
The role of the adaptation fund in the international climate change adaptation finance

Analytical review on resources, funding, and decisions (2009-2017)

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Abstract:

The aim of this paper is to provide background information to facilitate the analytical review of the Adaptation Fund resources and funding, in line with the objective scope under adaptation to climate change as a financial mechanism promoting the international climate finance within the united nations framework convention on climate change (UNFCCC), as well as giving a critical review of the adaptation fund decisions. This paper also examines the AF's governance framework and the AF's policies and guidelines placed to ensure the integrity of its Board and thereby decisions.

The sources of information for this paper are through the trustee periodical reports of the adaptation fund, as well as the adaptation fund board decisions. Furthermore, this paper recapitulates and analyzes the outcomes financial reports of the World Bank as fund Trustee.

Furthermore, the focus on the analytical review in this paper is for the period from 2008 When the legal framework of the Fund was established by its key documents adopted at the 2008 climate summit in Poznań, Poland, considering 2009 as an inception year, to the latest Adaptation Fund Trust Fund Financial Report, as of December 31, 2017.

Key words : *Climate change; Adaptation Fund; Resources; Funding decisions. UNFCCC.*

JEL Classification : *Q51; Q54; F37; G32.*

INTRODUCTION:

The Intergovernmental Panel on Climate Change (IPCC) emphasized in its Fifth Assessment Report that transformational change is essential for effective adaptation. It defines "transformational" as "an adaptation that modifies the fundamental attributes of a system in response to the climate effects".¹

Thus, it is often emphasized that climate finance should promote transformation, rather than incremental change. Also, under the IPCC definition, the adaptation context has changed from systemic change to climate more resilient societies, coupled with a more funding to realize adaptation to climate change.

In the early years of the UN Framework Convention on Climate Change (UNFCCC), adaptation received less attention than mitigation, in facing impacts of a climate change, as Parties wanted more certainty on impacts and vulnerability to climate change. Moreover, the formal adaptation to climate change was officially launched, after the IPCC's Third Assessment Report release, adaptation gained traction, and Parties agreed on a process to address adverse effects and to establish funding arrangements for adaptation.²

Furthermore, according to the Intergovernmental Panel on Climate Change's Fifth Assessment Report, adaptation costs for developing countries could be \$70–\$100 billion per year between 2010 and 2050.³

In addition, the United Nations Environment Program (UNEP), suggests in its latest Adaptation Finance Gap report in 2016, builds on a 2014 assessment by the United Nations Environment Program (UNEP), which laid out the concept of 'adaptation gaps' and outlined three such gaps: technology, finance and knowledge. The Report, in the finance area identified that the costs of adaptation are likely to be two to three times higher than current global estimates by 2030, and potentially four-to-five times higher by 2050, which means that annual adaptation needs may be in the range of \$140–300 billion by 2030, rising to \$280–500 billion by 2050.⁴

Although the adaptation cost estimates are, dependent on mitigation efforts and resulting temperature pathways, but even with the inherent uncertainties, these expectations reiterate the need for trillions of dollars in investment to enable countries to transform their national development trajectories. Currently, the work on adaptation takes place under different Convention bodies. The Adaptation Committee, which Parties agreed to set up under the Cancun Adaptation Framework as part of the Cancun Agreements, is a major step towards a cohesive, Convention-based approach to adaptation.⁵

During the last decade, the adaptation to climate change is more regarded as a fundamental pillar of efforts to address climate change, also coupled with mitigations. Moreover, it's relatively considered as new and underdeveloped mechanism at the same time, and since the level of uncertainty remains high in climate change framework, it poses enormous challenges for policymakers, countries, and investors to take concrete actions. One significant aspect is that it should be based on, and more integrated into, sustainable development planning. By introducing the historical development of international negotiations on climate change adaptation, and its recent changes and results, under the

UN Framework Convention on Climate Change (UNFCCC), as well as to ensure the effectiveness of its financial mechanisms through climate funds.

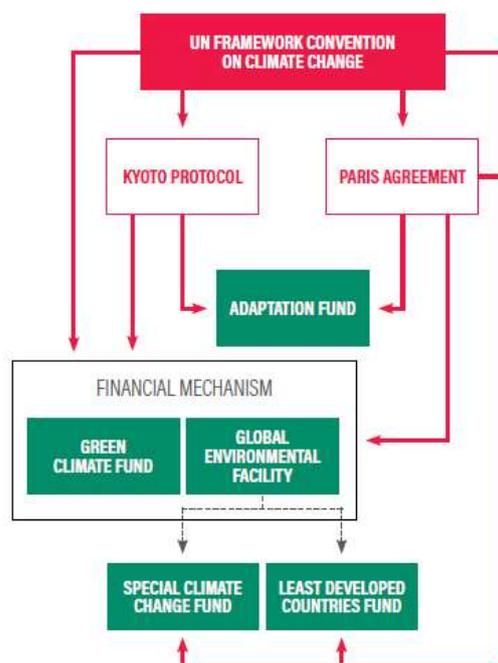
The UNFCCC, under its Article 11, states that the operation of the Financial Mechanism is entrusted to one or more existing international entities. The operation of the Financial Mechanism is partly entrusted to the Global Environment Facility (GEF).⁶ At COP 17 Parties decided to designate the Green Climate Fund (GCF) as an operating entity of the Financial Mechanism of the Convention, in accordance with Article 11 of the Convention.⁷ The Financial Mechanism is accountable to the COP, which decides on its climate change policies, program priorities and eligibility criteria for funding.⁸

Furthermore, the Kyoto Protocol also recognizes, under its Article 11, the need for the Financial Mechanism to fund activities by developing country Parties.⁹

In addition to providing guidance to the GEF, Parties have established four special funds: the Special Climate Change Fund (SCCF), the Least Developed Countries Fund (LDCF), both managed by the GEF, and the GCF under the Convention; and the Adaptation Fund (AF) under the Kyoto Protocol. See **Error! Reference source not found.**

With all this in mind, this paper aims to provide a macro-perspective on an institutional framework regarding adaptation fund, through its landscapes in term of decisions, funding and resources, as a pioneer in climate adaptation financing under the Kyoto protocol as well as the Paris agreement, for the UNFCCC. In order to give an extended review of the current reality of the Adaptation Fund, as well as an expectation for its future.

Figure 1 Relationship of Funds to International Climate Agreements



Note: The dotted arrows indicate that the LDCF and SCCF are administered by the GEF.

Source: WRI.2018.

with all this in mind, this paper aims to provide a macro-perspective on an institutional framework regarding adaptation fund as a pioneer in climate adaptation financing under the UNFCCC.

I. THE ADAPTATION FUND ANALYTICAL FRAMEWORK

I.1. THE ADAPTATION FUND (FROM KYOTO PROTOCOL TO PARIS AGREEMENT):

The Adaptation Fund was established in 2001 at COP7 of Marrakech, as a financial institution of the Kyoto Protocol.¹⁰ The AF aims to help developing countries in managing the adverse impacts of climate change, and gives developing countries full ownership of adaptation projects, from planning to implementation.¹¹

However, some important provisions were not adopted until 2007. As well as, the legal framework of the Fund was established when its key documents were adopted at the 2008 climate summit in Poznań, Poland.¹²

Following several years of negotiations around its structure and policies, it became operational in 2009 and approved its first projects in 2010.

Fifteen years after the establishment of the adaptation fund, also in Marrakech, at COP22, the parties decided that the Adaptation Fund should serve the Paris Agreement, but procedures and guidelines to make it happen are far from being settled.

Moreover, The UN Climate Change Conference in Bonn, Germany, on November 2017, where the conference, included the 23rd session of the Conference of the Parties (COP 23) to the UNFCCC, the 13th session of the COP serving as the meeting of the Parties to the Kyoto Protocol (CMP 13), the parties decides that the Adaptation Fund shall serve the Paris Agreement subject to and consistent with decisions to be taken at the third part of the first session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (and final decisions are expected in December 2018).^{13 14}

I.2. THE ADAPTATION FUND RESOURCES AND DECISIONS:

I.2.1. THE ADAPTATION FUND DECISIONS.

The Adaptation Fund (AF) was established under the Kyoto Protocol (KP) to the United Nations Framework Convention on Climate Change (UNFCCC), by the Conference of the Parties (COP) serving as the meeting of the Parties to the KP, herein referred to as the CMP, at their December 2007 meeting in Bali, Indonesia, In light of the UNFCCC, Decision 1/CMP.3.¹⁵

Furthermore, the Conference of the Parties (COP), considered us the ultimate decision-making body of the Convention (UNFCCC). Moreover, The COP meets every year to review the implementation of the Convention. The COP adopts COP decisions and resolutions, published in reports of the COP. Successive decisions taken by the COP make up a detailed set of rules for the practical and effective implementation of the Convention.

In another hand, The Kyoto Protocol supplements and strengthens the Convention and provides a further framework for action. The Conference of the Parties serving as the meeting of the

Parties to the Kyoto Protocol (CMP) adopts CMP decisions and resolutions on the implementation of the provisions of the Kyoto Protocol, published in reports of the CMP.

Currently, there are 192 Parties (191 States and 1 regional economic integration organization) to the Kyoto Protocol to the UNFCCC.¹⁶ Also, given that developing country parties to the Kyoto Protocol are eligible to access the Adaptation Fund. Where this has presented a complexity in allocating funding, as there are insufficient resources available to support programs in all eligible countries. The Adaptation Fund is intended to prioritize projects and programs in, particularly vulnerable countries. As confirmed at the last 30th Meeting of the Adaptation Fund Board and was the basis for adopting the Fund's released a five-year Medium-Term Strategy (MTS) 2018-2020.¹⁷

While efforts were made to agree on a set of criteria to ensure a focus on the needs of the most vulnerable, these proved politically contentious and ultimately intractable, particularly in the absence of global agreement on the factors that make countries vulnerable.¹⁸

As a result, resource distribution has been more ad-hoc and driven by the readiness of countries to submit credible proposals for approval. In practice, the allocation has been made on a first come first served basis. However, the amount of funding that a country can receive is currently capped at USD 10 million, in order to ensure more equitable distribution of funding country.

I.2.2. THE ADAPTATION FUND RESOURCES:

The Adaptation Fund is financed by a 2% share of the proceeds from certified emission reductions issued by the Executive Board of the Clean Development Mechanism and from other sources of funding.¹⁹

It should be noted, that the Market-based approaches for the Clean Development Mechanism has not been referred to the founding 1992 UN Framework Convention on Climate Change (UNFCCC) document but were integral to the design of its first sub-agreement, the 1997 Kyoto Protocol.

The Clean Development Mechanism (CDM), was established under the KP, Where the CDM, Certified Emission Reductions (CERs) are issued for emission-reduction projects in developing countries. Two percent of all CERs issued by the CDM are transferred to the AF, except for CERs issued in respect of projects in the least Developed Countries. Also, AF is funded by the proceeds of the sale of these CERs as well as contribution from donors.

Notably, in decision 1/CMP.⁸, the Parties decided that for the second commitment period, the Adaptation Fund shall be further augmented through a 2 per cent share of the proceeds levied on the first international transfers of AAUs and the issuance of ERUs for Article 6 projects immediately upon the conversion to ERUs of AAUs or RMUs previously held by Parties.²⁰

The Cumulative resources received into the AF Trust Fund through CER sales proceeds and donations was USDeq. 721.65 million as of December 31, 2017. Since the start of the CER monetization program in May 2009, the Trustee has generated revenues of USDeq. 198.58 million through CER sales. As of December 31, 2017, cumulative donations received amounted to USDeq. 513.96 million.²¹ The AF as a pioneer in climate adaptation financing has approved US\$ 462 million for 73 countries.²²

The Fund's main revenue source is CER sales, but the collapse of carbon markets means new resources are needed. Furthermore, this peculiar feature is among the major challenges of the Fund, as the heavily oversupplied market of Certified Emission Reductions (CERs) has progressively shrunk in volume and value, with the price of CERs steadily floating below EUR 1 per ton since 2013 (from EUR20/t in 2008). In the past years, the resulting revenue crunch has been partially covered by contributions from donor countries.²³

Since 2011, the crash in carbon prices has seen the rise in the transaction value of the global carbon market come to a halt. By 2013, it had more than halved to €40 billion, with the Kyoto segment of the market, hit particularly hard. whereas it's €400 million, the value in 2013 represented only 2 percent of the CER/ERU portion of 2011 global peak.²⁴

Moreover, the price of Certified Emission Reductions (CERs), was sitting at close to zero, at €0.13, down from previous highs of over €20 (Intercontinental Exchange, 2014). While the proximate cause of the low carbon price has been the pervasive over-allocation of allowances and the economic crisis-induced downturn in production, the price crash reflects deeper socio-ecological, economic and political troubles in carbon markets.

As of April 2017, under the Clean Development Mechanism (CDM), more than 8,000 projects or programs of activities (PoAs) were registered in 111 countries and the issuance of more than 1.8 billion Certified Emission Reductions (CERs).²⁵ This large number has led to an increasing supply of certified emission reductions (CERs), which in recent years superseded the demand for such credits. Demand has tailed off considerably due to the global economic crisis, a stronger focus on domestic mitigation action, criticisms regarding transaction costs and environmental integrity of the mechanism, as well as the uncertainty of possible future use. The discourse between supply and demand has had a dramatic effect on the price of CERs, which has plummeted in recent years.

I.3. GOVERNANCE FRAMEWORK

In terms of governance, the composition of the Adaptation Fund Board is moderately innovative for an international governance mechanism. The AF works under the authority of, and is accountable to, the Meeting of the Parties to the Kyoto Protocol (CMP). The AFB has 16 members and 16 alternate members who do not represent their countries, but the constituency to which their country belongs (the five UN regions, Annex I and non-Annex I countries).²⁶ There is additional representation for the most vulnerable groupings – Least Developed Countries and Small Island Developing States - giving developing countries an overall majority. Functionally, this means most of board members are from developing countries (at present 11 out of 16).

The board meets three times a year, and decisions are made by consensus if possible, or by a two-thirds majority vote of members present if no consensus can be reached. The GEF services the 12-person secretariat based in Washington, DC, and the World Bank is the trustee, both on an interim basis.²⁷ At COP22 the Global Environment Facility and the World Bank were renewed respectively as the interim secretariat and the interim trustee for the adaptation fund, until 2020.²⁸

However, this small majority does not provide developing countries with the power to dominate developed countries. Instead, the AFB has developed a constructive working atmosphere with the AFB members pursuing constructively ways to enhance the AF.

I.4. THE ADAPTATION FUND ACCESS

Funding is delivered via accredited implementing entities (IEs). Which bear all financial, monitoring and reporting responsibilities for projects and programs supported by the Adaptation Fund. IEs must demonstrate that they can meet standards in three core areas:²⁹

- financial integrity and management;
- institutional capacity;
- transparency and self-investigative powers.

The Accreditation Panel, constituted of two Board Members and 4 experts, is responsible for accreditation. IEs work through executing agencies, which may include government agencies. National Implementing Entities are legal entities based in Adaptation Fund recipient countries that are accredited as meeting the Board agreed fiduciary standards. Regional Institutions may also be accredited as IEs.

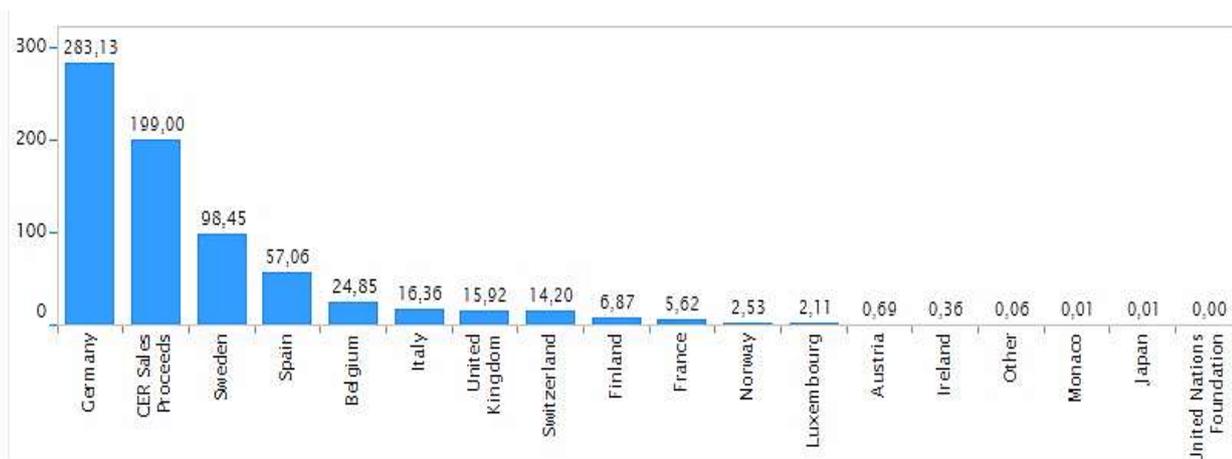
Currently, as at January 30, 2018, 28 national implementing entities (NIEs) are accredited to the AF, meaning they can make use of the “direct access” modality which allows institutions in developing countries to apply for funding without going through an international intermediary. The fund also works through 12 multilaterals implementing entities (MIEs) and 6 regional implementing entities (RIEs).³⁰

The AF focuses on smaller-scale projects. By pioneering direct access, which mean that allowing national entities to access money without going through international intermediaries. the AF has also helped strengthen the capacity and credibility of some of the national institutions that have sought accreditation to the fund. This may, with time, deliver benefits beyond the scope of the funded projects, in terms of improved governance, policy administration, and capacity to attract future investments.³¹

The fund balance of the adaptation fund estimated of USD 202.95 million, with a total contribution of USD 705.86 million, total commitments of USD 504.50.95 million and total cash transfers of USD 303.25 million in February 2018.³² See **Error! Reference source not found.** and Table 1

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Figure (2): A top contributors to The Adaptation Fund as of February 2018



A view of Development Partners' Contributions to Financial Intermediary Funds. Amounts are shown in USD equivalents rounded to millions.

* Amounts are shown in USD equivalents rounded to millions.

Source: The world bank (2018), Visited:01/05/2018, <http://fiftrustee.worldbank.org>

Table 1 Contributors to The Adaptation Fund as of 31/12/2017

Donor	Currency	Contribution	Donation	Receipts in Currency of Contribution	Receipts in USDeq. a/
Austria	EUR	500,000	500,000	500,000	690,250
Belgium	EUR	1,500,000	1,500,000	1,500,000	1,645,500
Belgium (Flanders)	EUR	7,250,000	7,250,000	7,250,000	7,806,813
Belgium (Walloon Region)	EUR	8,500,000	4,500,000	4,500,000	4,881,100
Belgium (Brussels Capital Region)	EUR	4,801,575	4,801,575	4,200,000	4,867,650
Corporacion Andina de Fomento	USD	56,000	56,000	56,000	56,000
Finland b/	USD	67,534	67,534	67,534	67,534
Finland	EUR	5,000,000	5,000,000	5,000,000	6,803,000
France b/	USD	53,340	53,340	53,340	53,340
France	EUR	5,000,000	5,000,000	5,000,000	5,564,000
Germany	EUR	240,000,000	240,000,000	240,000,000	283,131,200
Ireland	EUR	300,000	300,000	300,000	356,550
Italy	EUR	14,000,000	14,000,000	7,000,000	7,756,800
Japan b/	USD	8,088	8,088	8,088	8,088
Luxembourg	EUR	2,000,000	2,000,000	2,000,000	2,105,296
Monaco	EUR	10,000	10,000	10,000	12,197
Norway b/	USD	87,700	87,700	87,700	87,700
Norway	NOK	15,000,000	15,000,000	15,000,000	2,439,381

Spain	EUR	45,000,000	45,000,000	45,000,000	57,055,000
Sweden	SEK	750,000,000	750,000,000	750,000,000	98,450,081
Switzerland b/	USD	77,668	77,668	77,668	77,668
Switzerland	CHF	13,000,000	13,000,000	13,000,000	14,125,926
United Kingdom	GBP	10,000,000	10,000,000	10,000,000	15,915,000
United Nations Foundation	USD	-	1,528	1,528	1,528
Others	GBP	-	326	326	504
Others	EUR	-	412	412	566
Total Donations Received					513,958,673

a/ Represents actual USD receipts.

b/ Donation corresponds to the Donor's pro-rata share of the balance in the Administrative Trust Fund

* Amounts are shown in USD equivalents rounded to millions.

Source: The world bank (2018), Financial Intermediary Funds, Visited:01/05/2018, <http://www.worldbank.org/>

II. FINANCIAL STATUS OF THE ADAPTATION FUND.

II.1. ADAPTATION FUND TRUSTEE:

The World Bank serves as a trustee of the Adaptation Fund on an interim basis. which is administered by the GEF concerning the secretariat services. In accordance with the Trustees role in the Adaptation Fund Trust Fund as set forth in paragraph 23 in the Appendix of the Decision 1/CMP.4.³³

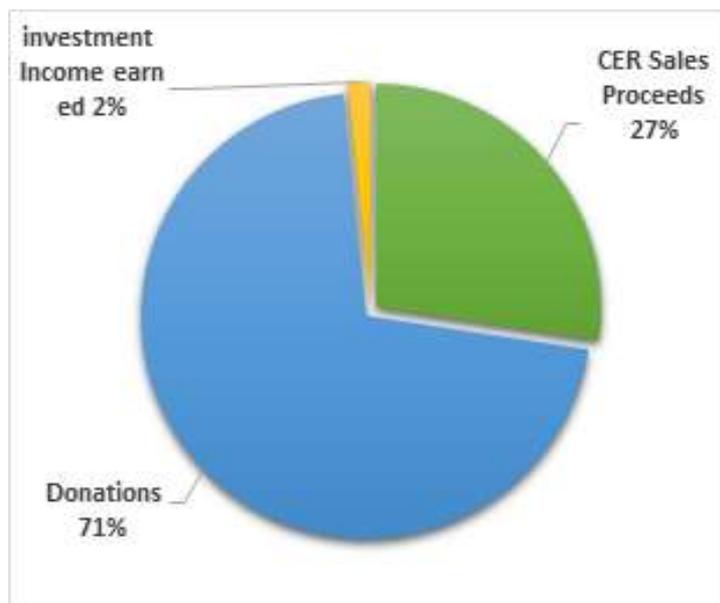
The decision 1/CMP.4 states that the Trustee shall prepare and furnish the Adaptation Fund Board with financial reports of the Trust Fund annually and provide records and accounts of the Trust Fund for audit by its external auditors annually, in accordance with the policies and procedures of the Trustee. Furthermore, the Trustee shall prepare and furnish the Adaptation Fund Board with reports on the sale of the CERs for the Adaptation Fund and on the status of commitments and transfers of Trust Fund funds annually.

II.2. CUMULATIVE RESOURCES:

The cumulative Resources of the AF fund Include the Certified Emission Reduction (CER) Sales, Donations and investment Income.

The Cumulative resources received into the AF Trust Fund through CER sales proceeds and donations was USDeq. 721.65 million as of December 31, 2017. Notably Since the start of the CER monetization program in May 2009. The Trustee has generated revenues of USDeq. 198.58 million through CER sales, also cumulative donations received amounted to USDeq. 513.96 million.³⁴ See Figure 2 and

Figure 2 AF Cumulative Resources



Source: The Adaptation Fund Trust Fund Financial Report Prepared by the Trustee (World bank) from 2012 to 2017. Visited:01/05/2018, <http://fiftrustee.worldbank.org>. *Amounts are shown in USD equivalents rounded to millions.

Table 2 AF Cumulative Resources Resources

Cumulative Resources	Total in USD M
CER Sales Proceeds	198,58
Donations	513,96
investment Income earned	11,88
Total CER Sales Proceeds and Donations	724,42
Resources not yet received	Total in USD M
donations not yet received	9,11
Pledges	4,79
Total resources not yet received	13,91
Total Potential Resources	783,33

Source: The Adaptation Fund Trust Fund Financial Report Prepared by the Trustee (World bank) from 2012 to 2017. Visited:01/05/2018, <http://fiftrustee.worldbank.org>. *Amounts are shown in USD equivalents rounded to millions.

The Trustee has generated revenues of USDeq. 198.58 million through CER sales since the start of the CER monetization program in May 2009. See Table 3 AF proceeds from CER sales received into the Adaptation Fund trustee from 2009 to 2017.

Table 3 AF proceeds CER sales received into the Adaptation Fund trustee from 2009 to 2017

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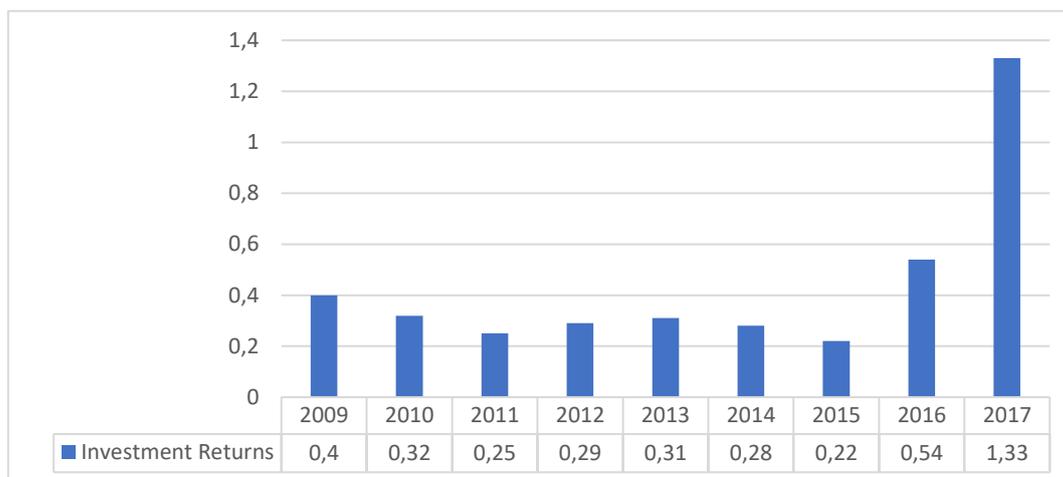
Year/ Q	CER balance a/	CER sales	Proceeds USD (millions)	
2009	Q2	5,044,100	1,120,000	18.55
	Q3	5,461,361	80	1.52
	Q4	5,225,632	850	16.06
2010	Q1	4,161,678	1,720,000	27.95
	Q2	2,174,188	2,465,000	41.84
	Q3	1,306,693	1,240,000	20.92
	Q4	1,888,232	560	9.51
2011	Q1	3,005,041	480	8.18
	Q2	3,403,530	1,015,000	18.59
	Q3	4,966,292	390	4.80
	Q4	6,255,615	40	0.42
2012	Q1	7,514,701	400	2.31
	Q2	7,034,418	1,931,000	9.41
	Q3	6,280,769	1,614,000	6.22
	Q4	8,217,077	965	1.71
2013	Q1	9,035,889	1,498,000	0.25
	Q2	10,528,786	144,303	0.08
	Q3	10,932,978	300	0.29
	Q4	9,749,545	1,800,000	1.18
2014	Q1	8,582,226	655	0.29
	Q2	8,502,467	1,478,000	0.34
	Q3	8,626,126	950,594	0.26
	Q4	7,882,366	389,68	0.11
2015	Q1	7,099,207	1,696,880	3.18
	Q2	8,079,205	97,415	0.28
	Q3	7,889,286	574,273	0.13
	Q4	7,042,550	1,327,170	1.37
2016	Q1	7,300,935	29,438	0.30
	Q2	8,011,907	108,188	0.52
	Q3	8,397,741	23,988	0.29
	Q4	9,066,407	286,362	0,22
2017	Q1	9,753,492	40,047	0,56
Total			26,269,338	197,66

Source: The Adaptation Fund Trust Fund Financial Report Prepared by the Trustee (World bank) from 2009 to 2017, Visited:01/05/2018, <http://fiftrustee.worldbank.org>

*Amounts are shown in USD equivalents rounded to millions

Noteworthy, The AF Trust Fund earned investment income of approximately USD 11.88 million on the liquid balances in the Trust Fund, with a highest portfolio return since 2009, represented by 1.33% for 2017. See Figure 3 AF Investment Returns 2009 to 2017.

Figure 3 AF Investment Returns from 2009 to 2017.



Source: Compiled by authors, based on data from: The Adaptation Fund Trust Fund Financial Report Prepared by the Trustee (World bank) from 2009 to 2017. Visited:01/05/2018, <http://fiftrustee.worldbank.org>

*Amounts are shown in USD equivalents rounded to millions.

II.3. FUNDING AVAILABILITY AND DECISIONS.

The Cumulative net funding decisions made by the AF Board through December 31, 2017 totaled USD 504.44 million, of which USD 462.50 million represents approvals for projects and programs for 73 countries with approved Adaptation Fund initiatives.³⁵ Moreover, the Trustee has transferred a total cash of USD 270 million related to projects and programs.

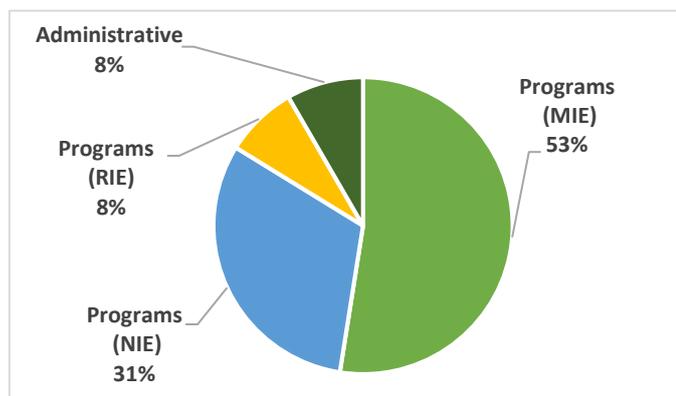
Furthermore, Funding decisions by NIE/RIE/MIE show the cumulative funding decisions related to programs and projects. To date, cumulative funding decisions to NIEs/RIEs/MIEs amount to USD 462.50 million. See Table 4 *AF Cumulative Funding Decisions as of 31/12/2017* and Figure 4 *AF Cumulative Funding Decisions as of 31/12/2017*.

Table 4 AF Cumulative Funding Decisions as of 31/12/2017

Cumulative Funding Decisions	Total in USD M
Programs and Projects (MIE)	264,68
Programs and Projects (NIE)	158,06
Programs and Projects (RIE)	39,67
Administrative Budget	41,94
Total Funding Decisions Net of Cancellations	504,44

Source: Report Prepared by the Trustee (World bank) Visited:01/05/2018, <http://fiftrustee.worldbank.org>.

Figure 4 AF Cumulative Funding Decisions as of 31/12/2017



Source: Report Prepared by the Trustee (World bank) Visited:01/05/2018, <http://fiftrustee.worldbank.org>.

Funds Held in Trust reflect proceeds from CER monetization, donations received and investment income, less cash transfers made to date. Funds Held in Trust as of December 31, 2017 amounted to USDeq. 412.73 million. which represent a balance of cash, investments and uncashed promissory notes.

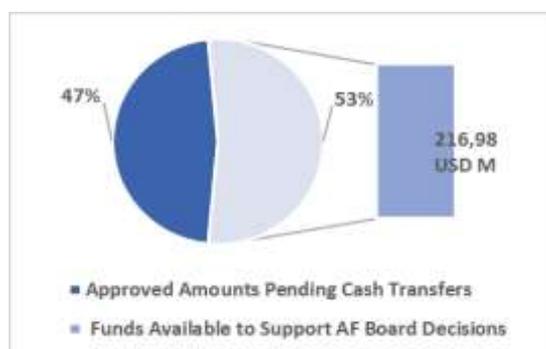
In addition, the Funding Availability for AF Board decisions amounted to USD 216.98 million as of December 31, 2017, However, an Approved Amounts Pending Cash Transfers amounted USD 192.75 million. See Table 5 AF Funding Availability as of 31/12/2017 and Figure 5 AF Funds Available as of 31/12/2017.

Table 5 AF Funding Availability as of 31/12/2017

Funds Available	Total in USD M
Funds Held in Trust with no restrictions	409,73
Approved Amounts Pending Cash Transfers	192,75
Total Funds Available to Support AF Board Decisions	216,98

Source: Report Prepared by the Trustee (World bank) Visited:01/05/2018, <http://fiftrustee.worldbank.org>.

Figure 5 AF Funds Availability



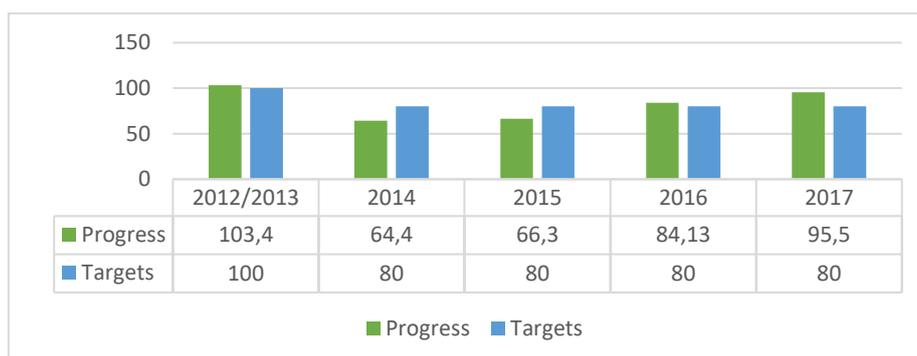
Source: Report Prepared by the Trustee (World bank) Visited:01/05/2018, <http://fiftrustee.worldbank.org>

II.4. FUNDRAISING TARGETS AND PROGRESS.

The Adaptation Fund has been setting fundraising targets since 2012. The first fundraising target of USD 100 million for 2012–2013 was exceeded, with about USD 104 million pledged by the close of CMP 9.

A subsequent target of USD 160 million, or USD 80 million per year, was partially met, with USD 64.6 million and USD 74.1 million pledged in 2014 and 2015, respectively. Moreover, During the COP21, the Fund has received new pledges totaling about US \$75 million from Sweden, Germany, the Wallonia region of Belgium and first-time donor Italy. ³⁶ In 2017 the Fund has surpassed its fundraising goals for 2016 set during the COP 22. ³⁷ In the 27th meeting, of The Adaptation Fund Board, set its 2016–2017 fundraising target at USD 80 million per year. ³⁸ Pledges made over the course of 2016 reached the 2016 target, and at the time of publication all pledged contributions had been transferred. Furthermore, The Adaptation Fund has released a five-year Medium-Term Strategy (MTS) more accurately aligns the Fund’s yearly resource mobilization goals to meet recent record trends in demand for adaptation project financing over the last few years, and contains flexibility to adjust the goals further to accommodate additional potential increases in demand. It suggests a USD 100 million annual target for 2018-2020. ³⁹ See Figure 7 AF Fundraising progress 2012 to 2017.

Figure 6 AF Fundraising progress 2012 to 2017



Source: The Adaptation Fund Trust Fund Financial Report Prepared by the Trustee (World bank) from 2012 to 2017, Visited:01/05/2018, <http://fiftrustee.worldbank.org>

*Amounts are shown in USD equivalents rounded to millions

CONCLUSION

Seventeen years at COP24 in Bonn Germany, since the Adaptation establishment, the decision was taken that the Adaptation Fund should serve the Paris Agreement. Arguably, we can say that the Adaptation Fund has been a success story in international climate negotiations so far. Given that its well-functioning institution which has vast experience in implementing and financing concrete adaptation projects with a focus on the most vulnerable people and communities. Other multilateral climate funds will most likely not be able to cover this important niche in the international climate finance architecture soon.

The Adaptation Fund has piloted new approaches to delivering climate finance. As well as, it has played a significant role in scaling up available finance for adaptation in developing countries,

albeit from a very low baseline, and operates with high levels of transparency. Early progress on a results framework helped focus the Fund's operations and foster learning.

The UNFCCC's Adaptation Fund is currently financed the Clean Development Mechanism (CDM) Levy scenario, but this levy will only raise at most \$5bn by 2030. Possible additional sources include a global carbon tax, auctioning carbon permits under cap-and-trade schemes, or levies on airline and maritime emissions. Rich countries must move fast in agreeing to put such innovative finance in place. The Adaptation Fund covers an essential niche in the international adaptation finance landscape, which now cannot be covered by any other institution. UNFCCC Parties must cover the current revenue gap facing the Adaptation Fund is at least until a new innovative mechanism for resource mobilization for the Fund has been established and been proven that it is working.

Developing-country governments must have ownership in governing international adaptation funds. Since adaptation finance is owed to safeguard the rights of communities facing climate impacts, their governments must have ownership in managing international adaptation funds and, in turn, must be accountable to those communities when spending the finance. Ensure that vulnerable communities have ownership of adaptation initiatives, by building on their knowledge, practices, and institutions. Internationally, vulnerable developing countries must have a major role in governing adaptation funds on behalf of their affected communities.

The current architecture of multilateral climate funds is not set in stone, however, and the future direction of several funds is unclear due to resource constraints, evolving mandates, or unresolved questions pertaining to when they will close. Policymakers therefore have an opportunity to make changes to the funds to ensure that their impact is positive and responsive to the evolving needs of developing countries. Moreover, the adaptation efforts are sometimes equated with scale, to be achieved by deploying large amounts of resources and mobilizing additional funds through means such as co-financing. However, the amount of funding, in itself, is an inadequate indicator of transformative impact. It's necessary that Systemic change will be created by projects and programs that support wider policy and institutional reforms within countries, to create environments that encourage necessary shifts in investment patterns.

In term of adaptation approach, the Adaptation Fund adopted a direct access model, a pioneering approach for that time which allows it to manage the financing in direct partnership with accredited institutions based in the developing countries where projects and programs are implemented. Apart from case-specific difficulties, this approach has shown good potential for reducing the costs and complexities of accessing funds, better targeting local adaptation needs and strengthening national ownership and capacity building.

Furthermore, the scale and the specialization of The Adaptation Fund finances, relatively small projects and programs ranging from less than USD1 million to about USD 10 million. For comparison, more than two thirds of projects financed by the Green Climate Fund range from USD 10 to 250 million. Moreover, the adaptation fund is driven by the promotion of adaptation actions, in term of specialization on adaptation. However, in the short term, the division of Specialization between the climate funds from mitigation only or adaptation only could help address both gaps and overlaps in how the funds support different thematic areas, project sizes, and risk appetites. While some duplication both adaptation and mitigation, is beneficial because it provides choice, it is not

efficient for all funds to try to meet the broad spectrum of needs. Where, there is significant overlap among funds providing small amounts of funding per projects, and among funds focused on adaptation.

Above all, the future of the Adaptation Fund is uncertain in the post-Paris climate regime. When the Paris Agreement was adopted in 2015, the Conference of Parties (COP) could not agree that the Adaptation Fund, a Kyoto Protocol Fund under the authority of the CMP, should definitively serve the agreement. The following year, at COP22, Parties agreed that it should (in principle) serve the Paris Agreement. Final decisions are expected to be taken in December 2018.

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