



**ADAPTATION FUND**

# Adaptation to Climate Change

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- IPCC: “reduce the vulnerability of human or natural systems against actual and expected climate change effects”:
- What exactly is adaptation?
  - Is development adaptation?
  - Countries face a “development deficit”.
  - Norwegian interpretation/operationalization forthcoming.
- How much adaptation is appropriate?
  - Do nothing and suffer (or benefit)!
  - Fully adapt so that society is at least as well off?
  - Adapt to the level where benefits equal costs.
- Adaptation costs – only the additional costs to cope with a future climate change?



# Adaptation Instruments

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- Adaptation Fund (AF):
  - \$300 – 500 millions
- Pilot Program on Climate Resilience (PPCR) – MDB fund
  - Climate Investment Fund (CIF) - Strategic Climate Fund
  - Almost \$ 1 billion
  - Country programs: Bangladesh , Bolivia, Cambodia, Mozambique, Nepal, Niger, Tajikistan, Yemen, Zambia
  - Regional programs: Caribbean, Pacific
- Global Environment Facility (GEF):
  - SPA, SCCF and LDCF
- UN:
  - UNEP: Global Adaptation Network; Ecosystem Based Adaptation (UNDP, WB, IUCN)
  - UNDP: Community Based Adaptation
- Bilateral programs
- Total support to adaptation – difficult to estimate, but probably only a few hundred \$ million per year:
  - Challenge: What is adaptation? ODA and adaptation – different or the same?



# The Adaptation Fund (AF)

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- The most innovative financial mechanism:
  - Kyoto Protocol, art. 12.8: “Share of the proceeds from certified project activities is used to cover administrative expenses as well as to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation”;
  - CMP 3 (Bali, 2007): Established the AF and set up its legal framework: AFB as operating entity served by a secretariat and a trustee;
- New funding source: international levy
- Governing body: equitable and balanced representation of KP Parties
- Direct access to AF resources for eligible countries



# Where are we now: finance

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- International levy of 2% on the shares of proceeds of the CDM (CERs)
- WB as Trustee of the AF monetizes CERs, holds proceeds in TF and disburses at the instruction of the AFB
  - Initial sales and testing of market since May 2009
- As of March, 2010:
  - US\$ 53.09 million available
- Value of CERs depends on market prices:
  - Between USD 254 and 434 million available by end-2012
- Voluntary contributions:
  - Spain – EUR 45 million
  - Germany – EUR 10 million



# Accessing AF funding

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## Direct Access Modality

- Eligible Parties can submit their projects **directly** to the AFB through an accredited National Implementing Entity (NIE).

## MIE Access Modality

- Parties can submit their proposals through a Multilateral Implementing Entity (MIE).



# Accessing AF funding (2)

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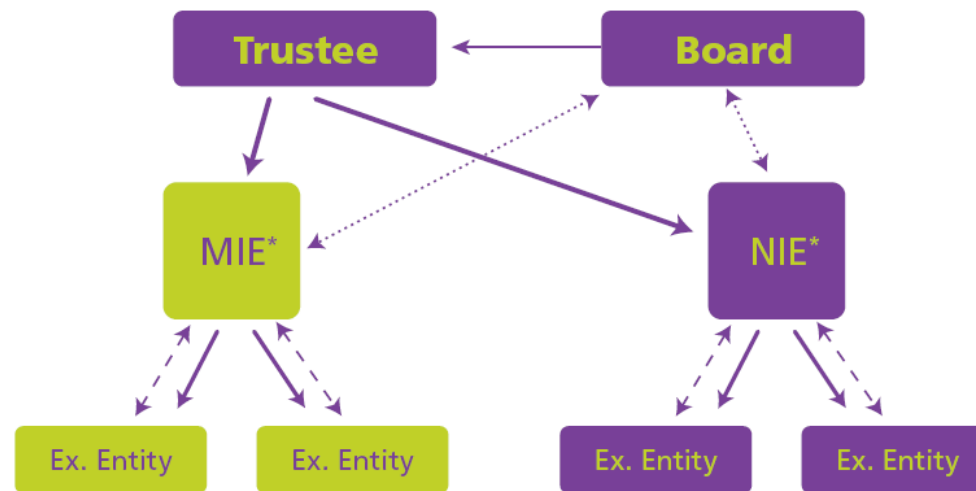
## NIE and MIE shall:

- a. Meet the fiduciary standards established by the AFB:
  - Financial management and integrity
  - Institutional capacity
  - Transparency, self-investigative powers and anti-corruption measures
- b. Bear full responsibility for the overall management of the projects and programmes; and
- c. Carry out financial, monitoring and reporting responsibilities.



# Accessing AF funding (3)

FIGURE1: MODALITIES FOR ACCESSING RESOURCES OF THE ADAPTATION FUND



- ← FINANCIAL FLOW
- ←.....→ PROPOSAL SUBMISSION AND CONTRACT
- ←- - -> PROPOSAL ELABORATION AND OVERSIGHT
- ← INSTRUCTION FROM THE BOARD TO THE TRUSTEE
- DIRECT ACCESS MODALITY

\* A Party nominates a National Implementing Entity or it may also nominate a Multilateral entity.





# Where are we now: operations

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- Operational Guidelines and Procedures approved by AFB in September 2009
- Invitation to apply for NIE and MIE accreditation issued
  - First NIE accredited: Senegal (CSE)
    - 5 NIEs applied
  - MIEs accredited: IBRD and UNDP
    - 7 MIEs applied
  - Accreditation on a rolling basis
- Call for proposals issued
  - First projects approved June 2010 (September 2010)
- Legal status in Germany before COP16



# Adaptation – Fast start

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- Fast start – balanced allocation:
  - Will adaptation receive its' fair share?
- 2020 fund – only mitigation?
- Some initiatives, e.g. Spain, Germany, etc
- New and additional:
  - Various options:
    - Additional to ODA
    - Additional to existing aid flows
    - Additional to ODA targets – 0.7 %
    - Blend of ODA and non ODA resources



# Additionality - Case of Africa

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- 2008 - \$37 billion in ODA to Africa;
- \$72 billion a year required to reach MDGs;
- For Africa - achieve "climate resilient" MDGs will increase costs by about forty percent— around \$100 billion a year for the next decade (Frankenhauser, LSE);
- Climate change and humanitarian assistance is 'eating' up ODA budgets on two fronts; and
- Development deficit will increase if new and additional resources are not provided.



# Norway and Adaptation – Slow starter?

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- Current adaptation support – depends on definition – but overall small:
  - PPCR, UN (UNDP, UNEP)
  - Zambia (conservation agriculture), Malawi, Ethiopia, Central America
  - New portfolio in Bangladesh, Nicaragua, Uganda
  - REDD = adaptation
- Working Group established by the Minister:
  - Led by political director
- Significant scope to strengthen portfolio!





Thank you!

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