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Enabling poor rural people
to overcome poverty

Accreditation of IFAD as a multilateral implementing entity of the Adaptation Fund

Note to Executive Board representatives

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For: Approval

Recommendation for approval

The Executive Board is invited to authorize the President to negotiate and finalize with the Adaptation Fund Board and/or the International Bank for Reconstruction and Development (IBRD) the agreements required for the accreditation of IFAD as a multilateral implementing entity of the Adaptation Fund.

Accreditation of IFAD as a multilateral implementing entity of the Adaptation Fund

1. The Executive Board is invited to note that the Adaptation Fund Board (AFB), at its tenth meeting in June 2010, agreed to accredit IFAD as a multilateral implementing entity.
2. The IFAD Climate Change Strategy, approved in April 2010, identified the Adaptation Fund as a key potential partner for resource mobilization¹ and also noted IFAD's application for accreditation as a multilateral implementing entity of this funding mechanism. Accreditation would enhance IFAD's ability to implement the climate change strategy by providing additional funds to raise the profile of adaptation across IFAD's country programmes.
3. The Adaptation Fund was established at the seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change in 2001. It finances concrete adaptation projects and programmes in developing countries that are parties to the Kyoto Protocol. The Fund is financed from a share of proceeds from Clean Development Mechanism (CDM) project activities. It also receives other sources of funding. The Global Environment Facility provides secretariat services, and the World Bank (International Bank for Reconstruction and Development – IBRD) serves as trustee, both on an interim basis.
4. In accordance with article 8, section 2, of the Agreement Establishing IFAD, the Executive Board is requested to authorize the President to negotiate and finalize with the AFB and/or IBRD the agreements required for the accreditation of IFAD as a multilateral implementing entity of the Adaptation Fund. The texts of the agreements to be negotiated and concluded will be submitted to the Executive Board for its information at a subsequent session.
5. Relevant background information on the Adaptation Fund is enclosed as annex I. An overview of IFAD's added value and role as a multilateral implementing entity of the Adaptation Fund is contained in annex II.

¹ Paragraph 36, IFAD Climate Change Strategy (EB 2010/99/R.2/Rev.1).

Adaptation Fund background information

1. The Adaptation Fund was established by the Conference of the Parties of the United Nations Framework Convention on Climate Change (UNFCCC) to finance concrete adaptation projects and programmes in developing countries.
2. This Fund is financed with 2 per cent of the certified emission reductions (CERs) issued for projects of the Clean Development Mechanism of the Kyoto Protocol. It also receives other sources of funding.
3. The Adaptation Fund Board (AFB) was established as the operating entity of the Adaptation Fund with the mandate to supervise and manage the Fund. The Board is composed of 16 members and 16 alternate members representing parties, as follows:
 - (a) Two representatives from each of the five United Nations regional groups;
 - (b) One representative of the small island developing states;
 - (c) One representative of the least developed country parties;
 - (d) Two other representatives from annex I parties; and
 - (e) Two other representatives from non-annex I parties.
4. The Global Environment Facility provides secretariat services to the AFB on an interim basis in order to support and facilitate its activities. The International Bank for Reconstruction and Development (IBRD) serves as the Adaptation Fund trustee, again on an interim basis, and is also responsible for the CER sales ("monetization").
5. Since the start of the monetization programme in May 2009, CER sales have generated revenues of US\$85.26 million. The Adaptation Fund has also received voluntary contributions from Monaco and Spain for a total of US\$59.9 million. Estimates of potential resources available for the Adaptation Fund to December 2012 range from approximately US\$297 million to US\$438 million depending on the carbon market outlook. In a medium-case scenario, Adaptation Fund resources would be valued at approximately US\$363 million.
6. All countries that are parties to the Kyoto Protocol are eligible to access resources from the Adaptation Fund either directly through a national implementing entity, or using the services of a multilateral implementing entity. Both have to be accredited by the Adaptation Fund Board.
7. Funding for projects and programmes is made on a full adaptation cost basis to address the adverse effects of climate change and is available for projects and programmes at national, regional and local levels. Projects supported by the Adaptation Fund have no specific cofinancing requirements. Consistency with national policies, priorities and programmes is among the key criteria for project identification.
8. Small-sized projects (less than US\$1 million) undergo a one-step approval process by the AFB. Regular-sized adaptation projects (exceeding US\$1 million) undergo either a one-step or a two-step approval process. The latter option foresees approval of an initial project concept.
9. Agencies other than IFAD already admitted as multilateral implementing entities are the Asian Development Bank (AsDB), United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), World Bank and World Food Programme (WFP). To date only one country, Senegal, has an accredited national implementing entity that can access Adaptation Fund resources directly.

IFAD's added value and role as a multilateral implementing entity of the Adaptation Fund

1. For IFAD, and its target group, adaptation to climate change is not optional. This is also recognized by the IFAD Climate Change Strategy, approved in April 2010.¹ The objectives of increasing agricultural productivity and improving rural livelihoods cannot be achieved if decoupled from the objective of making rural investments more resilient to short-term and long-term climate impacts. In recognition of this, IFAD is evolving its approach to rural development by helping its partner communities respond to climate change challenges.
2. IFAD's comparative advantages in adaptation to climate change are rooted in:
 - (a) Its experience in working directly and consistently with the most marginalized groups of rural society, including women and indigenous peoples, and in marginal and post-conflict areas. These people are the most vulnerable to climate change effects;
 - (b) Its demand-driven, community-based and investment-oriented approach;
 - (c) Its attention to promoting innovative and results-oriented projects and programmes, including through partnerships with governments, poor rural people and their organizations, NGOs and the private sector; and
 - (d) Its more than 30 years of adaptation-related experience in natural resource management, irrigation, drought management and preparedness, promotion of local knowledge, livelihoods diversification, rural financial services and access to markets, among others.
3. Adaptation in agriculture is a priority. Food security was identified in most national adaptation programmes of action as an adaptation priority. The United Nations Framework Convention on Climate Change estimates that the amount requested for adaptation needs in this area corresponds to 21 per cent of the total required funding. Based on these lessons, agriculture and food security are expected to remain adaptation priorities in most developing countries.
4. On the basis of its comparative advantages, IFAD stands ready to support and complement the work of national implementing entities in its area of work, i.e. agriculture and rural development.
5. In line with the operational policies and guidelines for accessing the Adaptation Fund, IFAD's role as a multilateral implementing entity will be to support eligible countries in accessing resources for concrete agriculture-related adaptation projects and programmes aiming to reduce the risks and impacts of climate change on smallholders and their associated livelihoods.
6. IFAD's added value as a multilateral implementing entity lies in its rural poverty focus and its expertise in addressing climate change challenges at the local level. IFAD's services as a multilateral implementing entity would be of relevance to countries that have not yet nominated a national implementing entity. However, in a broader context, IFAD could offer itself to all eligible countries as an experienced partner for adaptation initiatives through investments along the agricultural value chains (from production to market access and including technologies and research). In this respect, IFAD is well positioned to drive Adaptation Fund investments around the key adaptation objective of increasing food security and reducing the vulnerability of smallholder farming systems and rural livelihoods.

¹ EB 2010/99/R.2/Rev.1.