptation efforts in vulnerable developing countries.

A UNIQUE AND INNOVATIVE APPROACH TO INTERNATIONAL COOPERATION

The Fund has unique features that set it apart from other international financing mechanisms: (i) direct access for developing countries to the resources of the Fund; (ii) innovative source of funding; and (iii) its governance structure.

DIRECT ACCESS FOR DEVELOPING COUNTRIES

A key innovative principle of the Adaptation Fund is direct access for developing countries. Vulnerable developing countries can nominate domestic institutions for accreditation as National Implementing Entities (NIEs),

Innovative features of the Adaptation Fund

- New approach to international cooperation to address the new challenge of adaptation
- Providing the opportunity of direct access to resources for vulnerable developing countries
- Innovative carbon market levy to provide additional resources
- Equitable governance structure giving special attention to particularly vulnerable developing countries

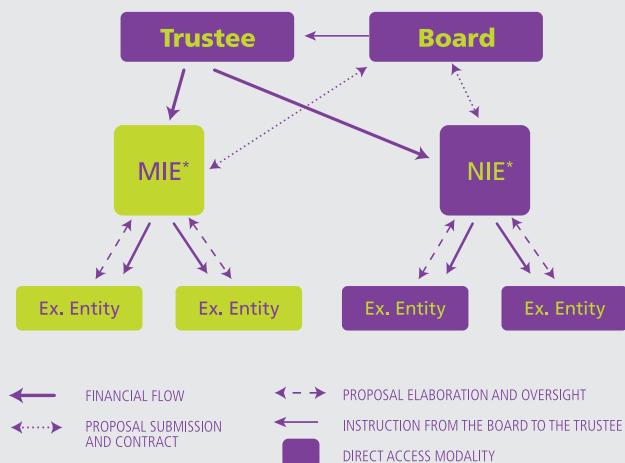
which will be responsible for endorsing project and program proposals from their countries, and will be the direct recipients of funding. This increases financing opportunities for vulnerable developing countries and gives them a sense of ownership of the Fund. Countries also have the option of going through Multilateral Implementing Entities (MIEs). The institutions nominated must meet certain standards that ensure sound fiduciary management and oversight, functions that usually are performed by the multilateral agencies. An Accreditation Panel reviews applications and forwards its recommendation to the Fund Board for a decision. Following a positive funding decision, the implementing entities distribute the resources within countries to those government agencies, nongovernmental organizations, and other stakeholders that will execute the projects and programs.

A NEW SOURCE OF REVENUES

The Adaptation Fund is the first fund to be financed by a truly international revenue source that exists because of an internationally agreed climate policy framework. Climate

1. The Kyoto Protocol entered into force in February 2005.

Modalities for Accessing Resources of the Adaptation Fund



* A Party nominates a National Implementing Entity or a Multilateral Entity.

change mitigation projects registered under the Clean Development Mechanism (CDM) channel 2 percent of the emission reduction certificates into the account of the Adaptation Fund Board.² The certificates are subsequently monetized on the carbon market. This is a new approach to international cooperation for addressing climate change; usually, resources for adaptation are provided voluntarily by developed countries. Nevertheless, the Fund can also receive funding from other kinds of sources. Strengthening the funding base will become more and more important, since the CDM levy will not suffice to cover the growing adaptation needs in developing countries.

INNOVATIVE AND EQUITABLE GOVERNANCE

The UNFCCC enshrines the principle of equitable and balanced representation of all Parties when it comes to the

governance of financial mechanisms. This principle also guided the shaping of the composition of the Adaptation Fund Board, which is the operating entity of the Fund and responsible for its supervision and management. The Board is made up of 16 members and 16 alternate members with the appropriate technical, adaptation, and policy expertise, representing relevant country groups. Members are nominated by their constituencies for a term of two years and are eligible for a second term. Special seats have been given to country groups recognized as being particularly vulnerable to the adverse effects of climate change: the Least Developed Countries (LDCs) and the Small Island Developing States (SIDS). While this composition results in an overall majority of developing countries, making decisions by consensus is a core principle of the Adaptation Fund Board and ensures in-depth considerations of matters under discussion.

STRATEGIC PRIORITIES OF THE FUND

Because adaptation is very site- and content-specific and needs to deliver benefits where the impacts occur, every country has to determine its own adaptation priorities. This is different from mitigating greenhouse gas emissions, where global benefits can be measured in a single metric. Thus, the priorities set up by the Adaptation Fund Board do not prescribe to developing countries the kind of adaptation measures that are eligible, or which sectors to address. Nevertheless, there are some guiding criteria agreed by the Kyoto Protocol Parties, the Strategic Priorities, which are important in order to make the Fund an effective and targeted tool. To ensure national ownership and coherence, projects and programs funded under the Fund should also take into account relevant national strategies, such as national sustainable development strategies, poverty reduction strategies, national communications programs, and national adaptation programs of action. Parties are

2. The Clean Development Mechanism (CDM) is an arrangement under the Kyoto Protocol allowing industrialized countries with a binding greenhouse gas reduction commitment (called Annex 1 countries) to invest in projects that reduce emissions in developing countries as an alternative to less cost-effective emission reductions in their own countries.



Strategic priorities

- Supporting adaptation priorities determined by and within developing countries
- Consistency with relevant national development, poverty reduction, and climate change strategies
- Taking into account existing scientific and political guidance
- Special attention to the particular needs of the most vulnerable communities

Composition of Adaptation Fund Board

CONSTITUENCY	NUMBER OF MEMBERS
Africa	2 Members, 2 Alternates
Asia	2 Members, 2 Alternates
Eastern Europe	2 Members, 2 Alternates
Latin America and the Caribbean	2 Members, 2 Alternates
Small Island Developing States	1 Member, 1 Alternate
Least Developed Countries	1 Member, 1 Alternate
Annex 1 Parties	2 Members, 2 Alternates
Non-Annex 1 Parties	2 Members, 2 Alternates

also advised to take into account political and scientific guidance, such as that agreed to previously by the Parties, in reports from the Intergovernmental Panel on Climate Change, and through information generated under the Nairobi work program on impacts, vulnerability, and adaptation to climate change. In order to target adaptation measures to those people most in need within countries, the Fund also requires that governments that submit proposals to the Fund give special attention to the particular needs of the most vulnerable communities.

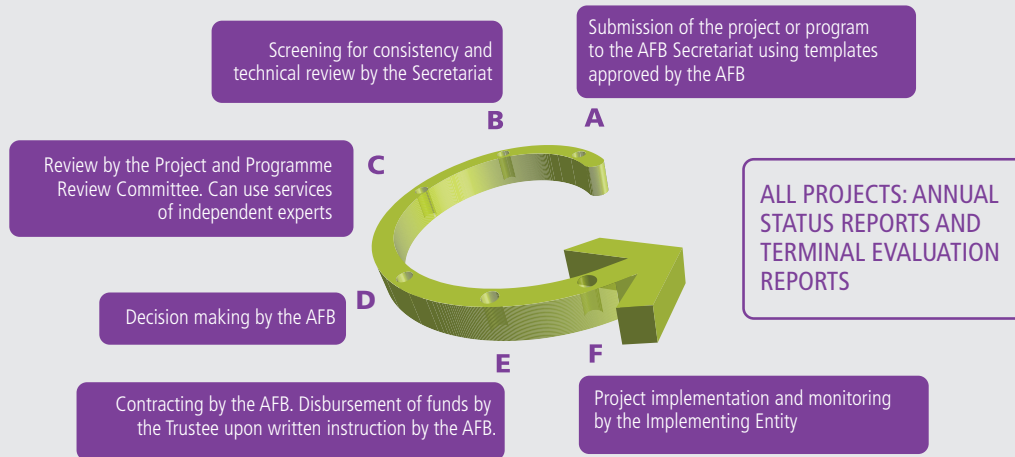
HOW DEVELOPING COUNTRIES CAN RECEIVE FUNDS FOR THEIR PROJECTS: THE PROJECT CYCLE

The Adaptation Fund Board has developed a project cycle that intends to keep simple the preparation of project and program proposals, and to deliver a streamlined approval process. Small-size projects with a project volume of less than US\$1 million undergo a simplified approval procedure.

After submission of project and program proposals, the Secretariat screens them and prepares a technical review. The proposals are further reviewed by a dedicated committee of the Board and forwarded to the entire Board for a decision. All proposals are made available on the Adaptation Fund Web site before approval.

Countries can submit a full-fledged proposal for small-scale or regular projects or programs. For regular projects or programs, there is also an option to first submit a concept note for an advisory review. To simplify the application procedure, the Adaptation Fund Board provides countries with templates and instructions. Funding for projects and programs is made on a full adaptation cost basis to address the adverse effects of climate change and is available for projects and programs at national, regional, and local levels.

The Adaptation Fund Project Cycle



All proposals will be posted on the AF Web site to allow public commenting.

When the Board assesses proposals, it gives particular attention to consistency with national strategic priorities; economic, social, and environmental benefits; cost-effectiveness; arrangements for management, monitoring, evaluation and impact assessment; avoiding duplication with other funding sources; and moving toward a programmatic approach, where appropriate.

Specific criteria for the allocation of resources to Parties are the level of vulnerability; the level of urgency and risks arising from delay; ensuring access to the Fund in a balanced and equitable manner; lessons learned in project and program design and implementation to be captured; securing regional co-benefits to the extent possible; maximizing multisectoral or cross-sectoral benefits; and adaptive capacity to adverse effects of climate change.



CONTACT DETAILS FOR SUBMISSION OF PROJECT
AND PROGRAM PROPOSALS

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