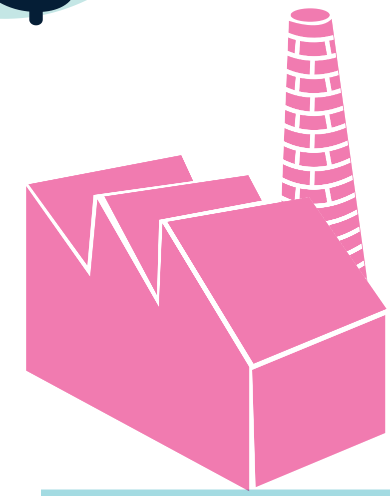
Adaptation Fund
A fund to satisfy Africa's needs?



Climate change & climate finance
What you need to know

Climate change is becoming the most serious threat facing the planet and its people. Africa contributes little to the problem - it emits less than 4% of global greenhouse gas (GHG) emissions - yet it is most vulnerable to the impacts of climate change. It is projected that by 2020, rain-fed agriculture in the region could be reduced by up to 50% as a result of climate change, and 75 to 250-million people across the continent could face severe water shortages. Given that most Africans rely on agriculture for survival, this will mean increased hunger, famine and disease. The costs are estimated to be between 1.5% to 3% of Africa's gross domestic product (GDP) each year by 2030.

The African Group of Negotiators have asked the international community for $67-billion per year by 2020 in order to cope with the impacts. At the same time, developing countries will have to balance the need to increase access to reliable energy and decrease poverty with a shift to low-carbon, sustainable development models. These mitigation costs are estimated to be between $140 and $175-billion a year over the next 2 decades.

Rich countries owe poor developing ones a climate debt because they are most responsible for the climate crisis and they need to compensate the poor who are most impacted. For exploiting the natural resources in developing countries (mostly in the global south) and reducing the planet's capacity to absorb GHG, rich (mostly in the global north) developed countries owe an 'emissions debt'. For the damaging effects of these emissions they owe an 'adaptation debt'.

Purpose of this brief

- To give you some basic information about the Adaptation Fund (AF)
- To tell you how the AF can help to address the climate change crisis
- To let you know who is in charge and how it works
- To give you a global view of adaptation funding
- To tell you where the AF gets its money
- To give you some of the pros and cons of the AF from a climate justice perspective

What is the Adaptation Fund?

The Adaptation Fund (AF) provides funds to projects that aim to help people cope, reduce harm, and build resilience to the impacts of climate change (adaptation) in vulnerable countries that are also parties to the Kyoto Protocol (KP). The AF was established by the Parties to the KP of the United Nations Framework Convention on Climate Change (UNFCCC) in 2001. It only became operational in 2009.

Why do we need the Adaptation Fund?

Even if climate action is taken now to reduce GHG, impacts will still be felt for many years to come. It is therefore critical to support people to adapt to these impacts. There is an urgent need for financing adaptation in developing countries like those in Africa who have contributed the least to GHG but will suffer the most from these impacts because poverty, food insecurity, and the burden of disease make it difficult for them to withstand impacts. These people will need additional resources to cope with the changing climate.

Who is in charge and how does it operate?

The Fund has to answer to the parties to the UNFCCC who are ultimately in charge. The AF has an independent board to guide its operation and it has its own legal personality. The Global Environment Facility (GEF) is the Secretariat and the World Bank (WB) is the trustee.

The AF is the only fund that allows developing countries direct access (see below) to its resources. The AF Board has 16 members who are Parties to the KP, which includes the Small Island Developing States and the Least Developed Countries. Developing countries have a slight majority. The equitable representation of all stakeholders gives developing countries a voice in how the Fund is managed.

The AF is guided by a set of principles including equitable and balanced access to funds, transparency in the governance of the fund, accountability in management, operation and use of the funds, and that countries decide their own priorities on how funding will be spent. However, there is a need for more transparent reporting as presently no information is given to the public on reasons why projects and programmes are not approved.

The Fund does not have the capacity or infrastructure to deal with the large amounts of money that is expected to flow to developing countries in the medium-to-long term. Some civil society groups like Action Aid recommend that the COP establishes a better way of delivering funds with an adaptation window. The Green Climate Fund (see Brief 2) was partly created to serve this purpose.

What is direct access and is it good for Africa?

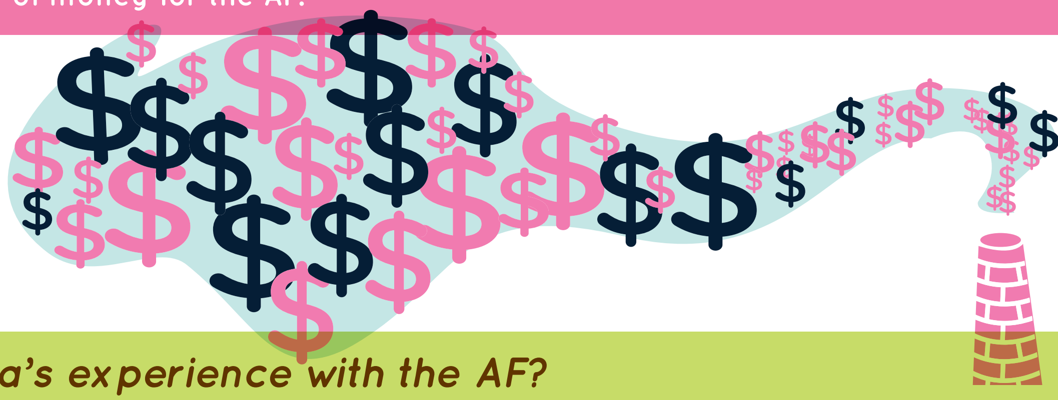
Direct access is a way to simplify and speed up the process through which adaptation resources are delivered to developing countries. Countries eligible to receive funds must nominate a National Implementing Entity (NIE) to access these funds. This NIE can either be an academic, civil society organisation, government department or agency which is in existence and which has a good track record in management. The NIE must be endorsed by the country authorities and have legal status to transact and receive money from the AF.

Direct access allows for country ownership, oversight and involvement in adaptation activities which removes the need for a third party. Direct access helps to increase the speed of the desired outcomes and has the potential to better target local priorities. These two benefits are critical to developing countries that have suffered from years of unfulfilled promises and been subjected to donor driven administrative arrangements. Currently, the major challenge for Africa is to build capacity to fully understand direct access and institute an appropriate climate governance structure that will identify appropriate national bodies to potentially act as a NIE.

Where does the money come from?

The majority of the money comes from a 2% levy on the proceeds of carbon offset revenues made through the Clean Development Mechanism (CDM). Thus far, the levy has mobilised $150-million for the Fund, far lower than many other funds. This form of funding has a few weaknesses. Firstly, it relies on the health and stability of the carbon market which makes it an unreliable and unpredictable form of funding. This means that if the price of carbon credits goes down there is less money that goes into the Fund. Sellers of credits in developing countries who should be receiving the funds sometimes also bear the burden of the levy when buyers of credits become sensitive to their high prices; thus, rather than transferring funds from developed to developing countries, the levy would transfer funds from big CDM host countries like China, Brazil and India to vulnerable countries eligible for adaptation funding. In this situation, developed countries no longer meet their legal obligation under the UNFCCC to provide finance to developing countries as well as their moral responsibility for providing finance. The CDM is also criticised as a source of funding because it has funded projects that are not socially or environmentally sound.

Another source of money comes from voluntary contributions from governments. However, this has not raised a lot of money for the AF.



What is Africa's experience with the AF?

Africa has received the second highest share (24.9%) of adaptation funds from the AF delivered across the world. Asia receives the largest share (35.1%) and North America receives the third largest share (18.5%). However, there are only 7 projects in the entire world that have been approved. Of this, Africa has 2 which were approved in September 2010. One project is hosted in Senegal (Adaptation to Coastal Erosion in Vulnerable Areas, funding received in 2011) and the other in Eritrea (Climate Change Adaptation Programme in Water and Agriculture in Anseba Region, funding received in 2011). These 2 projects only received a small amount of the money that they requested.

Senegal is the only African country to have an NIE to the AF. The method of direct access to the AF was welcomed by Senegal as they realised that access to funding is usually prevented by too many conditions, an inability by the donor country to meet their promises and institutional constraints on the part of countries receiving funds. Still, there are domestic problems with making the money work well for Senegal. Some lessons learnt from the case of Senegal's AF project include:

- Funds need to be aligned with national goals;
- A need to promote the coordination and coherence of different donor efforts, especially in the case of country-to-country donor projects and programmes;
- A need to secure comprehensive multi-stakeholder/actor consultation processes to capture the challenges as well as proposals for solutions;
- Clarifying and support the separation of different institutional responsibilities to avoid duplication of roles;
- Sharing activities amongst capable individuals to enable and preserve institutional memory and limit the possibilities of conflicts of interests;
- A need for an effective monitoring and evaluation system; and
- Making strategic partnerships between the government and independent organisations to successfully implement projects and programmes

Meaning of climate terms used in this brief

Mitigation refers to efforts that are aimed at reducing the concentrations of greenhouse gases (GHG) in the atmosphere in order to curb global warming.

Adaptation refers to efforts that are aimed at helping humans respond to climate change in a way that protects, reduces harm, and increases their resilience.

United Nations Framework Convention on Climate Change (UNFCCC) is the international agreement adopted in 1992 which binds 192 countries (currently 195) to support efforts to tackle climate change. It recognises that the polluter must pay and that there is common but differentiated responsibility amongst countries.

Kyoto Protocol (KP) is the first international agreement to set legally binding targets to reduce GHG amongst parties to the UNFCCC and provides a mechanism with which to reach those targets. It came into force in 2005 and the first commitment period ends in 2012.

Climate finance refers very broadly to any funding of climate change mitigation and adaptation activities. It is regarded as largely being undertaken by parties of the UNFCCC.

Clean Development Mechanism (CDM) is a flexible mechanism under the KP of the UNFCCC that allows industrialised/developed countries with a greenhouse gas reduction commitment (called Annex 1 countries) to invest in projects that reduce emissions in developing countries. CDM is commonly referred to as 'offsetting'.

Developed/Developing Countries is a contentious phrase and we are aware of the problems with this terminology. We have kept to the standard phrasing within the official climate discourse for clarity's sake.

Global Environment Facility (GEF) provides grants to developing countries and countries with economies in transition for environmental project: that is those relating to biodiversity, climate change, international waters, land degradation, the ozone layer and persistent organic pollutants. It was established in 1991.

This brief aims to provide information and analysis for civil society and community activists working on climate change issues in Africa. It is part of a series of 3 briefs that review different climate funds in operation (Adaptation Fund), those being designed (Green Climate Fund), and others being proposed (Africa Green Fund).

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