Submission by Canada

Views on the Governance and Institutional Arrangements, Safeguards and Operating Modalities for the Adaptation Fund to Serve the Paris Agreement
March 31, 2017

Canada is pleased to submit its views on the governance and institutional arrangements, safeguards and operating modalities for the Adaptation Fund to serve the Paris Agreement as invited by the COP in Decision 1/CP.22 paragraphs 14 and 15. Key points include:

1. Canada continues to be a strong supporter of climate change adaptation initiatives in developing countries.
2. The manner in which the Adaptation Fund should serve the Paris Agreement should be consistent with its comparative advantages and avoid duplicating other efforts.
3. There should be a clear assessment of the Adaptation Fund's strengths and challenges related to its relative effectiveness and efficiency, and actions should be taken to build on its strengths and resolve its deficiencies.
4. We should learn from the experience of other climate change funds, particularly in regards to, for example, governance models, establishing robust social and environmental safeguards, and leveraging additional public and private resources.

Adaptation Finance is Critical

Adaptation is a key aspect of the Paris Agreement and Canada is committed to continuing our support for developing countries to implement effective adaptation action. This includes continued efforts to scale up adaptation finance. Canada will continue to be a strong supporter of initiatives that help the poorest and most vulnerable developing countries adapt to the impacts of climate change. For example, Canada is providing CAN$50 million to support the G7 initiative on climate risk insurance. The Government of Canada is providing CAN$60 million to the Least Developed Countries Fund, supplemented by a further CAN$6 million from the Government of Québec, as well as CAN$300 million to the Green Climate Fund, which aims to achieve a 50:50 balance between adaptation and mitigation programming. Additionally, Canada is contributing $10 million to support the improvement of early warning systems in some of the most vulnerable communities through the World Meteorological Organization's (WMO) Climate Risk Early Warning System (CREWS) project. Canada is also providing $2 million to the National Adaptation Plans Global Network, in addition to a variety of support for climate change adaptation projects bilaterally with specific developing countries.

The Adaptation Fund's Niche and its Evaluation

The Adaptation Fund was created in a specific context with specific characteristics. For example, it was created under the Kyoto Protocol with the existence of the Clean Development Mechanism, in a world without the Green Climate Fund or the Paris Agreement. In the Cancun Agreements, Parties decided that a significant share of new multilateral funding for adaptation should flow through the Green Climate Fund. Changes in contexts usually necessitate changes in organizations. A first step in any process of change is to objectively assess the strengths and challenges of the organization, and its performance in generating results.

The creation and operationalization of the Green Climate Fund, and the development and maturity of other adaptation funds such as the Least Developed Countries Fund, and the Pilot Program for Climate Resilience of the Climate Investment Funds, are important new elements to consider. Canada is of the

view that the Adaptation Fund should avoid duplicating the efforts of other established climate change adaptation funds. It should clearly define its niche, based on its comparative advantage, and focus its efforts on providing support in these specific areas.

The first phase of an evaluation of the Adaptation Fund was completed in August 2015. This phase was limited to evaluating the Fund's processes, concluding that the Fund has made substantial progress towards establishing processes that support its objective. A second phase of the evaluation would assess the Fund's effectiveness and ability to generate results at scale. Canada believes that an evaluation of the Fund's effectiveness is essential before re-defining the Fund's governance and operations, as well as identifying its comparative advantages. As a result, Canada urges the undertaking of Phase 2 of the Fund's first evaluation as quickly as possible.

Learning from Best Practices

The Adaptation Fund should also learn from the experience of these other funds. This is particularly relevant when looking at governance models that better balance the views of recipient and contributor countries, incorporating a role for civil society, including the private sector, and establishing robust social and environmental safeguards. In addition, efforts should be made to strengthen and uphold the Fund's Gender Policy and Action Plan, and establish a complaint / redress mechanism. And not unlike the case of other climate funds, efforts should be made to increase the representation of women on the Adaptation Fund Board.

Major changes have occurred in relation to the Adaptation Fund's resource mobilization model. The Fund's original source of funds was a levy placed on the proceeds of the Clean Development Mechanism (CDM). This innovative resource mobilization model was one of Fund's clear comparative advantages vis-à-vis other funds. Parties should analyze and discuss sources of funding for the Adaptation Fund.

Canada agrees that climate finance, particularly adaptation finance, needs to be expanded. Experience from other adaptation funding organizations has shown that there are opportunities to increase ambition and stretch the impact of scarce climate public resources. As a core policy, the Adaptation Fund should aim to leverage additional public and private resources with its own resources. This should include efforts to ensure that the Fund always aims to maximize the climate change adaptation results of its investments.

Finally, the core institutions of the UNFCCC require organizational stability in order to deliver their mandates. Like other elements of the UNFCCC's Financial Mechanism, the Adaptation Fund should not unnecessarily continue to have an interim Secretariat and Trustee. In particular, contributors would need certainty and stability on both of these functions going forward.

Canada is committed to providing support to developing countries for climate change adaptation, and we stand ready to engage constructively with all Parties to clearly define how the Adaptation Fund should serve the Paris Agreement. We encourage all Parties to engage with each other and with their national and local stakeholders to help develop a vision for more effective and efficient adaptation finance for developing countries.