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# ***International Architecture of Adaptation Finance***

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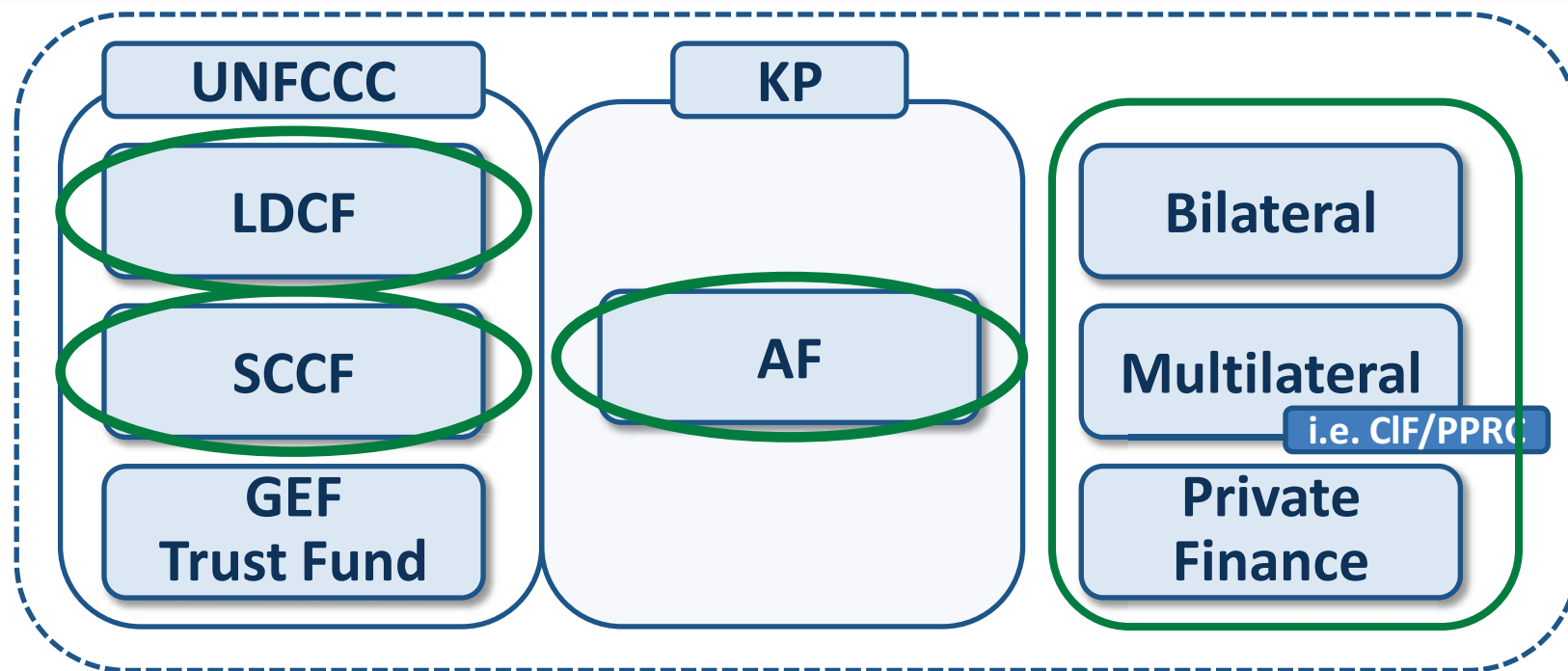


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# 1. Overview of Financial Support Arrangements (Funds) for Adaptation under the Climate Regime

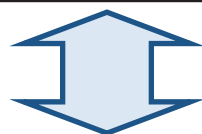


Name of Funds	Decisions	Areas of Support
Least Developing Countries Fund (LDCF)	Decision 5/CP.7	<ul style="list-style-type: none"> <li>● Work programme of the LDCs;</li> <li>● <b>Preparation and implementation of NAPAs</b></li> </ul>
Special Climate Change Fund (SCCF)	Decision 7/CP.7	<ul style="list-style-type: none"> <li>● To finance activities, programmes and measures related to climate change;</li> </ul> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="border: 1px solid black; padding: 5px; background-color: #e6f2ff;">adaptation</div> <div style="border: 1px solid black; padding: 5px; background-color: #e6f2ff;">technology transfer</div> <div style="border: 1px solid black; padding: 5px; background-color: #e6f2ff;">capacity building</div> <div style="border: 1px solid black; padding: 5px; background-color: #e6f2ff;">response measures</div> </div>
Adaptation Fund (AF)	Decision 10/CP.7	<ul style="list-style-type: none"> <li>● To <b>finance concrete adaptation projects and programmes in developing country Parties under the KP</b></li> </ul>

# 1. Overview of Financial Support Arrangements (Funds) for Adaptation under the Climate Regime: Current Size of Funds vs Estimated Needs for Adaptation

## 1. Current Level of Funding

Funds under the Convention		
<b>GEF/LDCF</b>	\$250 million (Funds held in Trust)	As of Oct 2011
<b>GEF/SCCF-A</b>	\$83 million (Funds held in Trust)	As of Oct 2011
<b>AF</b>	\$229.12 million (Funds held in Trust)	As of Dec 2011
Multilateral Initiatives		
<b>CIF/PPCR</b>	\$651 million (Funds held in Trust) (total pledge \$983 million)	As of Sept 2011



## 2. Estimates of Future Adaptation Investments/Finance Needs

<b>UNFCCC (2008)</b>	Stabilization of atmospheric CO2 at 450 ppm (WEO 2008)	<b>49~171 billion/yr</b> (approx. 28~58 billion/yr for developing countries)
<b>World Bank (2006)</b>	The additional annual costs for climate-proofing development in developing countries	<b>10~40 billion/yr</b>
<b>Oxfam (2007)</b>	The World Bank estimates + 1) cost of climate-proofing existing stock of natural/physical capital And 2) the cost faced by communities	<b>50 billion/yr</b>
<b>UNDP</b>	Annual adaptation needs in 2015 projected (HDR 2007/2008)	<b>86 billion/yr</b>

## 2. Developments in Post-2012 Climate Negotiations: GCF and Adaptation

- **Adaptation** placed as one of the key building blocks for post-2012 climate regime (Bali Action Plan(1/CP.13))

*1(e): Enhanced action on the provision of financial resources & investment to support action on mitigation and **adaptation** and technology cooperation*

- Various institutional frameworks / concepts put in place

*Adaptation  
Framework*

*Adaptation  
Committee*

*National  
Adaptation  
Plan*

- Launching of **the Green Climate Fund** & adoption of governing instruments

1) Balanced allocation (mitigation and adaptation)

2) “Adaptation Window”

→ Supports projects/programmes

→ Resources for readiness and preparatory support

***How to design operational details of the “Adaptation Window” ?***

### 3. Review of Existing Supporting Schemes (1): *Fund Structure*

	<b>Adaptation Fund(AF)</b>	<b>Climate Investment Fund/PPCR</b>
<b>Funds held in Trust (Size)</b>	\$242.96 million (as of 31 Dec 2011)	\$651 million (pledge \$983 million, as of 30 Sept 2011)
<b>Objective</b>	To support concrete adaptation project/programme	To pilot & demonstrate ways to integrate climate risk & resilience into core development planning, while complementing other ongoing activities
<b>Project/ Program Size</b>	<\$10 million (AF resources) = average \$6.98 million/ project (PPCR.7/3)	Order of \$100 million (CIF resources + co-financing)
<b>Fund Portfolio</b>	17 approved projects (2 NIE projects) 19 projects under review (as of Dec 2011)	9 Country Programmes 2 Regional Programmes (9 countries)
<b>Types of Measures</b>	Project Programme	Programme
<b>Types of Support</b>	Grant	Grant, loan, guarantee Co-financing by MDBs
<b>Operational Arrangement</b>	1 Implementing Agency (NIE/RIE/MIE) per project/program	Multiple MDBs involved (program component supported by different MDBs)
<b>Allocation &amp; Focus</b>	Mainly for implementation of projects / programme	Allocation for project formulation (phase1) Allocation for Implementation (phase 2)
<b>Access Modality</b>	Indirect Access (via MIE) Direct Access (via NIE)	Indirect Access (via MDBs)
<b>Resource Acquisition</b>	1. Auto-financing (SoP from CERs) 2. Direct financial contributions by donors	1. Direct Financial contributions by donors 2. Co-financing by MDBs

### 3. Review of Existing Supporting Schemes (2): *Project/Programme Cycle*

	<b>Adaptation Fund(AF)</b>	<b>Climate Investment Fund/PPCR</b>
<b>Access to Funds</b>	Open to all developing KP Countries	Limited to selected countries/regions (target countries selected by Expert Group)
<b>Preparation</b>	Project Concept Documents and Full-Project/Programme Document prepared by Proponents	Programme preparation by Joint Missions among governments & MDBs
<b>Support for Project Formulation</b>	Project Formulation Grant(PFG) for NIE project/programme \$30,000 per country	Preparation Grant \$1.5 million per country for both Phase1 and Phase 2
<b>Scope of Capacity Building</b>	Those communities supported by AF project/programme	Those communities/areas supported by CIF program national executing entities
<b>Approving Entity</b>	<ul style="list-style-type: none"> <li>● Submitted Proposal Screened/Reviewed by the Project and Programme Review Committee (PPRC) &amp; Secretariat</li> <li>● Approval by AF Board</li> </ul>	<ul style="list-style-type: none"> <li>● Submitted Proposal Screened/Reviewed by CIF secretariat</li> <li>● Approval by PPCR Subcommittee</li> </ul>
<b>Monitoring &amp; Evaluation</b>	Guidelines for Project/Programme Final Evaluation uniformly applicable to approved project/programme	Individual M&E policy adopted by MDB applies (PPCR Result Framework to be incorporated) Independent review at the end of Phase 1
<b>Safeguard Policy</b>	No fund-wide safeguard policy developed	Individual safeguard policy adopted by MDB applies
<b>Information Disclosure Policy</b>	No fund-wide policy adopted Transparency stipulated in decision documents	Individual information disclosure policy adopted by MDB applies
<b>Knowledge Management</b>	Knowledge Management Strategy and Work Programme (AFB/EFC.6/3)	CIF Knowledge Management(CTF-SCF/TFC.4/4 )

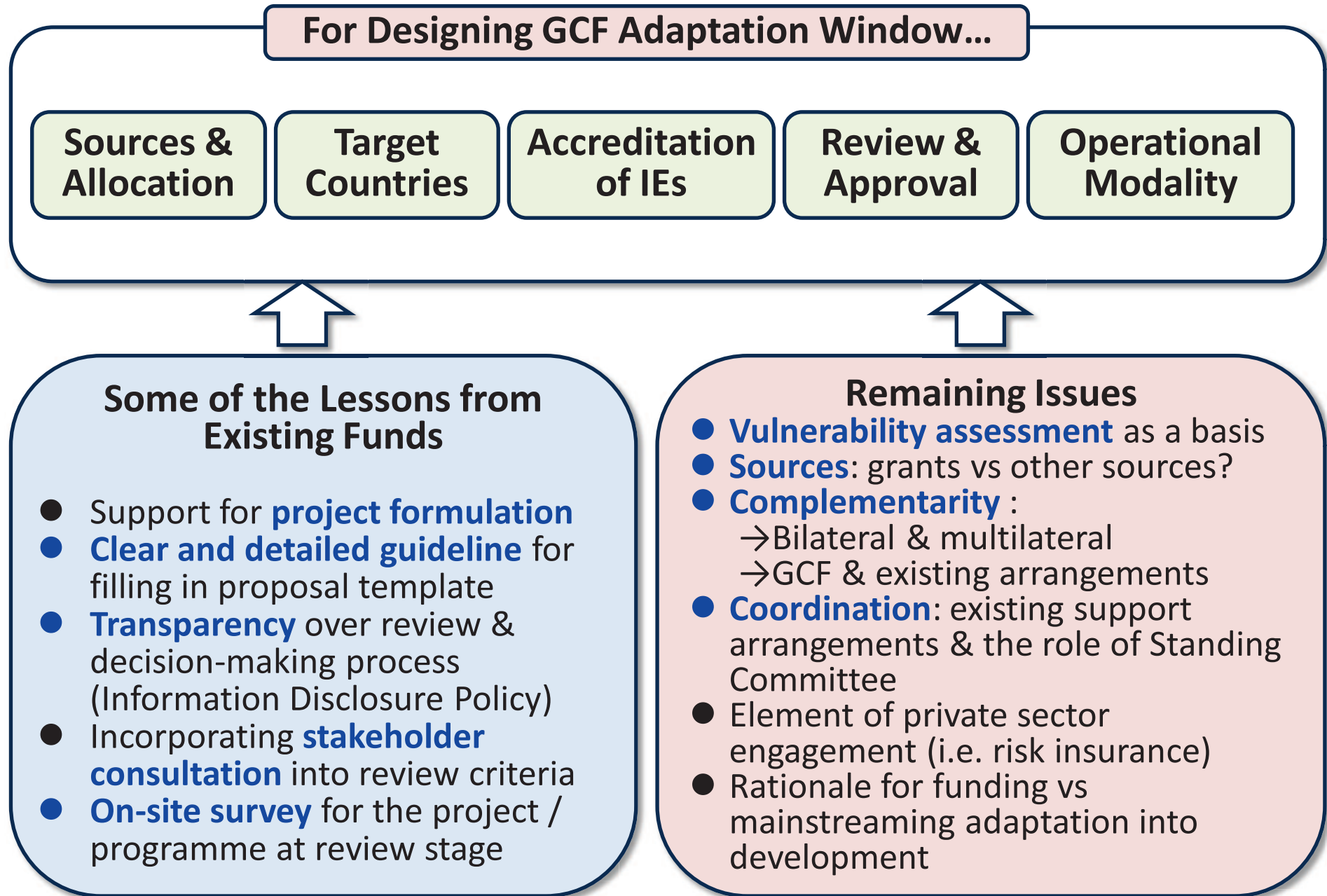
### 3. Review of Existing Supporting Schemes: Assessment of Existing Supporting Scheme (Adaptation Fund and CIF/PPC)

#### Relative Strengths/Challenges

	Adaptation Fund(AF)	Climate Investment Fund/PPCR
Strength	<ul style="list-style-type: none"> <li>• <b>Shorter time</b> for approval/implementation</li> <li>• <b>Enhanced ownership</b> through direct access</li> <li>• Effort to <b>minimize administrative cost</b> (ceiling for IE fees)</li> <li>• <b>Financial predictability</b> through auto-financing (SoP)</li> <li>• <b>Equal opportunity</b> for access to fund</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Larger amount</b> of resources per programme (plus co-financing)</li> <li>• <b>Quality control:</b> MDB's M&amp;E and safeguard policy applied</li> <li>• <b>Promoting coordination</b> among donors within programs (avoiding overlaps)</li> <li>• <b>Wider scope</b> of capacity building (incl. national Executing Agencies)</li> </ul>
Challenges	<ul style="list-style-type: none"> <li>• <b>Uncertainty</b> over NIE's project management (M&amp;E, safeguard)</li> <li>• Resource allocation among MIEs?</li> <li>• <b>Limited resources</b> per country (US\$10 million / country)</li> <li>• <b>Limited scope</b> of capacity building (targeted community only)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Limited coverage</b> of countries (country pre-determined)</li> <li>• <b>Longer time</b> for approval / implementation</li> <li>• <b>Limited access modality</b> (Indirect)</li> </ul>



### 3. Review of Existing Supporting Schemes: Ways Forward



## 4. Thoughts on Access Modality: Direct Access

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- Various interpretations of what constitutes DA
- DA generally refers to...

*access to financial resources by a designated national entity of a recipient country, while bypassing a financial intermediary such as multilateral development banks and other external implementing agencies.*

- Examples:

**Global Fund** to  
Fight AIDS,  
Tuberculosis and  
Malaria

**Adaptation  
Fund**

**GEF**  
(preparation of national  
communications)

- Slightly different governance structure and access modality among the existing examples.

## 4. Thoughts on Access Modality: Strengths & Challenges of Direct Access

- Preliminary interpretations of strengths/challenges of Direct Access modality, given a relatively new modality, and few case studies available

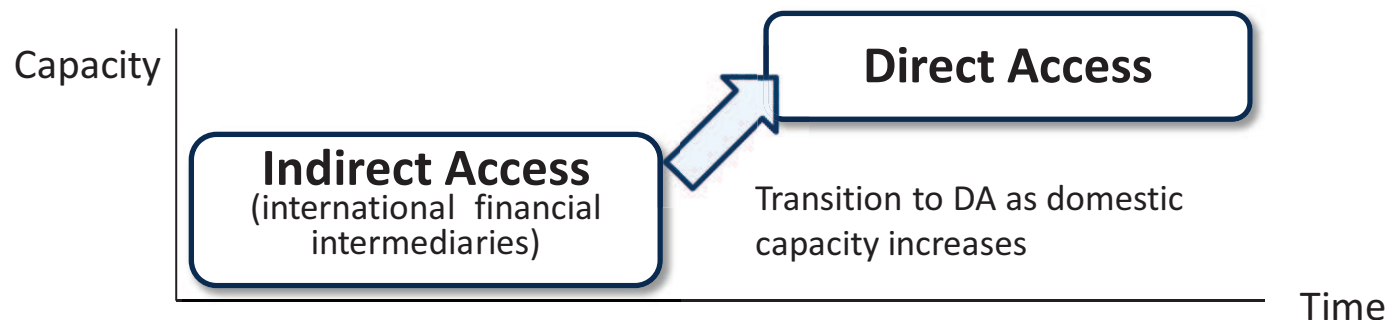
<b>Advantages</b>	<b>Challenges</b>
<ul style="list-style-type: none"><li>➤ <b>Faster implementation</b> of projects/programmes (faster impact generation anticipated, addressing existing needs)</li><li>➤ <b>Enhanced country ownership</b></li><li>➤ <b>Allowing multiple domestic stakeholder engagement/</b> enhanced opportunities for synergies among stakeholders</li><li>➤ <b>Country priorities and needs</b> less influence by donor priorities</li></ul>	<ul style="list-style-type: none"><li>➤ <b>Requires recipient countries' robust risk management</b> (project &amp; fiscal management)</li><li>➤ <b>Weaker Safeguard policies/monitoring system</b> compared to the case of involving international organizations as intermediaries</li><li>➤ <b>Equitable access?</b> different levels of capacities among recipient countries</li></ul>

## 5. Thoughts on Access Modality: Possible Ways Forward

- Both access modalities(Direct, Indirect) are **NOT mutually exclusive**.
  - could play complementary roles depending on the capacity level of recipient countries
- Implications of utilizing domestic institutions for equitable access
  - Importance of capacity building of domestic entities
  - Opportunities for bilateral support?
- Options for ensuring complementary roles

**Combined Approach:** Discretion is given to recipient countries to choose the types of access modalities (the Adaptation Fund).

**Phased Approach:** At the earlier stage, international intermediaries play a major role in providing capacity building and implementing projects. As the overall capacity of domestic institutions increases, the role of international intermediaries is to be gradually replaced by domestic institutions.



# *Thank You*

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## Reference: Acronyms

NIE	National Implementing Entity
RIE	Regional Implementing Entity
MIE	Multilateral Implementing Entity
PFG	Project Formulation Grant (for AF)
PIF	Project Information Form (for GEF)
AF	Adaptation Fund
CIF/PPCR	Climate Investment Fund/Pilot Programme for Climate Resilience
SoP	Share of Proceeds
DA	Direct Access
NAPA	National Action Plan of Adaptation
NAP	National Adaptation Plan
GCF	Green Climate Fund
KP	Kyoto Protocol