

Submission by Nepal on behalf of the Least Developed Countries Group on Second Review of the Adaptation Fund

Pursuant to decision 2/CMP 9, the Least Developed Countries Group (LDC Group) welcomes the opportunity to submit its views on the Second Review of the Adaptation Fund (AF).

Noting the main objective of the Second Review is to ensure the effectiveness, sustainability and adequacy of the operation of the fund and *further noting* the scope of the Second Review to cover the progress made to date and lessons learnt in the operationalization of the Fund;

The LDC Group welcomes the pledges that have been made by Sweden, the Brussels capital region in Belgium, Austria, Belgium, Finland, France, Germany, Norway and Switzerland to the AF in 2013, including at COP 19 in Warsaw.

The LDC Group wishes to indicate its deep concern regarding the sustainability of the AF. The decreasing prices of Certified Emissions Reductions (CERs) have led to insufficient and unreliable funding for the AF, threatening the capacity of the fund to continue its operation. As the AF is a specific funding source for adaptation with a direct access modality, it needs to have adequate funding to continue its support to projects already in the pipeline and also other projects and programmes in the future. The LDCs, being highly vulnerable to the impacts of climate change, strongly support the continuation and expansion of the fund's operation in a sustainable manner.

The LDC Group further calls developed country Parties to continue making financial contributions to the AF as the existing financial source remains to be unpredictable.

Therefore, the second review should focus on:

Sustainable, Predictable and Adequate financial resources: The AF needs to explore and consider innovative ways to make the resources for the Fund adequate and predictable by diversifying its funding sources. It is also necessary to have clarity on the scale of resources that needs to be mobilized. In addition, there should be a mechanism that continuously reviews the status of projects in the pipeline and also the availability of finance to ensure sustainability of implementation.

The AF needs to rely on new and more stable sources of funding. The LDC Group had proposed in 2008 the introduction of an International Air Passenger Adaptation Levy (IAPAL) that would directly benefit the AF. In addition to that, voluntary levies that are applied to national and regional emission trading schemes such as the European Union Emissions Trading Scheme (EU ETS) could also be directed to the AF. Moreover, the AF Board should consider establishing regular replenishment processes. Developed country Parties should also continue and enhance their support to the AF.

Lessons learned from the application of the access modalities of the fund: The AF is well recognized for its unique governance structure and its direct access modality. This makes the AF different from other existing climate funds under and outside of the Convention. Therefore, the Review should closely look at extracting lessons learned and best practices from the AF experience that can be an input for the operationalization of the Green Climate Fund (GCF) and also other funds.

Acknowledging the approval of the first phase of the AF's Readiness Programme to increase the number of accredited National Implementing Entities (NIEs) and Regional Implementing Entities (RIEs) and number of good project/programme proposals, the review should consider ways that can further enhance the readiness of developing countries to access direct funding from the AF.

The Second Review can also assess the effectiveness of the operation of the AF by identifying gaps and recommend ways for improvement, including in the access of fund.

Furthermore, the Second Review should identify lessons that can be used in the implementation of other projects and programmes by assessing the efficiency and effectiveness at the project level. Additionally, it can evaluate results achieved in terms of building institutional capacity in implementing projects.

The second review must also address the linkages between AF and institutions outside of the Convention such as the United Nations Convention on Biological Diversity (UNCBD) and the United Nations Convention for Combating Desertification (UNCCD) since they also cover adaptation issues. This linkage might engage financial support from different environmental conventions in addressing adaptation measures. In order to deliver this linkage, it is the view of the LDC Group that the current Task Force established under the AF Board must be given full power to negotiate with the institutions under and outside of the Convention regarding financial cooperation for adaptation activities and reduce vulnerabilities faced by the people and ecosystems in developing countries.

Institutional linkages and relations: The Second Review should evaluate the relationship between the AF and the GCF as well as other financial institutions under UNFCCC and the Kyoto Protocol. In order to do that the Review needs to look at the relationship and linkages of AF with Global Environment Facility (GEF), Clean Development Mechanism (CDM), NIEs and Multilateral Implementing Entities (MIEs). Moreover, it should explore potential relationships and linkages between the AF and the Least Developed Countries Fund (LDCF), Special Climate Change Fund (SCCF) and GCF. This initial assessment of institutional linkages and relations could be an input for further work of the Standing Committee on Finance that will look at the coherence and complementarities of existing financial institutions under the Convention.

Institutional arrangements for the AF: As indicated in the Initial Review, the interim secretariat of the AF Board, i.e. GEF and interim trustee, i.e. the World Bank have been serving the AF since its inception. The Second Review should consider appropriate processes for prolonging the existing institutional arrangements for the secretariat of the AF Board after 2014 and trustee of AF after June 2015 based on the analysis of the quality of service, and competency of those institutions.