Submission by the Republic of the Maldives on behalf of the *Alliance of Small Island States*

04 April 2017

Preparations for the entry into force of the Paris Agreement: Adaptation Fund

Context

In Decision 1/CP.22, the CMA decided that the Adaptation Fund (AF) should serve the Paris Agreement, subject to decisions to be taken at the resumed first session of the CMA in 2018, and by the CMP, that address the governance and institutional arrangements, safeguards and operating modalities of the Adaptation Fund.

The COP further requested the APA to address the governance and institutional arrangements, safeguards and operating modalities for the Adaptation Fund to serve the Paris Agreement. And, it invited Parties to submit, by 31 March 2017, their views on the same.

Proposed AOSIS response

AOSIS is of the view that the Adaptation Fund already serves the Paris Agreement by virtue of the fact that it functions as means of implementing the ultimate objective of the Convention. The Fund provides for Parties' direct access to funding to implement "concrete Adaptation projects". The Fund serves under the overall financial mechanism architecture of the Convention. Articles 2.1b and 7.5 of the Paris Agreement are *de facto* being operationalized by the work of the AF and its Board.

In particular the AF has a strong track record and demonstrable effectiveness to serve the objectives of the Paris Agreement, to wit: having established a process to deliver concrete adaptation projects; accrediting under its direct access modalities, national implementing entities to implement adaptation projects; having established modalities acting in concert with the World Bank as its trustee and the Global Environment Facility (GEF) in a synergistic manner, to provide financial resources to implement adaptation activities; serving as a conduit for financial resources from the market mechanism under the Kyoto Protocol (KP), and contributions from donors which provide resources to implement activities; having established operational modalities under a environmental, social safeguards and gender policy to screen and assess projects which deliver on one of the fundamental objective of the Paris Agreement to scale up funding for adaptation activities. The Fund after almost ten years of operation has demonstrated its ability to adapt to market forces through the decline of its primary source of funding from the share of proceeds under the KP and Parties have responded by activating the other means of providing resources through contributions to it.

We are also of the view that the experiences learnt from the deployment of a readiness programme to access climate finance, assisting national and regional implementing entities in developing project for funding and the sharing of experiences among Parties which has contributed to the achievement of the ultimate objective of the Convention as well as its Kyoto Protocol and therefore stands as a reliable model itself for the Green Climate Fund (GCF) which has been determined to serve the Paris Agreement.

The first, second and now the third review of the AF details its track record of achievements and the high regard it is held by the members of AOSIS and its appreciation of its efforts for example, in the accreditation of small national entities and regional implementing entities, to adapt to the realities of funding adaptation activities at all levels in SIDS.

AOSIS supports the view that adaptation finance must be scaled up to meet the needs of developing countries and to achieve a balance between adaptation and mitigation funding, consistent with the Paris Agreement. It is also important that paragraphs 33 and 34 of the governing instrument of the GCF and the overall financial architecture must be considered in this regard if we are to respond to the adaptation and mitigation needs expressed by developing country parties in their nationally

determined contributions (NDCs).

The APA in considering the issue of the AF governance;

The Governance of the Fund represented a political accommodation to achieve two objectives, provide for the management of resources based on a levy from the Carbon Markets and pilot the implementation of direct access modalities for developing countries. The make-up of the Board and the creation of two standing committees - one to oversee ethics and finance, and the other project selection and implementation - serves as a means for overall oversight of its activities and to provide for responding to the directives issued by the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (CMP). The Adaptation Fund is governed by a Board drawn from Parties to the KP, who serving in their personal capacities, discharge their responsibilities as detailed in the Fund.

Not all Parties to the Convention are Parties to the KP or to the Paris Agreement, which may seem to constrain the Paris Agreement objectives of universal membership. It can be argued however that the governance arrangements under the KP are appropriate to its purpose and the access to the KP carbon Market which once served as the primary source of the Funds revenue stream. The reality however is that the carbon market "failures", while a constraint to the Fund's work, has taught a valuable lesson of not depending on a single source of revenue to fund either adaptation or mitigation activities. The main source of funding is now by means of donor support in response to a growing demand for adaptation funding and the market failures.

AOSIS is of the view that the governance arrangements of the Fund like all elements of the work of the Convention, its KP and the Paris Agreement must be subject to periodic reviews and discussion at all levels of the climate change process which would guide efforts of responding appropriately to the challenges.

After ten years of operations, the completion of the third review of the Fund, progress made in considering the overall financial architecture, as well as, the work of the Standing Committee on Finance and the entry into force of the Paris Agreement should serve to guide any improvements to existing governance arrangements for the AF or any of the other Funds that have been mandated to serve the Paris Agreement.

The APA in considering the AF institutional arrangements:

AOSIS is of the view that the AF as part of the FM under the Convention has institutional arrangements which were designed not only to deliver on the Funds mandate but at the same time respond to changing circumstances. Subsequent decisions of the CMP and the COP which call for synergy between and under the FM institutions have for example led to exchanges between the AFB and GCF. The linkages between the AFB, its trustee and the GEF demonstrates the benefit of institutional arrangements which have adapted to the realities and overlaps and respond to a need to provide for all financial resources as well as capacity building which enable the FM to fulfill its objectives.

It is our view that the APA should consider as part of its work in considering paragraphs 33 and 34 of the GCF instrument, the progress anticipated achieved to improve the overall synergies of the AF, the GCF.

The APA in considering the AF safeguards and operating modalities;

The APA may wish to consider the element of safeguards and operating modalities of the AF in the context of the reports prepared under the AF First and Second reviews, as well as, take into consideration the ongoing Third review of the AF as mandated by the CMP. AOSIS notes that the Fund's Third Review is being implemented in two parts, the first part considered the funds operational modalities while the second part will report on its experiences in the delivery of concrete adaptation activities in developing countries.

We note also that the Fund has evolved and now has detailed an environmental and social policy, agreed a gender policy and provided for their dissemination through its readiness programme. The Fund is also in the process of re-accrediting NIE, RIE and MIEs under its new policies.

An element of the AFB works which in our view has not been considered, is the engagement of the NGO community in the projects being implemented at the local level in developing countries. The

Adaptation Fund NGO network has in our view served as a model for expanding the safeguards as well as tracking progress in its delivery of concrete actions while at the same time tracking the achievement of objectives at the local level.