



SUBSTUDY 5

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**EVALUATION OF THE SWEDISH CLIMATE
CHANGE INITIATIVE, 2009–2012:
ADAPTATION FUND CASE STUDY REPORT**

Jane Burt

Evaluation of the Swedish Climate Change Initiative 2009 – 2012: Adaptation Fund Case Study Report

Jane Burt

Delstudie 5, 2020:02

till

Expertgruppen för biståndsanalys (EBA)

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Abbreviations

AF	Adaptation Fund
BAGRI	Agricultural Bank of Niger
BMU	The German Federal Ministry of the Environment, Nature Conservation and Nuclear Safety
BAPA	The Buenos Aires Plan of Action
BOAD	West African Development Bank
CDM	Clean Development Mechanism
CEO	Chief Executive Officer
CERs	Certified Emissions Reductions
CCI	Climate Change Initiative
CIF	Climate Investment Fund
COP	Conference of Parties
COP-MOP	Conference of the Parties serving as the meeting of the Parties to the Protocol
CSO	Civil Society Organisation
DAC	Development Assistance Committee
DRR	Disaster Risk Reduction
EBA	Expert Group of Aid Studies
ESP	Environmental and social policy
EU ETS	European Union Emissions Trading Scheme
GCF	Green Climate Fund
GEF	Global Environmental Fund
HDI	Human Development Index
IATI	International Aid Transparency Initiative
IE	Implementing Entity
IIED	International Institute of Environment and Development
IKI	International Climate Initiative
LDC	Least Developed Countries
M&E	Monitoring and Evaluation
MFA	Ministry of Foreign Affairs
MIE	Multilateral Implementing Entity
ND-GAIN	Notre Dame Global Adaptation Initiative
NGO	Non-governmental Organisation
NIE	National Implementing Entity
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PPCR	Pilot Program for Climate Resilience
PPR	Project Performance Report
RIE	Regional implementing entity

SANBI	South African National Biodiversity Institute
SEA	Swedish Energy Agency
SIDS	Small Island Developing States
SBI	Subsidiary Body for Implementation
SDG	Sustainable Development Goals
SGP	Small Grants Programme
TA-GP	Technical Assistance Grant – Gender Policy
TERG	Technical Evaluation Reference Group
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
WB	World Bank

Foreword by the EBA

In 2009, the Swedish government decided to start using ODA to deal with climate change and its negative effects. With a primary focus on the poorest countries, and mainly on their adaptation to climate change, Sweden set aside 4 bn SEK to be used over a four-year period. Furthermore, this constituted a major part of Sweden's 7 bn SEK contribution to the internationally agreed 'fast-start' of climate finance.

Ten years later, this surge of climate finance, including the bilateral, regional and multilateral activities to which it was put to use, has been evaluated. This report contains a case study where the climate change initiative's (CCI) investments and engagements in the multilateral Adaptation Fund have been evaluated. Together with ten other case study reports this study is published on-line and may be found at <https://eba.se/en/ebarapport/>. The synthesis report of the evaluation, together with a separate summary of the evaluation are available in print and on-line.

It is our hope that this evaluation may provide guidance for the future use of ODA in the efforts to curb climate change. The intended users of the evaluation are primarily staff at the MFA and Sida who engage in this challenge on a daily basis.

The evaluation has been accompanied by a reference group. This group has taken active part in a particular learning process the evaluation has facilitated. The reference group has been chaired by Johan Schaar, vice chair of the EBA. The responsibility of the analysis and the recommendations rests entirely with the evaluators.

A handwritten signature in blue ink, appearing to read 'Helena Lindholm'.

Helena Lindholm, EBA Chair

Sammanfattning

Anpassning till klimatförändringar måste integreras i alla länders politik och utvecklingsplaner, men brädskan att genomföra anpassningsåtgärder är särskilt stor i fattigare länder. 2001 inrättades Adaptation Fund (AF) för att bidra till finansiering av anpassningsåtgärder. Beslutet var en del av Kyoto-protokollet som antogs vid COP 7 i Marrakech, Marocko. AF initierades tillsammans med två andra fonder: en särskild klimatfond och en fond för de minst utvecklade länderna. Alla tre fonderna var delar i konventionens finansiella mekanism.

AF var tänkt att huvudsakligen finansieras genom en andel på två procent av intäkterna från utfärdandet av certifierade utsläppsminskningar (CER) - ett instrument som inrättats under "Clean Development Mechanism" (CDM). CDM gör det möjligt för rika länder att investera i utsläppsminskningsprojekt i fattiga länder. Förutom att utgöra ett alternativ till givarfinansiering gavs AF uppdraget att finansiera konkreta anpassningsprojekt – i en tid då det ännu var oklart hur ett konkret anpassningsprojekt skulle se ut.

AF och dess styrelse inrättades dock inte förrän 2008. Processen som ledde fram till fondens inrättande kan ses som en tillämpning av principer för deltagande, erkännande och maktfördelning. Rika länder ville att Global Environment Facility (GEF) skulle få ansvar att driva fonden, men utvecklingsländerna vägrade och krävde både processuell och distributiv rättvisa.

Sverige kom att spela en nyckelroll under AF:s första år. Under 2009/2010 utsågs Jan Cedergren från Sverige till styrelsens ordförande. Han lyckades skapa ett fungerande arbetsklimat mellan styrelseledamöterna. Sverige beskrivs också som AF:s mest konsekventa supportorer och finansiär och har bidragit finansiellt varje år sedan 2010, med undantag för 2014 och 2015.

Under de första två åren fokuserade AF på att inrätta styrelsestrukturer, protokoll och principer. De första projektförslagen antogs 2010, och det första projektet lanserades i Senegal 2011. Men redan 2012 stod AF inför en finansiell kris då

kolmarknaden kraschade. CER:s kollaps innebar att AF inte fick betydligt mindre intäkter än väntat. AF-sekretariatet försökte finna nya sätt att samla in medel utan att involvera givarländer, men alternativen var begränsade. Mot slutet av 2012 blev så Sverige och Tyskland de största och mest konsekventa bidragsgivarna. Krisen innebar även att flera av de projekt som lagts fram inte kunde finansieras. En kölista upprättades för projekt som skulle godkännas, men där genomförandet fick vänta tills medel fanns tillgängliga.

Sverige var drivande för att ge fattiga länder möjligheter att få direkt tillgång till finansiering via Nationella Genomförarorganisationer (NIE). Denna möjlighet kom att bli en hörnsten i AF:s arbete, och AF var den första fond som genomförde direkttillgång. Ansatsen låg helt i linje med Parisavtalet om utvecklingseffektivitet. Bland givarländer fanns länge en oro över huruvida direkt tillgång skulle fungera eller om det skulle leda till en misskötsel av medel. Utvecklingsländerna föredrog dock direkttillgång framför finansiering via multilaterala organisationer (MIE). I slutet av 2012 hade AF hunnit godkänna 27 projekt. Man hade även hunnit ackreditera 15 NIEs och 10 MIE för genomförande av insatser.

Sveriges bidrag

Ett av Sveriges huvudsakliga bidrag till AF var det konsekventa stödet och finansieringen. Detta skapade förtroende hos andra aktörer om att AF var på rätt väg. Med ökande finansiella svårigheter i Europa som en följd av finanskrisen 2008 fanns det en verklig fara att de rika länderna inte skulle lyckas hålla igång klimatfonderna. Sveriges konsekventa stöd ökade motivationen för andra att fortsätta stödja AF. Senare har direkt tillgång för utvecklingsländer också blivit en nyckelfråga i Gröna klimatfonden (GCF) där Sverige fortsätter att driva frågan. Exempelen från AF där flera principer tillämpats framgångsrikt har bidragit till GCF-styrelsen ökade förståelse för hur direkt tillgång fungerar.

Sveriges bidrag till AF, som blev möjligt tack vare CCI, innebar en handling av förtroende för, och solidaritet med, utvecklingsländerna. För det första stödde Sverige insatser för

anpassning till klimatförändringar vid en tidpunkt då utsläppsminskningar stod i fokus. För det andra drev Sveriges kravet om direkt tillgång i enlighet med principerna i Parisavtalet om biståndseffektivitet i en tid då stödet för Parisavtalet sjönk undan i de globala ekonomiska krisernas kölvatten. Sverige intog också en ledarroll i AF i syfte att överbrygga splittringar och sår inom AF:s styrelse. Dessa tidiga investeringar av pengar, tid, expertis och diplomati har givit betydande resultat för Sveriges fortsatta roll i klimatförhandlingarna.

Men den svenska metoden innehöll också svagheter. Det fanns begränsad kapacitet inom UD och miljödepartementet att delta i alla sammanhang där klimatsatsningens pengar investerades. Till en början var miljödepartementet ansvarigt för AF, men eftersom man inte kunde ge det tillräckligt med uppmärksamhet blev man tvungen att lämna över till UD. Men det lilla team som ansvarade för klimatförändringsrelaterade frågor och förhandlingar på UD hade inte heller tillräcklig kapacitet, varför man kallade in en anställd från Energimyndigheten, som fick rollen på grund av färdigheter och kunskap. Detta var en unik lösning som berodde på kapacitetsbrist inom UD. Denna kapacitetsbrist ses fortfarande som ett problem idag, då de finansiella bidragen ökar medan den personella kapaciteten förblir densamma.

Svenska styrelseledamöter i AF fortsatte att spela ledande roller. Sverige blev ordförande för den panel som ackrediterar nya genomförande-organisationer. Den positionen sågs av UD som en möjlighet att påverka det fortsatta arbetet med att säkra möjligheter till länders direkt-access.

Sverige drev också krav om civilsamhälls-organisationers deltagande i AF:s arbete. Sverige har öppnat för civil-samhällets stöd och engagemang på styrelsesnivå, men styrelsen har hittills inte tillåtit aktiva observatörer (som vissa andra klimatfonder gör). Sverige har också prioriterat jämställdhetsfrågor. 2015 berömdes AF i en utvärderingsrapport för att ha byggt en stabil grund för sin operativa verksamhet. Men man noterade samtidigt betydande brister, bland annat inom jämställdhetsområdet. Sverige insisterade på en specifik jämställdhetspolicy och efterlyste en specifik handlingsplan.

Sverige har särskilt medverkat till två stora reformer inom AF. Den första gäller införandet av möjligheter till direkt finansiering, inklusive en förenklad ackrediteringsprocess för små ö-nationer. Sverige hävdade att AF:s främsta uppdrag var att finansiera små länder och mindre projekt som skulle ha försvunnit om de istället hamnat hos GCF med dess bredare mandat. Den andra reformen handlade om att knyta AF till Parisavtalet om biståndseffektivitet.

Diskussion

AF kan beskrivas som en lärande organisation, inte minst på grund av den styrelsens konstruktiva arbetssätt och sekretariatets engagemang. Rekommendationer från två utvärderingar har beaktats och mestadels genomförts. AF betraktas också, särskilt av Sverige, som en fond som kan fylla i luckorna för GCF och fokusera på små projekt i fattiga länder och samhällen som annars skulle kunna förbises av GCF. Detta gäller särskilt för små ö-nationer.

Sveriges viktigaste bidrag har varit att stödja AF och fungera som brobyggare i en tid med ökad fiendskap till "de andra". Brobyggande måste genomföras på många olika sätt och nivåer, och Sverige har spelat brobyggarens rollen t.ex. som en fredsmäklare styrd av principer; som en medlare mellan olika nivåer (NGO-nätverk, nationell direkttillgång, internationell nivå); som en förkämpe för viktiga principer och som medlare för samarbete och samordning snarare än konkurrens.

Summary

All countries need to integrate climate change adaptation into their development policies and plans but the *urgency* for countries to adapt has particular implications for developing countries. To help finance such adaptation, the Adaptation Fund (AF) was set up in 2001 under the Kyoto Protocol at COP 7 in Marrakech, Morocco. The AF was initiated together with two other funds: a special climate fund and a least developed countries fund. All three funds were meant to be managed by an entity under the financial mechanism of the Convention.

The AF would be substantially financed from a two percent share on the issuance of Certified Emissions Reductions (CERs) - a vehicle set up under the Clean Development Mechanism (CDM). CDM enables developed countries to invest in emission-reduction projects in developing countries. In addition to offering an alternative to donor funding, the AF had the objective of funding concrete adaptation projects at a time when it was unclear what a concrete adaptation project should look like.

It took until 2008 before the AF was operationalised and the Board established. This process could be seen as the emergence and practice of the principles of participation, recognition and the distribution of power. Developed countries wanted the Global Environment Facility (GEF) to operate the Fund, but developing countries' refused, and called for developed countries to acknowledge the need for both procedural and distributive justice.

Sweden came to play a key role in the early years of the AF. During 2009/2010, Jan Cedergrén from Sweden was appointed chair of the Board and was able to establish a working relationship between Board members. Sweden is also reported to be the most consistent supporter and funder of the AF and has contributed every year since 2010, except for 2014 and 2015.

During its first two years the AF focused on setting up governance structures, protocols and principles. The first project proposals were accepted in 2010, with the first project launched in Senegal in 2011. However, already in 2012 the AF faced a financial

crisis with the crash of the carbon market. The collapse of the CERs meant that the AF was not receiving as much money as was expected. The AF Secretariat tried to come up with novel ways of raising funds that did not involve donor countries, but their options were limited. Sweden and Germany became the biggest and most consistent contributors by the end of 2012. The crisis also meant that not all projects put forward could now be funded. In December 2012, a project waitlist was established for projects that would have been approved if funds were available.

Pioneering direct access through National Implementing Entities (NIEs) was seen as the cornerstone of the AF and championed by Sweden. The AF was the first fund to put direct access into practice - an innovation in country ownership and in line with the principles of the Paris Declaration. Early on there were still some misgivings about whether direct access would work and whether there would be mismanagement of funds. Direct access was supported by developing countries who preferred it to funding through multilateral entities (MIE).

By the end of 2012, 27 projects had been approved. In the first three years accreditation of implementing entities was slow, but by the end of 2012 15 NIEs and 10 MIEs had been accredited.

Sweden's contribution

Consistent funding year after year was one of the main contributions that Sweden made to the AF fund. This consistency also developed confidence in other partners that the AF was on track. With the increasing financial pressures in Europe after the financial crisis in 2008 and the Eurozone financial crises that followed, there was a real danger that developed countries would not rise to the challenge to keep climate funds flowing. Sweden's consistent donations to the AF during a very uncertain time boosted the motivation of partners to continue supporting the AF.

The Swedish chair, Jan Cedergren, had experience of the tensions related to the design of direct access models from the OECD work on aid effectiveness. Donors did not like the idea of direct access.

This modality meant that they could not direct aid the way they wanted, but had to listen to multiple views including those of developing countries. Despite resistance Cedeqren persisted, convinced that it was vital in the long term to ensure sustainability.

Later, direct access and country ownership has also become a key issue in the Green Climate Fund (GCF) and a position that Sweden holds as a key principle in the GCF negotiations. The AF has managed to provide a portfolio of successful principles as well as contributing to the GCF Board an understanding of how direct access works. The idea of direct access is also an alternative to the multilateral system.

The contribution of Sweden to the AF, enabled by the CCI, was an act of trust in and solidarity with developing countries. First, Sweden showed support for adaptation at a time when mitigation was the main focus. Second, Sweden's support for direct access aligned it directly with the principles of the Paris Declaration when support for these principles was waning as a consequence of the global economic crises. In the process of doing this Sweden also took up a leadership role in the AF to heal old wounds and divisions that were being played out within the UNFCCC and then in the AF Board. The results of this initial investment of funds, time, expertise and diplomacy have had a significant effect on Sweden's role in climate negotiations going forward.

However, there were also weaknesses in the Swedish approach. There was limited capacity within the MFA and the Ministry of Environment to be involved in all the funds supported by the CCI. At the start of the investment in the AF the Ministry of Environment was responsible, however not able to follow up on the work and had to hand over to the MFA. As the MFA did not have the capacity given the small team responsible for climate change-related issues and negotiations, an employee from the Swedish Energy Agency was brought on board because of her skills and knowledge. This was a unique set up due to the shortage of capacity in the MFA. This lack of capacity is still seen as an issue today with financial contributions increasing but capacity remaining the same.

Sweden continued to regularly contribute to the AF after 2012 as they recognised the importance of the fund for piloting direct access and concrete adaptation projects. Given that carbon trading did not turn out as expected Sweden saw funding the AF as addressing an urgent gap. They also funded in the hope of encouraging other countries to contribute.

AF Board members who were Swedish continued to play a leadership role on the Board and on AF committees and panels. Sweden chaired the accreditation panel. This was seen as an opportunity by the MFA to influence the development of direct access. The biggest transformational element of the accreditation process was institutional development. This was also recognised by the 2015 evaluation as an added value of the accreditation process.

Sweden stood behind and encouraged civil society participation. Sweden has been open to enhancing civil society support and engagement at Board level, however, so far the Fund's Board does not allow for a seat at its table for active civil society observers (as some other climate funds do).

Sweden also prioritised gender. A 2015 evaluation report commends the AF on a solid foundation for operational success but notes significant policy gaps, gender being one of these. Sweden insisted on a specific gender policy, arguing that there were bits and pieces in the ESP but there was a need for a specific action plan.

Sweden championed two more significant shifts for the AF. The first was the direct access window, a simplified accreditation process for island states. They argued that the AF's relevance was to fund smaller countries and smaller projects that would get lost in the broader mandate of the GCF. The second was linking the AF to the Paris Agreement.

Discussion

The AF can be seen as a learning organization, not least due to the conducive working environment of the Board and the commitment of the Secretariat. Recommendations from two evaluations have been considered and mostly taken up. The AF is also seen, by

Sweden in particular, as a fund that can fill in the gaps for the GCF and focus on small projects in poor countries and communities that may get overlooked by the GCF. This is particularly so for small island states, which Sweden is currently championing.

Sweden's most significant contribution has been to support the AF and act as 'connector' in a time of increased animosity to 'others'. Significant connectors are multifaceted, and Sweden has played that role e.g. as a peace maker guided by principles; as a connector at multiple scales (NGO network, national direct access, international level); as a champion of important principles and as a connector beyond competitiveness and for collaboration and coordination.

Introduction

The Expert Group of Aid Studies (EBA) has commissioned an impact evaluation of the Swedish Climate Change Initiative (CCI, 2009-2012). The CCI was a four-year Swedish Government programme in climate change adaptation and mitigation measures, totalling SEK 4 billion of official development assistance (ODA). Two thirds of this funding was allocated through multinational organisations via the Swedish Ministry for Foreign Affairs (MFA) and one third to bilateral and regional efforts via Sida. The goal of the CCI was **“to effectively contribute to long term adaptation efforts, especially in the poorest countries, and to developing countries’ efforts to reduce greenhouse gas emissions.”**

Selection of the AF as a case study

“...as you can see almost all money went to "safe areas" that are World Bank or World Bank affiliated organizations. AF was a bit different.” (Former chair, AF board)

CCI multilateral funding totalling SEK 2.9 billion (USD407m) was allocated to 17 multinational funds, programmes and initiatives. Four of these programmes were selected as case studies within the evaluation – two case studies with an adaptation/ disaster risk reduction (DRR) focus and two with a mitigation focus. The Adaptation Fund (AF) was selected by the MFA as one of the two case studies within the adaptation/DRR group, the other being the Global Facility for Disaster Risk Reduction (GFDRR).¹ The AF received the third highest allocation (21 percent) from multilateral funds with an adaptation/DRR focus.

The Adaptation Fund was established in 2001 and became operational in 2008. It was established under the Kyoto Protocol and funded partly from contributions of Parties to the Kyoto Protocol and partly by 2 per cent of Clean Development Mechanism’s (CDM) Certified Emission Reductions (CER). It is

¹ Colvin J (2020) *Global Facility for Disaster Risk Reduction case study*. Stroud: Emerald Network Ltd.

focused entirely on funding concrete adaptation projects and programmes that meet the needs of the most vulnerable communities². The first projects were approved in 2010.

SEK 100 million per year (totalling SEK 300 million) was invested in the AF from the CCI from 2010 to 2012, with additional CCI funding of SEK 100m in 2013. Sweden has remained the most consistent funder of the AF from 2010 to date and was the largest contributor in 2013³. The Chair of the Board for these years, elected in his personal capacity, was from Sweden.

Sweden has continued to play a leadership role in the board. From 2012-2014 the Vice-Chair of the AF Accreditation Panel, Ms. Angela Churie-Kallhauge, was from Sweden. From 2016-2018 the Chair of the Board's Ethics and Finance Committee was Tove Goldmann-Zetterstrom and in 2019 it was Mattias Broman, both from Sweden. Finally, the incoming Vice-Chair of the Board in 2020 is also Swedish (Mr. Broman).

Sweden has played a significant part in stabilising the fund as well as playing a leadership role on the AF Board in the capacity of representative for the Western European region or as representative for Annex 1 parties⁴. This case study was selected in part to develop an understanding of how this leadership role played out in a new fund.

In line with the overall methodology of the evaluation, this is a medium dive case study. The intention of a medium dive case is to gain insight into the governance of the AF at a global level - and Sweden's particular influence in the fund - as well as to investigate how the fund played out on the ground in one country, with Cambodia selected as the focus in the case of the AF. This report

² Nilsson L (2013) *Synthesis Report: Swedish special climate change initiative 2009-2012*. Stockholm, Sweden: MFA

³ Nilsson L (2013) *op.cit.*

⁴ [Annex 1](#) Parties include the industrialized countries that were members of the OECD (Organisation for Economic Co-operation and Development) in 1992, plus countries with economies in transition (the EIT Parties), including the Russian Federation, the Baltic States, and several Central and Eastern European States.

should therefore be read in concert with the Adaptation Fund: Cambodia case study.⁵

The AF accredits multilateral implementing entities (MIEs), regional implementing entities (RIEs) and national implementing entities (NIEs)⁶. The Cambodia AF programme was implemented under the UNDP, one of the first MIEs to be accredited by the AF. From our interviews it became clear that the preference within the AF has been for an implementing entity to be an NIE as this makes it possible for projects and programmes to align more closely with country priorities. The AF NGO Network also observed that, in most cases, AF projects implemented by MIEs and RIEs tend to face more challenges, such as:

- insufficient country ownership
- insufficient coordination between countries' NIEs and the RIEs/ MIEs of regional projects
- insufficient stakeholder consultation at national and community level
- insufficient consultations and country ownership often resulting in delays in project inception after approval
- insufficient use of synergies between the project and existing national initiatives
- projects often do not adequately support the strengthening of national institutional capacities.

We chose to follow up briefly on the South African AF programme implemented by the South African National Biodiversity Institute (SANBI), an accredited NIE. We did not investigate an RIE-run programme.

⁵ Abidi Habib M (2020) *Adaptation Fund: Cambodia case study*. Stroud: Emerald Network Ltd.

⁶ There are currently 31 accredited NIEs, 12 MIEs and 6 RIEs

Evaluation framework and methodology

The two questions guiding the overall evaluation, of which this is a contributing case study, are:

Q1: Has the CCI contributed to sustainable climate change adaptation and mitigation in poor countries? If so in what way, and to what extent?

- what was the value of the ‘surge’ of fast track funding represented by CCI?
- what was the value of taking a principles-based approach to guide CCI investments & implementation?
- how did this translate into sustainable impacts over the longer term?

Q2: What lessons from the CCI can inform climate aid today?

To answer these questions, telephonic interviews were held with 14 people and a range of documentation was reviewed. While the identity of those interviewed remains confidential, a breakdown of their affiliation is provided in the box below. The majority of interviews were conducted between 30 July and 19 September 2019.

Table 2: List of organisations interviewed

Organisation	No. of interviewees
Adaptation Fund, board members (current and former)	5
Adaptation Fund NGO network, members from Germany & South Africa	2
Adaptation Fund Secretariat, Washington DC, USA (current and former officials)	2
Adaptation Fund, Technical Evaluation Reference Group	1
Evaluator, Adaptation Fund project managed by NIE, South Africa	1
Ministry of Foreign Affairs, Stockholm, Sweden (current and former officials)	2
National Implementing Agency (NIE), South Africa	1

Total	14
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Documents reviewed included AF evaluations for phases 1 & 2, minutes of AF board meetings, MFA overarching strategy & development policies, MFA contractual documents relating to the AF financial contribution, reports by the Sweden Energy Agency to the Ministry of Environment on the AF, academic articles, one country evaluation, and reviews and reports on climate change adaptation, sustainable development and climate finance.

The case study starts with the bigger picture of the AF (section 2) and then digs down into Sweden's - and then specifically CCI's - contribution, which is broken into two periods (sections 3 and 4). Section 5 is an evaluative assessment of the AF based on studies commissioned by the AF secretariat to the board and academic critiques of the AF fund. This is placed here in the report so that it can be read in the light of Sweden's participation and contribution to the AF. Section 6 reflects on what has been learnt through the AF and about how and what Sweden and CCI contributed. Points to facilitate discussion on draft recommendations by the Evaluation Reference Group are presented in section 7.

Limitations of the study

The main limitation to this case study was its timing. The intention was to conduct almost all of the interviews towards the end of July/early August. This is the holiday season in Western Europe and many individuals were not available to be interviewed until mid-August. This meant that contact details for AF Board members from developing countries were only received in mid-August and only one developing country member was interviewed in time for this report. It became increasingly evident, as the case proceeded, that the voices of AF Board members from developing countries was needed and lacking particularly in relation to how certain member countries significantly contributed to the shaping of the AF and sharing the learnings of AF in broader climate negotiations. This missing piece of the puzzle is important as it would have provided a broader picture of Sweden's contribution in relation to that of other countries, particularly developing countries. Ideally, the

case study of Cambodia should have been conducted after the global case study of the AF was done but this could not be aligned due to the above. Another limitation is that we did not have the time to investigate, even if only briefly, at least one example of an RIE project. Most interviewees felt that their memory of the CCI was limited, with most interviewees associated with the AF not knowing about CCI at all. Some country interviewees were hesitant to speak freely about their concerns as they were afraid to jeopardise the accreditation of the NIE by admitting to challenges relating to meeting certain expectations.

Contextualising the AF story



Political influences on the development of the AF fund stretch back to 1978 and the Buenos Aires Plan of Action (BAPA). Adopted by 138 states, the BAPA promotes and implements technical cooperation among developing countries. The BAPA highlighted major changes in approaches to development assistance, emphasising national and collective self-reliance among developing countries as foundations for a new international economic world order⁷.

At COP5 in 2000, the president of the conference of parties (COP), Jan Pronk, proposed that as part of the package of decisions on issues covered by the BAPA, a new adaptation fund and a new convention plan should be established under the Global Environmental Fund (GEF).

The AF was set up under the Kyoto Protocol at COP7 in 2001 in Marrakech, Morocco. Parties adopted the Bonn agreement on implementing the BAPA⁸. This agreement provided for the establishment of three new funds: a special climate fund, a least developed countries fund and an adaptation fund (AF) under the Kyoto Protocol. At the time it was assumed that all three funds would be managed by an entity that operated under the financial mechanism of the Convention⁹.

What was unique about the AF at that time was that it would be substantially financed from a 2 percent share on the issuance of

⁷ <https://www.unsouthsouth.org/bapa40/documents/buenos-aires-plan-of-action/> Accessed 8 September 2019

⁸ <https://unfccc.int/files/press/releases/application/pdf/pressrel230701.pdf> Accessed 6th September 2019

⁹ <http://unfccc.int/cop7/issues/convkpfunding.html> Accessed 3 September 2019

Certified Emissions Reductions (CERs). CERs are one of three mechanisms set up under the CDM. CDM enables developed countries to invest in emission-reduction projects in developing countries. Developed countries can then count the emission reductions for their own benefit, the idea being that reducing a unit of emissions was cheaper in developing countries than in the developed countries themselves. Emission-reduction projects in developing countries could earn CER credits, each equivalent to 1 tonne of CO₂. Once the CERs were obtained they could be monetised through being traded on the international exchange¹⁰.

In addition to offering an alternative financing model to donor funding, the AF had the objective of funding concrete adaptation projects at a time when it was unclear what a concrete adaptation project should look like.

Climate change, adaptation and justice

“My sense is that for many developing country negotiators, the AF became more than just another political matter, it became a matter of principle and of personal affiliation (for a good reason, of course). Perhaps for some developed country negotiators too”. (Official, AF Secretariat)

The need for adaptation emerges out of a realisation that human-induced climate change will impact human systems and these will need to adapt to the actual and expected effects of climate change (such as increased variability and extreme conditions). All countries need to integrate adaptation into their development policies and plans but the *urgency* for countries to adapt has particular implications for developing countries. Given that industrialised countries have benefitted from an economy reliant on fossil fuels, the UNFCCC includes obligations for richer countries to give

¹⁰ iied (2009) *The Adaptation Fund: A model for the future*. iied briefing. London: iied.

financial, technical and institutional assistance to poorer and more vulnerable countries¹¹.

There has been a continuing tension between developing and developed countries as to how developed countries should take responsibility for the costs of adaptation. Developed countries have tended to see adaptation as additional development assistance and funded adaptation with some reluctance. Instead, developed countries preferred to invest in mitigation in developing countries. This is not the intention of the UNFCCC obligation. Adaptation obligations are not to be seen as charity or development assistance, but as prevention from harm. This division between developed and developing countries made the AF important in negotiations and crucial for any development in international climate policy. The AF faced the challenge of developing predictable, secure and adequate funding streams in order to offer financing grounded in ethical considerations¹².

Even though the AF was established in 2001 it took another seven years to operationalise it. This was due to the ongoing political tensions between developed and developing countries, which centred around whether or not the GEF should also manage the fund because the Kyoto Protocol, agreed in 1997, only entered into force in 2005. Developing countries, led by the Philippines, resisted housing the fund within the GEF whereas developed countries supported the GEF. There were two main reasons why developing countries rejected the GEF for this purpose¹³:

A desire for disbursement processes that not only take into account financial concerns but also accessibility, transparency and predictability¹⁴ and,

¹¹ Grasso M (2011) The role of justice in North-South conflict in climate change: the case of negotiations on the Adaptation Fund. *International Environmental Agreements*. Vol. 11 p. 361-377

¹² Grasso M (2011) *op.cit.*, p. 362

¹³ Grasso M (2011) *op.cit.*

¹⁴ "... developing countries, especially poorest and most vulnerable, have considered GEF and its management procedures to be extremely inefficient and awkward: a problem recognized by the GEF CEO Barbut ... De Boer, former UNFCCC Executive Secretary, acknowledged at a GEF Council meeting the worries of developing countries and called for the GEF to be more responsive to the guidance of the UNFCCC, to facilitate access to

More democratic access than offered by GEF procedures¹⁵.

Additionally, because the funding of the AF was generated through the CDM mechanism in their countries, developing countries argued that their inclusion in the governance of the AF was essential, as they viewed the funds as their money.

In 2006 at COP12 in Nairobi there was a breakthrough with both developed and developing countries acknowledging that there are ethical considerations concerning responsibility for climate impacts and for their reparation. The Nairobi AF decision was adopted, which stated that the Adaptation Fund should operate under the authority and guidance of and be accountable to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol which shall decide on its overall policies. Therefore, it sat outside the sphere of influence of countries that had not ratified the Protocol (such as the United States) and it created an opportunity for other big players, like the European Union, to assume a more proactive role in negotiations. It became a platform of 'influence' on the climate change global stage. This altered the traditional UNFCCC dynamics and heightened the controversy of the fund¹⁶. The Nairobi AF decision also stated that the AF would be managed by the Kyoto Protocol governing body (the COP/MOP) and that it would follow a one-country-one-vote rule. This contrasted with other adaptation funds, such as the GEF, that follow the more traditional voting procedure requiring a majority, as well as donations for carrying a vote. Developing countries argued that this was not democratic enough.

The operational details of the Nairobi AF decision were finalised at COP 13 (2007), with the establishment of the AF Board as the financial mechanism of the AF as the operating entity. The Board would consist of 16 Board members that were independent of the

existing funds for adaptation and to give greater consideration to adaptation priorities." Grasso, 2011, p 367

¹⁵ Developing countries argued that there was an under-representation of countries in GEF's decision-making procedures, where GEF constituencies are supposed to represent their interest groups but in reality this does not happen. One had to be 'sitting at the table' to have influence. For example, Australia and the Pacific Islands fall under the same constituency yet have conflicting interests (Grasso, 2011).

¹⁶ Grasso M (2011) *op.cit.*

GEF and which would be equitably selected from participating countries and under the direct authority of the COP-MOP. The GEF would provide a provisional Secretariat service to the AF. Finally, in accordance with the wants of many developing countries, entitled parties would have direct access to the AF through National Implementing Entities (NIEs) without having to pass through multilateral implementing agencies. This would mean more power in terms of access to resources and control of processes by recipient countries¹⁷.

In 2008 the AF was operationalised and the Board established. The process towards the founding of the AF and the operationalisation could be seen as the emergence and practice of the principles of participation, recognition and the distribution of power. Developing countries' refusal to accept the GEF as the operating entity of the AF was a call for developed countries to acknowledge the need for both procedural and distributive justice¹⁸. The developed countries' ability to negotiate the deadlock from an ethical position acknowledged that, for most of the South, climate change is a matter of survival, and was a call to developing countries to revisit a defensive and reactive strategy and adopt a more constructive approach. This does not take away from the fact that North-South relations mostly depend on how the prevailing economic order is negotiated¹⁹.

Governance structures of the AF

*Adaptation Fund Board*²⁰

One of the compromises negotiated between developed and developing countries was that the AF would be operated by an Adaptation Fund

¹⁷ Grasso M (2011) *op.cit.*

¹⁸ Grasso M (2011) *op.cit.*

¹⁹ Okereke C, Bulkeley H, Schroeder H (2009) Conceptualizing climate governance beyond the international regime. *Global Environmental Politics*, 9(1), 58-78.

²⁰ <https://www.adaptation-fund.org/about/governance/board/> Accessed 1st August 2019.
Rules and Procedures of the AF Board

Board made up of representative parties under the Kyoto Protocol with a majority of the Board (approximately 69 percent) being made up of developing country representatives. The Board consists of 16 members and 16 alternates. These are:

- (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 the Parties included in Annex I to the Convention (Annex I Parties);
- (e) Two other representatives from the Parties not included in Annex I to the Convention (non-Annex I Parties).

Board members are elected at a session of the CMP on the AF.

Sweden has had a member on the board since 2009, although not as a representative of Sweden but as a representative of the United Nations Western European regional group or Annex 1 Parties. Nonetheless, a Swedish representative tends to represent Sweden's policies and principles as most donor countries from Annex 1 or the Western European Group have their own representation in the Board.

Board committees

The Board can establish Board committees which are guided by Terms of Reference. In 2009 the Board established two committees²¹:

1. Project and Programme Review Committee (PPCR): Assists the AF Board with project/programme reviews and the Fund's project cycle. This includes monitoring the AF's core governance structures and providing advice on the basis of the results-based framework and the Fund portfolio's consistency with decisions of the COP serving as the meeting of the Parties

²¹ <http://www.adaptation-fund.org/wp-content/uploads/2015/01/AFB.B.5.5%20Board%20Committees.pdf> Accessed 23rd September 2019

to the Kyoto Protocol and the Board. To share relevant lessons learnt and best practices from around the world.

2. Ethics and Finance Committee (EFC): responsible for providing advice to the AF Board on issues of conflict of interest, ethics, finance and auditing. This included overseeing the Secretariat on issues related to ethics and finance.

From an evaluation perspective, it would be good to also mention the recent establishment of the AF Technical Evaluation Reference Group (TERG) and small TERG Secretariat. The Chair of the TERG was appointed by the AF Board in January 2019.

Secretariat²²

The AF Board has a dedicated Secretariat. It was agreed, in 2008, that the Secretariat would be housed within the GEF in Washington on an interim basis. Eleven years later this is still the case. The first manager of the Secretariat was appointed in 2009 and initially worked with GEF staff. During 2009 the Board gave permission for the Secretariat manager to appoint her own staff. The Secretariat remains small (currently 12 full time staff members). As the fund matured the Secretariat's responsibilities have increased to include capacity development and monitoring and evaluation.

Trustee²³

There are trade-offs in this situation and the secretariat has to abide by the WB administrative rules and procedures for its own functioning. The balance is in my view positive, give, the organisational strength of the WB, mainly as host of the secretariat (Former official, AF Secretariat)

The World Bank is the interim trustee of the AF by invitation of the Parties to the Kyoto Protocol and manages the AF trust fund and sells CER certificates on behalf of the Board. This is done in accordance with guidelines that the Board has developed and approved following World Bank guidance and inputs. The World Bank is accountable to the AF Board to perform these functions.

²² <https://www.adaptation-fund.org/about/governance/secretariat/> Accessed 1st August 2019

²³ <https://www.adaptation-fund.org/about/governance/trustee/> Accessed 1st August 2019

*Accreditation Panel*²⁴

The Accreditation Panel is responsible for ensuring that organisations receiving funds meet the fiduciary standards of financial integrity and management, institutional capacity, and self-investigative powers. The panel consists of four independent experts and two members of the AF Board that are appointed by the Chair and vice-Chair of the AF Board. Each member can serve for two consecutive terms of two years. The Accreditation Panel makes recommendations to the AF Board about the accreditation of an implementing entity by considering all applications. If some applications are not approved then the panel can suggest what technical support is needed to improve capacity. An external assessor can be brought in to mediate in the context of extenuating circumstances or contentious issues.

How the AF is funded

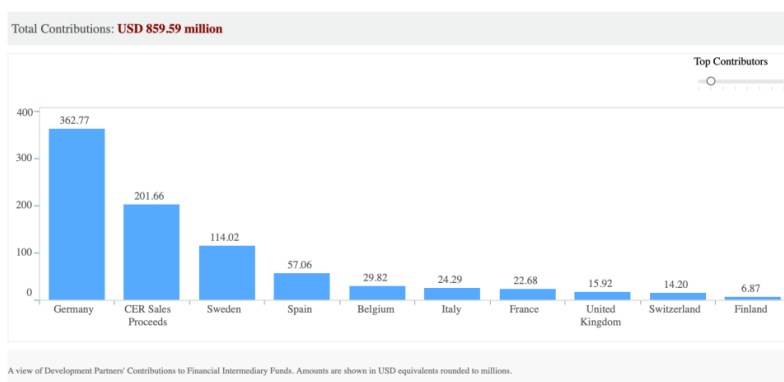
The AF was initially financed through the CDM project activities. The share of proceeds amounts to 2 percent of certified emission reductions (CERs). Funding also includes donations from Annex 1 countries to the AF. The AF has also received contributions from 4 subnational governments (3 regions of Belgium and the Canadian Province of Quebec) as well as from private sources. These donations became increasingly important after the market for carbon credits plunged in 2012.

Spain was the first Annex 1 funder of the AF, contributing a substantial amount in April 2010 (USD57,060,000) which made a significant contribution in helping set up the AF. As the AF was a big actor in the CER market they could not monetise too much at once, so the Spanish contribution was used to start funding the first AF projects. Spain supported the AF from its inception because the fund is aligned with Spanish policies on climate change adaptation at a national and international level, which see adaptation as a

²⁴ <https://www.adaptation-fund.org/about/governance/accreditation-panel/> Accessed 1st August 2019

priority. Spain, which also saw the AF as an innovative instrument²⁵, remains fully committed to supporting developing countries through bilateral and multilateral channels.

Figure 1: Top ten contributions to the AF²⁶



Germany has been the largest contributor the AF overall, contributing even more than the CER sales proceeds (Figure 1). Sweden also began funding the AF in 2010, at the same time as Germany²⁷. One of the reasons for both countries stepping in was the combined influence of Jan Cedergren and Germanwatch, with Germany giving slightly less than Sweden in 2010. Both Jan Cedergren and Germanwatch encouraged Germany to fund the AF because of how the AF was aligned with the Paris Declaration and had the support of developing countries. By 2011 Germany had surpassed Swedish contributions to the AF.

²⁵ <https://www.adaptation-fund.org/about/partners-supporters/spain/> Accessed 8 September 2019

²⁶ <https://fiftrustee.worldbank.org/en/about/unit/dfi/fiftrustee/fund-detail/adapt> Accessed 8th September 2019

²⁷ <https://www.adaptation-fund.org/about/partners-supporters/germany/> Accessed 8th September 2019; <https://www.adaptation-fund.org/about/partners-supporters/sweden/> Accessed 8th September 2019

Sweden is reported to be the most consistent supporter and funder of the AF and has contributed every year since 2010, except for 2014 and 2015 (Table 3).

Table 3: Swedish contributions to the AF, 2010 - 2018²⁸

Contribution Effective Date	Total contribution (MUSD)
November 2010	14,63
December 2011	15,53
November 2012	15,04
June 2013	15,18
October 2016	21,55
February 2017	5,56
November 2017	11,95
February 2018	10,1
November 2018	5,47
Grand Total	114,02

The first pledge of funds to the AF was made in 2008 by Andreas Carlgren, the Swedish Environment minister at the time, indicating that Sweden gave political support to the AF early on. It is also the largest per capita donor²⁹. Sweden will sometimes make more than one donation in a year if it sees that the AF is in need of additional funds and Sweden has the available resources.

Civil society participation in the AF

The AF non-governmental organisation (NGO) Network is a coalition of civil society organisations (CSOs) focussing on the AF and is financially supported by the International Climate Initiative (IKI). Originated in 2010 as an initiative led by Germanwatch, it has become more institutionalized and has now more than 250 associate CSOs mainly from the Global South and a representing governing body of 11 Southern CSOs from the regions where the AF is

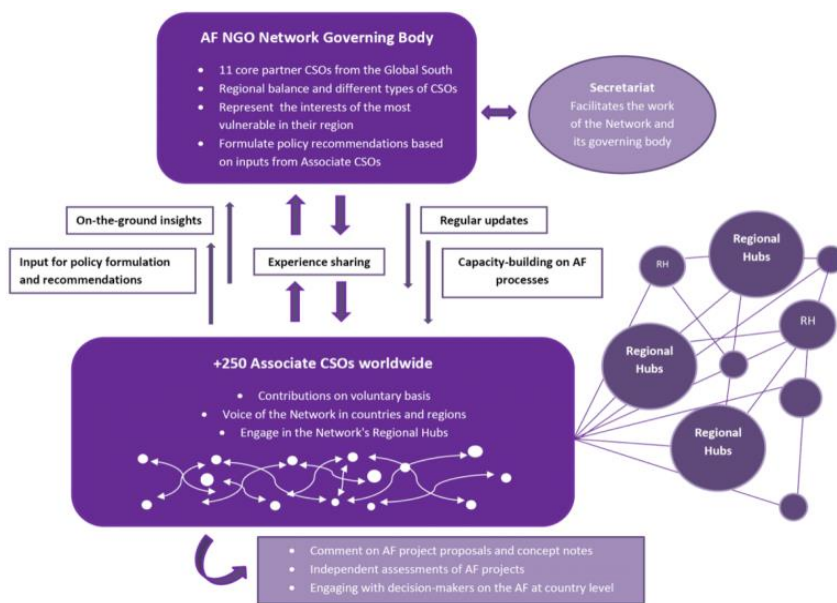
²⁸ <https://www.adaptation-fund.org/about/partners-supporters/sweden/> Accessed 8th September 2019

²⁹ <https://www.adaptation-fund.org/about/partners-supporters/sweden/>

implementing its projects. The Network is not funded by the AF and so can maintain a level of independence and objectivity. Some Network members have been following the AF since before the initiation of the first project and Network representatives have been present at all AF Board meetings, where the Network hosts a CSO dialogue with the Fund's Board members as a standing agenda item - a unique best practice not existent at other climate funds. (However, at its Board meetings, the Fund does still not include observers that could take the floor and also attend closed sessions. This means that there are no active CSO members sitting at the table as it is with other climate funds.) The AF NGO Network has been set up to provide capacity to CSOs in developing countries to independently monitor the execution of projects funded by the AF and ensure accountability. The Network also drafts joint policy recommendations for the AF Board; gives feedback on AF project proposals and concept notes; conducts independent assessments of the projects at country level; shares knowledge of the AF in the global South; and shares lessons learnt from AF funded projects with other CSOs³⁰.

³⁰ <https://af-network.org/about-us> Accessed 8th September 2019

Figure 2: AF NGO Network, governance and funded projects³¹



The AF NGO Network highlighted the AF Secretariat's strong efforts to consult with and to reach out to civil society. The Network also feels that their feedback and recommendations are taken into account by the AF Secretariat.

The Direct Access Modality

“The direct access was very important for developing countries as they could manage their own projects without another level of bureaucracy and high fees from banks or other multilateral organisations”. (Former official, AF Secretariat)

At the heart of the AF architecture is direct access to climate financing. This means that accredited NIEs can directly access financing to design, manage and implement climate adaptation and resilience projects. Any developing country that is a signatory of the

³¹ <https://af-network.org/about-us> Accessed 8th September 2019

Kyoto Protocol can apply for an organisation to be accredited as an NIE. By 2015, accreditation meant being able to show evidence of the capacity in legal and fiduciary standards detailed in the Operational Policies and Guidelines.

The accreditation process is managed between the Secretariat, the accreditation panel and the designated authority of a particular country . A designated authority comprises government officials that act as points of contact for the AF. There is a Readiness grant programme to assist country organisations to reach the capacity needed to be accredited. There is also a streamlined accreditation process for small entities.

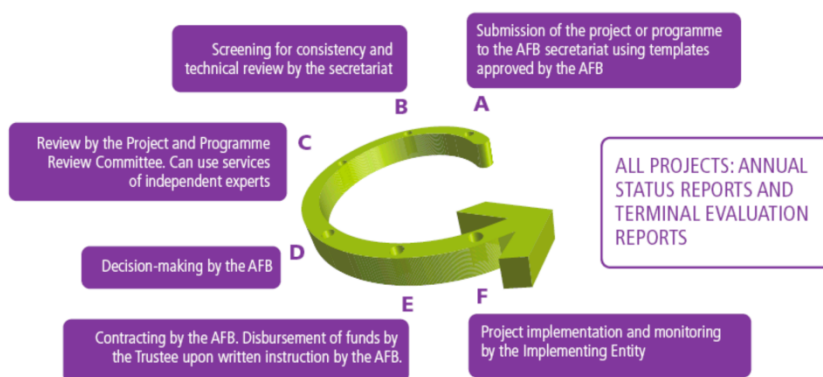
AF project cycle, results and reporting architecture³²

The AF has a strategic results framework against which projects report using a results tracker which is part of the Project Performance Report (PPR). This is done annually. The PPR includes the results tracker as well as information relating to financial data, procurement, risk assessment, rating, project indicators and lessons learned. At the end of the project a PPR needs to be submitted as well as an evaluation report and audited financial statements (Figure 3).

The results framework includes a long term goal, outcome, outputs and a set of indicators for the fund as a whole. Any project funded by the AF needs to align with the overall objective and seven outcomes.

³² <https://www.adaptation-fund.org/wp-content/uploads/2016/04/AF-ResultstrackerGuidance-final2.pdf> Accessed 9th September 2019

Figure 3: Diagram of the AF project cycle



The overall objective of the AF is: “To reduce vulnerability and increase adaptive capacity to respond to impacts of climate change including variability at local and national levels.” The goal of the AF is: “To assist developing countries Party to the Kyoto Protocol that are particularly vulnerable to adverse effects of climate change in meeting costs of concrete adaptation projects and programmes in order to implement climate resilient measures.” The outcomes of the AF are:

- Reduced exposure to climate-related hazards and threats.
- Strengthened institutional capacity to reduce risks associated with climate-induced socioeconomic and environmental losses.
- Strengthened awareness and ownership of adaptation and climate risk reduction processes at local level
- Increased adaptive capacity within relevant development sector services and infrastructure assets
- Increased ecosystem resilience in response to climate change and variability-induced stress
- Diversified and strengthened livelihoods and sources of income for vulnerable people in targeted areas

- Improved policies and regulations that promote and enforce resilience measures.

Each outcome has a series of sub-outcomes and indicators against which projects will report.

The overall impact of the AF is: “Increased resilience at community, national and regional levels to climate variability and change.” AF core indicators in relation to impact-level results are:

Table 4: Impact-level results and core indicators

Impact-level results	Core indicators
Increased adaptive capacity of communities to respond to the impacts of climate change.	Number of beneficiaries (indirect and direct) Number of early warning signs Assets produced, developed, improved and strengthened Increased income, or avoided decrease of income
Increased resilience in response to climate-change induced stresses.	Natural assets protected or rehabilitated.

In 2018 the AF released a medium-term strategy (2018 – 2022) to enhance and strengthen the Fund’s focus to better serve country Parties and the UNFCCC. It has also been refined to speak to the Sustainable Development Goals (SDGs). This is also based on recommendations of the phase 2 evaluation which recommended strengthening the innovation and learning capacity of the AF³³. This has led to an alignment of the AF mission with three strategic pillars: Action, innovation and learning. This in turn has led to shifts in how the impact of the AF is articulated with outcomes being linked to these three strategic pillars.

The AF has also introduced four cross cutting themes building on the AF’s achievements to date and the potential contribution that

³³ Tango International (2018) *Final report: Overall evaluation of the Adaption Fund July 2017 – July 2018*. World Bank: Washington D.C

the AF can make in the broader climate change adaptation landscape:

- Engaging, empowering and benefitting the most vulnerable communities and social groups
- Advancing gender equality and the empowerment of women and girls
- Strengthening long-term institutional and technical capacity for effective adaptation
- Building complementarity and coherence with other climate finance delivery channels

Phase I: (2008-2012)

Overview of Phase I

During its first two years the AF focused on setting up governance structures, protocols and principles. In 2010 the first NIEs and MIEs were accredited and the first project proposals accepted, with the first project launched in Senegal in 2011. In 2012 the AF faced a financial crisis with the crash of the carbon market.

Funding of the AF from 2008 to 2012: From a global economic crisis to the crash of CDMs.

“During my tenure there was the big crash of the CDMs. This was a key moment in my professional life. It was terrifying. They lost half their value and then the carbon prices went down to a 10th of its value. The fund had to reinvent itself. We tried to come up with novel ways of raising funds”. (Former official, AF Secretariat).

The Kyoto Protocol came into force in 2005 and in COP13 in Bali, 2007, it was agreed that the Adaptation Fund should be operationalised. Operationalising the AF during the 2008 financial crisis was a significant act. Before 2008/2009 the Paris Declaration principles on aid effectiveness were valued by donors and were applied in development aid but after the 2008 financial crisis there was a weakening in the observation of the principles, although they remained core to the approach of some donor countries, such as Sweden and Spain. Country ownership and mutual accountability were the two principles that suffered most, as donors were no longer prepared to give too much responsibility to developing countries. Instead, after the financial crisis donors preferred only to fund larger institutions, resulting in a negative impact on many countries. It was against this backdrop of the 2008 financial crash that the AF was operationalised, with a strong focus on country ownership and with an intention to set up a Board made up mostly of developing countries.

As mentioned above, the uniqueness of the AF was that it was not entirely donor funded. Under the Kyoto Protocol it was funded through a 2 percent levy on the issuance of CERs through the CDM. It was this that attracted many countries to the fund, particularly developing countries. The money gained from CERs was seen as coming from and belonging to developing countries.

In 2010 the AF Board made a decision that NIEs and RIEs should be able to access as much money as MIEs and so put a 50 percent cap on financing for MIE projects. Projects that could not be funded due to this cap were put in a project pipeline and were funded when additional funds became available³⁴.

In 2008 CERs were priced at USD 20 per tonne. In 2011 the CDM shares, which were priced on the market, began to go down and at the end of 2012 one tonne was worth 31 cents. The Eurozone debt crisis³⁵, which reduced industrial activity, and the over-allocation of emission allowances under the European Union Emissions Trading Scheme (EU ETS), were the main reasons given for the crash in CDMs. By the end of 2012 the AF faced a serious financial crisis.

The AF Secretariat tried to come up with novel ways of raising funds that did not involve donor countries, but their options were limited because of the trusteeship of the World Bank who “were not keen for the AF to experiment”. The secretariat kept pushing for alternative revenue funds so as not to have all the AF eggs in one basket, and because revenue funds enabled a shift in the power dynamics in the AF. Some countries started pushing for bilateral funding, but this was blocked by the AF chair, who foresaw the complexities of having to please donors with conflicting interests. The Eurozone debt crisis meant that Spain, AF’s strongest donor at the start of the fund, could not continue contributing. Sweden and Germany became the biggest and most consistent contributors by

³⁴ <https://www.adaptation-fund.org/projects-programmes/project-waitlist/> Accessed 9 September 2019

³⁵ The Eurozone debt crisis followed on the back of the 2008 financial crisis with a series of countries in Europe facing the possibility of defaulting on their debt. It started with Greece and extended to Portugal, Italy, Ireland and Spain. Germany and France struggled to support these members.

the end of 2012. It also meant that not all projects put forward could now be funded. In December 2012 a project waitlist was established for projects submitted by MIEs that would have been approved if funds were available.

Setting up an AF Board and Secretariat to the Board

The AF Board was set up in 2008. Unfortunately, the historical tensions that troubled the UNFCCC negotiations and the setting up of the AF, carried through to the AF board. The first chair was unable to deal with this and was, himself, confrontational. One could say that people were still holding on to old patterns of behaviour that had become entrenched in the negotiations leading up to the establishment of the AF. This affected the negotiations around setting up operational policies and guidelines, particularly around the operationalisation of the direct access modality. Although Parties had agreed to the direct access approach, some developed countries were reluctant.

During 2009/2010, Jan Cedergren from Sweden was appointed chair of the Board and was able to establish a working relationship between Board members. With his diplomatic guidance the Board was also able to set a code of conduct for Board members around conflict of interest and the principles of independence, accuracy and integrity. During this time the AF board also finalised the operational policies and guidelines for Parties, operationalised direct access, accredited the first NIE and MIE and provided grant funding to two approved projects. Two committees were also set up - the Finance and Ethics committee and the Projects and Programmes Review Committee.

The Secretariat was situated in the GEF but was not functioning optimally. The Secretariat consisted of the AF secretariat manager and the GEF staff who were working for the AF on a part time basis and on top of other workloads. The Board was unhappy with this arrangement and requested that the GEF CEO allow the AF to recruit its own staff for the Secretariat, which was granted.

The Direct Access Modality and Accreditation

“The Adaptation Fund offers the most vulnerable developing countries a strong voice and responsibility in administration of the financial mechanism that will assist them in adapting to the effects of climate change. It points to the future with regard the financial architecture of climate financing.” (Jan Cedergren, foreword to The Handbook: Accessing Resources from the Adaptation Fund)³⁶

“The accreditation process of assessment is based on international good practice and project and financial management best practice” (Official, AF Secretariat)

Pioneering direct access through NIEs was seen as the cornerstone of the AF. It was the first fund to put direct access into practice - an innovation in country ownership and in line with the principles of the Paris Declaration. Early on there were still some misgivings about whether direct access would work and whether there would be mismanagement of funds. Direct access was supported by developing countries who preferred it to funding through a multilateral entity. It was seen as a mechanism for democratising the process of funds for adaptation. The manager of the AF secretariat describes how it was “known as a solidarity fund and gave off a powerful message among developing countries as they felt they had a strong ownership and stake in the future of AF” This view was promoted by some key figures such as the senior Philippine lead negotiator who often served as the G77 lead negotiator on finance issues. It was not a universally held view, though.

The modality was seen as a mechanism for brokering the concrete adaptation projects that the AF wanted to focus on, unlike funds from the GEF that tended to fund what were considered ‘soft interventions or planning/policy interventions’. For example, the first project to be approved for direct access to an NIE by the AF was an infrastructure project in Senegal aimed at protecting the

³⁶ Jan Cedergren, 2010. Forward in *The Handbook: Accessing Resources from the Adaptation Fund: Adaptation Fund*: Washington

coastline from the harmful effects of sea level rise³⁷. It was also hoped that direct access would lead to adaptation projects and programmes being mainstreamed within countries' policies and so become more sustainable.

By the end of 2012, 27 projects had been approved, with the first project, in Senegal, launched in March 2012. In the first three years accreditation was slow but by the end of 2012 15 NIEs and 10 MIEs had been accredited.

Why did Sweden invest in the AF?

It was debated within the Swedish Ministries with a stake in the CCI whether the fund was sufficiently aligned with the MFA's principles of multilateral development cooperation and therefore whether the AF should be funded under the CCI. On the one hand, the AF fulfilled the multilateral development cooperation principle of relevance, as the intention of the fund aligned with most of the CCI principles (particularly principles P1, P3, and P6) which were, in turn, aligned with the Swedish position on development cooperation more generally. On the other hand, there were concerns about the potential effectiveness of the AF – another of the MFA's principles of multilateral development cooperation – as the AF had only become operational in 2008 and had no project track record or capacity to assess projects for approval³⁸. There had also been tensions between developed and developing countries about whether the fund should be operationalised by the GEF or not. In 2007 a compromise was reached. The AF would be led by the AF Board which would be mostly made up of developing countries and follow a one-member-one-vote policy. The Secretariat would be temporarily housed within GEF.

“When the proposal came up, I objected to the allocation of CCI funds to the AF based on the principles established for allocation of funds for Multilateral Development cooperation. The Minister had been very clear that we needed to

³⁷ <https://www.adaptation-fund.org/adaptation-funds-first-direct-access-project-kicks-off-in-senegal/> accessed 9 September 2019

³⁸ Ministry of Foreign Affairs (2007) *Strategy for multilateral development cooperation*. Stockholm: MFA

follow the principles in the strategy for multilateral development cooperation – all contributions needed to be allocated to relevant and effective institutions/programmes. The AF was only just then becoming operational, with a new governance structure and no track record so we could not do any assessment at all. The decision to make a contribution into the AF had a different basis.” (Official, Swedish Ministry of Foreign Affairs)

The Minister of Environment at the time negotiated the funding for the AF with the support of Jan Cedergren who was then chair of the AF Board. On 7th October 2010 the Swedish Energy Agency paid SEK 100 million to the Adaptation Fund and to follow up and report annually to the Department of Environment on the fund’s activities and results³⁹. Sweden’s intention to champion the AF is explained as follows:

“The Adaptation Fund was funding adaptation especially through smaller projects in the developing world, particularly in Africa. Adaptation was also a mystery in the beginning and the AF tried to define what adaptation projects would look like as it was not clear to people.” (Former chair, AF Board)

The AF was also seen as an opportunity to develop practices and principles around country ownership as well as other principles of development cooperation as stipulated in the Paris Declaration.

During these early years there was communication and exchange with the Climate Investment Fund (CIF) Pilot Programme for Climate Resilience (PPCR) and the GEF to understand how they were approaching adaptation and the value add that the AF could bring into the climate adaptation financing space.

A current official at Sweden’s MFA suggests three reasons why Sweden wanted to fund the AF through the CCI:

- The AF has always been seen as important for climate negotiations because it had the support of developing countries, so improving Sweden’s negotiating position.

³⁹ Official letter of instruction from the Ministry of Environment to the Swedish Energy Agency, 7th October 2010

- Jan Cedergren was the head of the AF board for a while and this contributed to a lot of good will from other countries.
- Adaptation was strongly prioritised by Sweden through CCI.

Recognising that the MFA also did not have the resources to follow up on all the CCI funds, Sweden's financing for the AF came from the MFA, while the Ministry of Environment represented Sweden in the UNFCCC context and was in charge of negotiations.

Sweden's contribution

"Sweden took leadership in the AF – this was a given." (Former official, Swedish Ministry of Foreign Affairs)

Consistent funding year after year was one of the main contributions that Sweden made to the AF fund. This consistency also developed confidence in other partners that the AF was on track. With the increasing financial pressures in Europe after the financial crisis in 2008 and the Eurozone financial crises that followed, there was a real danger that developed countries would not rise to the challenge to keep climate funds flowing. Sweden's consistent donations to the AF during a very uncertain time boosted the motivation of partners to continue supporting the AF.

2009/10

During the first year the AF faced a number of growing pains. The AF Board was dealing with the transference of political and controversial tensions that troubled the UNFCCC negotiations⁴⁰ and the secretariat was not functioning at an optimal level. Jan Cedergren from Sweden was approached to chair the Board based on his reputation as an experienced diplomat with a strong legacy linked to his leading role in developing the aid effectiveness principles that led to the Paris Declaration. He became chair of the AF for one year after which he was transferred to the Green Climate Fund (GCF) where he was a member of the transitional committee.

⁴⁰ lied (2009) *op.cit.*

During his year as chair of the AF Board, Cedergren focused on recruiting a new Secretariat and setting up governing principles for the board. In this role he was responsible for bringing about the following significant changes:

(i) Enabling a common focus for the board

“The Board has developed a constructive working atmosphere, in stark contrast to the sometimes controversial and politicised negotiations at UNFCCC.”
(IIED briefing, August 2009)

When the AF Board started out it inherited the historical tensions that had been playing out between developed and developing countries in the UNFCCC negotiations. This tension was described as “donor countries want to influence and this is the source of the conflict. The more you give [as a donor country] the more control you want”. Sweden’s particular position on the kind of relationship that should exist between developed and developing countries assisted in diffusing this tension. Several interviews indicated that Jan Cedergren embodied this Swedish position, which Germany followed, easing the tensions in the Board somewhat.

“Sweden is not a country that pushes its views. It has a listening approach.”
(Former chair, AF Board)

Even though there were concerns between developed and developing countries around the operational policies and guidelines, by the end of Cedergren’s tenure these basic rules on how the Board would work had been set. In spite of this the reputation of the fund had been harmed. Sweden’s willingness to contribute funds through the CCI went a long way to assuring other donors that the AF fund could be trusted.

“Jan was gentle and very good at bringing the different groups together. He had good relations with his vice chair from Pakistan, so the board started operating in a more efficient and effective way. Unfortunately, some donors kept recalling the earlier times of the fund they had witnessed, and this affected the fund and we had to work very hard to change the reputation of the fund. Germany was reluctant to fund because of this but they changed their mind when they saw the fund operating normally and contributions were secured”. (Former official, AF Secretariat)

(ii) Ensuring a functional secretariat

During the first year of the AF Board, the GEF acted as the AF secretariat, an arrangement that the AF Board was not happy with. Cedergren was involved in recruiting the first manager of the Secretariat, Marcia Levaggi. When she started, she was the only officer working directly for the AF. She shared an office in GEF and some GEF staff were appointed to work part-time for her, a situation that was less than optimal. Under the leadership of Cedergren the board wrote a letter to the GEF CEO to enable Levaggi to recruit her own staff.

(iii) Championing Direct Access

“I was championing aid effectiveness and I brought it into AF. Ownership was key to making it a success.” (Former chair, AF Board)

Cedergren had experience of the tensions related to the design of direct access models. In the working group on aid effectiveness donors did not like the idea of direct access as this meant they could not direct aid the way they wanted. Direct access required that donors listen to multiple views including those of developing countries. Even though there was resistance and it was more difficult to get off the ground Jan believed that it was vital to ensure sustainability in the long term.

The AF Board was made up mostly of developing countries who were supportive of the AF because of the intention of the fund to operationalise country ownership through direct access. This represented a shift in power dynamics that developing countries welcomed. A former AF board member from Senegal explained that the direct access modality was useful for developing countries as it accelerated the process of accessing funding, in contrast to the process of accessing GEF funding, which could take up to 20 months.

Direct access and country ownership has also become a key issue in the GCF and a position that Sweden holds as a key principle in the GCF negotiations. The AF has managed to provide a portfolio of successful principles as well as contributing to the GCF Board an

understanding of how direct access works. The idea of direct access is also an alternative to the multilateral system.

“The whole idea, which is playing out in the GCF now, is that we didn’t want another World Bank and we also wanted something that is independent of national organisations.” (Former chair, AF Board)

(iv) Securing the continuation of the AF after the collapse of the CDM market

“I mobilised Sweden and Germany to come in and they started donating funds, that were not coming out of the CDM.” (Former chair, AF Board)

The collapse of the CERs meant that the AF was not receiving as much money as was expected. Sweden had already committed to fund the AF for three years through the CCI (2010-2012). In 2010 Spain and Sweden were the most significant donors followed by Germany. From 2011 – 2012 Sweden was the biggest donor with Germany committing another substantial amount in 2013 after the CDM market crash.

2010 – 2012

In December 2010 Angela Nanou Churie Kallhauge from the Swedish Energy Agency (SEA) took over from Cedergren on behalf of the Ministry of Foreign Affairs (MFA). She was seconded to the MFA for this task in recognition of her experience and skill and because the Ministry of Environment no longer had the capacity to commit to the AF. She had two tenures, firstly as representative for the Western European group and then for Annex 1 parties. She also chaired the accreditation panel in 2012/2013.

The work of the Accreditation Panel and the unintended outcome of institutional development

“The biggest transformational element was institutional development.” (Former member, AF Board)

A key area of added value of the AF for Sweden was the pioneering of direct access financing, which resonated with Swedish principles of development. Cedergren pushed hard for direct access

and Kallhauge equally so. As chair of the Accreditation Panel, Kallhauge had an opportunity to influence how the direct access modality was set up. The direct access modality set parameters for institutions which were “absolute idealistic standards”. Institutions were assessed and had to demonstrate competence in judiciary management. “This process of accreditation triggered conversations that were unprecedented”, according to the Swedish AF board member. This was an unintended added value of the accreditation process and the direct access modality. It led to the development of institutional capacity and a changing mindset regarding government structures in developing countries, which in turn led to a broader involvement in adaptation.

Box 1: Dialogues towards a National Implementing Entity

In the process of South Africa making decisions to apply for the accreditation of an NIE (2010/11), the AF held institutional dialogues that were unprecedented. These dialogues were held with South Africa’s Department of Economic Planning, Treasury and the Department of Environmental Affairs to decide what to do, what track record the AF was looking for and what systems needed to be put in place for South Africa to be granted an NIE. Once the South African National Biodiversity Institution (SANBI) was accredited as an NIE, projects needed to be decided on. This led to a national consultation process which took place on a significant scale, thereby raising the profile of adaptation and of vulnerable communities in the eyes of the authorities. The significance of this process lay in the fact that in middle income countries’ national assets are usually given to the middle class to improve the economy and the most vulnerable often remain invisible. The negotiations around setting up an NIE and selection of the projects brought attention to South Africa’s most vulnerable. The South African government, along with SANBI, also had independence to define the activities. This led to the adaptation agenda being promoted nationally – a significant intangible outcome.

These dialogues were initiated because South Africa’s Adaptation Network, which was started in 2009 by Indigo and the Environmental Monitoring Group, saw an opportunity to promote one of its members to be accredited by the AF. SANBI was by far the most likely to be accredited and the Adaptation Network encouraged this process to go forward.

Ensuring better transparency and learning

When Kallhaug joined the AF Board the Board Committee minutes were not published on the AF website. If the AF wanted to promote learning and engagement, then all the Board's work needed to be documented and published.

During Kallhaug's tenure she sought to encourage learning among members of the Accreditation Panel and between the Accreditation Panel and member country institutions. In 2011 the Accreditation Panel met in Stockholm. The meeting was funded by Sweden. Kallhaug's intention was for colleagues to meet the AF and learn from them. The Accreditation Panel also visited the co-chair's country. The intention of this visit was to raise awareness of the principles of the fund.

Civil society participation in the AF leads to an unintended outcome of a strong network of Ambassadors

There was also support, from Sweden, for more stakeholder involvement. The AF NGO Network was invited to share their views at the CSO dialogue meeting which is an agenda item of the Board meeting. Board meetings can be attended by all UNFCCC accredited observers in general. The AF NGO Network tries to have at least 3-4 representatives present at each Board meeting where they respond to issues on behalf of the collective as well as profile successes and/or issues related to AF projects in their country. The Secretariat also makes an effort to obtain input from civil society through a variety of surveys they conduct and through participation of civil society in monitoring missions. What the AF Board and Secretariat discovered is that this civil society network became the fund's strongest ambassadors. Kallhaug explains: "Unlike GEF we don't have regional offices, so AF needs to rely on its stakeholder base, and we need to keep engaged. Sometimes you need to innovate out of necessity – the AF NGO network was one such innovation."

Contribution of the CCI

“Sweden has been friends of the AF.” (Former member, AF Board member)

The contribution of CCI to the AF was seen as very important for the following reasons:

- It provided the AF with a consistent and reliable source of funding during its startup years, while policies and guidelines were being established between different role players (the GEF, AF Board and the World Bank) and while the procedures for direct access were being negotiated. The importance of this investment increased with the decline of CDM.
- Sweden’s contribution through CCI made it possible for Sweden to champion the direct access modality and have significant negotiating power in how this was set up. This was in line with the CCI principles.
- It also enabled Sweden to take on a leadership role in the AF Board and ensure that all countries had a voice in discussions, as well as set up a code of conduct for the AF Board, clarify the relationship with the Secretariat and between GEF and the AF Board. This leadership role also went a long way towards generating trust between members of the AF Board as well as between the AF and other parties. The Minister would profile the AF at the COP meetings to build interest and credibility.
- Sweden’s consistent contribution during a time when the fund was viewed as contentious encouraged other Annex 1 Parties to support the AF, including Germany who is the largest donor of the AF to date.
- The CCI contribution and the subsequent leadership role that Sweden played in the fund has strengthened Sweden’s image as a country that is in solidarity with developing countries.

- By 2012 the direct access project was launched in Senegal, 18 projects had been approved and 11 NIEs and 6 MIEs had been accredited.
- Sweden's contributions to the AF through CCI had strong links to the climate negotiations. Sweden held a clear position and played a leading role in the AF. The Minister of Environment also had a key role within the adaptation negotiations at ministerial level. Sweden's support to the AF contributed to those assignments, when many other actors mostly focused on funding mitigation.

To summarise, the contribution of Sweden to the AF, enabled by the CCI, was an act of trust in and solidarity with developing countries. First, Sweden showed support for adaptation at a time when mitigation was the main focus. Second, Sweden's support for direct access aligned it directly with the principles of the Paris Declaration when support for these principles was waning as a consequence of the global economic crises. In the process of doing this Sweden also took up a leadership role in the AF to heal old wounds and divisions that were being played out within the UNFCCC and then in the AF Board. The results of this initial investment of funds, time, expertise and diplomacy have had a significant effect on Sweden's role in climate negotiations going forward.

There were also some challenges with the AF within Sweden's government structures responsible for the CCI. Some were opposed to funding the AF because it was a new instrument that was not situated within a well-established fund. These misgivings may have related to the earlier debates around the relationship between the AF and the GEF, although there is no conclusive evidence for this.

There was limited capacity within the MFA and the Ministry of Environment to be involved in all the funds supported by the CCI. At the start of the investment in the AF the Ministry of Environment was responsible for managing the fund but at a certain point the Ministry was not able to follow up on this work and there was a need for the MFA to take over. As the MFA did not have the

capacity given the small team responsible for climate change-related issues and negotiations, Ms Kallhauge, from the Swedish Energy Agency, was brought on board because of her skills and knowledge. This was a unique set up due to the shortage of capacity in the MFA. This lack of capacity is still seen as an issue today with financial contributions increasing but capacity remaining the same.

Reviews of the AF by the end of 2012

While there was no independent evaluation of the AF until 2015, the AF NGO Network brought out a report in 2012 based on its independent monitoring of AF projects and programmes, presenting this to the Subsidiary body for implementation (SBI).

The SBI noted its appreciation to the AF Board for efforts in promoting NIEs and exploring options for additional funds. The main concern in the SBI review was the sustainability of the AF and the availability of funds given the low market prices of CERs⁴¹.

The AF NGO Network report reviewed the role of the AF NGO Network in relation to the AF Board and presented findings and recommendations based on 7 country case studies (Honduras, Pakistan, Senegal, Nicaragua, Jamaica, Benin, South Africa), all of which reviewed the accreditation process of NIEs, with four of these countries⁴² also reviewing the process of accreditation through to implementation. These findings and recommendations were generated from the work of partner NGOs monitoring the participation of vulnerable communities in the projects through baseline mapping, national workshops and field visits (Table 5)⁴³. The intention of this report was to provide recommendations early on in the implementation or accreditation process of a country

⁴¹ <https://unfccc.int/resource/docs/2012/sbi/eng/l13.pdf> Accessed 10 September 2019

⁴² Honduras, Pakistan, Senegal, Nicaragua

⁴³ <https://af-network.org/sites/af-network.org/files/publication/7299.pdf> Accessed 4th September 2019

project and to inform the implementation of AF funds and projects in other countries⁴⁴.

⁴⁴ Adaptation Fund NGO Network (2012) *Independent Insights from vulnerable developing countries*.

Table 5: Case studies prepared by AF NGO Network ⁴⁵

Country and Implementing Entity	Project context	Project approval date	Partner in compiling case study
Honduras (UNDP)	Adressing CC risks on water resources	March 2011	Fundacion Vida,
Pakistan (UNDP)	Glacier-lake outburs floods	September 2011	Lead Pakistan
Senegal	Adaptation to coastal erosion	December 2010	Enda TM
Nicaragua (UNDP)	Reduction of risks & vulnerability, flooding and droughts, Estero Real River	June 2012	Centro Humboldt
Jamaica	Enhancing resiliece of agric sector & coastal areas		Panos Carribean
Benin	Adaptation of Cotonou Lagoon ecosystems & human settlements to sea level rise		OFEDI
South Africa	Establishing a NIE & developing proposal for AF		INDIGO Development & Change

⁴⁵ Adaptation Fund NGO Network (2012) *op.cit.*, p. 15.

Table 6: Overview of key features of the AF in 2012⁴⁶

Adaptation Fund: overview of key features		
Project level		
Full projects approved	27	Argentina, Cambodia, Colombia, Cook Islands, Djibouti, Ecuador, Egypt, Eritrea, Georgia, Honduras, Jamaica, Lebanon, Madagascar, Maldives, Mauritania, Mauritius, Mongolia, Nicaragua, Pakistan, Papua New Guinea, Samoa, Senegal, Solomon Islands, Sri Lanka, Tanzania, Turkmenistan, Uruguay
Project concepts endorsed (full project not yet approved)	10	Argentina, Benin, Belize, El Salvador, Fiji, Guatemala, Myanmar, Seychelles, Lebanon, Paraguay, Peru
Funding Decisions (full project)		US\$178 million
Implementing Entities (IE) accredited		
National (IE): Direct Access	15	Argentina, Belize, Benin, Chile, Costa Rica, India, Jamaica, Jordan, Kenya, Mexico, Morocco, Rwanda, Senegal, South Africa, Uruguay
Multilateral	10	ADB, IFAD, UNDP, WFP, World Bank, WMO, IABD, ADB, BOAD, UNESCO
Regional	1	West African Development Bank (BOAD)
Resources in AF Trust Fund (in US\$)		
Obtained through certified emission reductions (CERs) monetisation		186.28 million
Voluntary contributions by developed countries		119.46 million
Funds available to support new funding decisions		119.21 million

The AF NGO Network report also presented the following findings regarding AF operations (Table 6)⁴⁷:

⁴⁶ Adaptation Fund NGO Network (2012) *op.cit.*, p.9.

⁴⁷ Adaptation Fund NGO Network (2012) *op.cit.*

- Due to the drop in the carbon market the AF had been forced to set a country cap of USD 10 million per country in order to be more equitable and avoid a first come, first serve model. The AF NGO network report noted disappointment that more developed countries have not come forward to pledge funds to the AF given its achievements within 2 years of operation.
- The AF Board enshrined the UNFCCC principles of equity and balanced representation more than the governance composition of any existing fund. "... the AFB has developed a spirit of teamwork, which could inspire other similar bodies".⁴⁸
- In terms of accreditation: a cap was introduced for MIEs to prevent the AF from becoming another MIE fund such as GEF or CIF; NIE accreditation does not follow a single format and therefore there is no institutional model for mastering the accreditation process.

The report highlighted the following findings from country projects⁴⁹:

- Signs of maladaptation were identified, due to a need for a more country coordinated approach to projects in vulnerable communities: most projects called for increased resources and argued that projects would only have significant impact if unfunded components of national strategies received funding as well. The report highlighted the need for comprehensive funding of country strategies to avoid maladaptation.

Box 2: An example of maladaptation

In Senegal anti-salt dykes were built to prevent the salination of rice fields in Joal. This resulted in villages downstream of the dykes starting to experience saltwater in their fields.

⁴⁸ Adaptation Fund NGO Network (2012) *op.cit.*, p.10.

⁴⁹ Adaptation Fund NGO Network (2012) *op.cit.*

- Project implementation had triggered or reinforced inter-ministerial and inter-sectoral links and relationships around adaptation, with national steering committees being set up solely for the implementation of AF projects. While challenges were encountered within these multi-stakeholder groups, promoting these synergies seems to be the main route for enhancing results.
- Country political context influenced project implementation. Some projects faced difficulties in getting important information from governments; elections or a change in leadership could adversely affect a project.

Box 3: Influence of the political context on implementation

Countries, such as Senegal, where there is a consolidated democracy, reflected well-coordinated pathways of knowledge sharing and collaboration. At the time of this report Senegal was the only country where NGOs and local organisations were running the project as executing entities. In Pakistan, changes in the ministerial set up and institutional conflict had delayed the project and adversely affected project outcomes. Honduras addressed the possible disruptions with leadership change by signing an agreement committing institutions to engage with the project no matter who was in charge⁵⁰.

- Some projects lacked inclusive engagement. Involving NGOs, local communities and local government was found to improve this.
- Community support was easier when the project contained infrastructure components or tangible deliverables.
- The accreditation process of NIEs opened up opportunities for better governance of climate financing and institutional capacity.
- Direct access was not an impediment for forming relations with communities and NGOs. It was found that it could be a tool for

⁵⁰ Adaptation Fund NGO Network (2012) *op.cit.*

enhancing dialogue in countries where there is a coordinated democracy.

One critique of the AF Board's policies and guidelines has been the way in which the Board deals with the definition of 'vulnerable communities'⁵¹. There is broad guidance in the UNFCCC and Kyoto Protocol on vulnerability, but these definitions do not specify criteria for vulnerability. The definition proposed by Article 4.10 of the convention, that vulnerable communities are those that have vulnerable economies due to a dependence on fossil fuels, was rejected by the AF Board. The AF Board also turned to the Kyoto Protocol for specific guidance on the definition of what constitutes a developing country and found this to be unclear.

The AF Board loosely adopted the definition of vulnerable countries as non-Annex countries or countries eligible for the CDM. Within this definition 'vulnerable' was defined according to the Bali Action Plan as "the least developed countries, small island states and countries in Africa affected by drought, desertification and floods".⁵² As of the tenth Board meeting in June 2010, the AF Board had not concretised the meaning of vulnerability or of adaptive capacity.

Although the interpretation of vulnerability by countries using the AF was in line with a country driven approach, Horstmann argues that this shifted the responsibility of arguing for adaptive capacity and vulnerability onto the country applying for funds. If national entities did not have the institutional capacity, institutional arrangements or access to information needed to make this argument they would be disadvantaged. This placed a significant emphasis on institutional capacity and institutional arrangements at a national level in implementing a vulnerability-oriented funding approach towards adaptation. Horstmann suggested that the AF Board's role in this should be to incentivise and support institutional capacities and transparency at a national level and with NIEs.

⁵¹ Horstmann B (2011) Operationalising the Adaptation Fund: challenges in allocating funds to the most vulnerable. *Climate Policy* 11:4 pp. 1086-1096

⁵² Horstmann B (2011) *op.cit.*, p.1092

In summary, both the AF NGO Network and the research by Horstmann suggested at the time (2011-12) that the government structures of a country, both in terms of national capacity and the state of democracy, can impact the way in which AF projects are chosen and implemented. Multi-stakeholder processes (including NGOs, universities, government and beneficiaries), although difficult and challenging, can lead to more comprehensive strategies and mitigation against possible maladaptation as well as increase access to information necessary for proposing projects for vulnerable communities. The accreditation process is a potential mechanism for setting up these relationships and processes.

What is interesting to note is that the Cambodia case study developed for this evaluation shows signs of maladaptation and was implemented by an MIE⁵³. These lessons may equally apply to MIE accreditation processes and proposals.

⁵³ Abidi Habib M (2020) *op.cit.*

Phase II: (2013-2019)

Overview of phase II

2012 ended with the AF facing an uncertain future with the crash of CERs. Led by Sweden and Germany, annex 1 Parties began investing in the AF. Countries tended to announce their financial commitments to the AF on a yearly basis at COP. Under these conditions, funds were still uncertain. Germanwatch and the AF NGO Network responded by pushing governments to make a multi-year contribution rather than one year to provide the fund with more security and financial predictability. The AF Board was also nervous about the kind of funds the AF was receiving because the AF was becoming increasingly dependent on voluntary contributions.

For a short period payments were stopped as funding had been going out faster to MIEs than to NIEs, with the result that 50 percent of available funds had gone to MIEs. A 50 percent funding cap, to MIEs, was set because of the limits on AF funds and as a way to promote national ownership.

Negotiations on the Adaptation Fund serving the Paris Agreement started long before the Paris agreement came into force. In 2016 when the Paris Agreement⁵⁴ came into force the process moved forward. At COP22 in November 2016 an ad hoc working group was formed to advance many issues one of which was the AF serving the Paris Agreement. Two years later it was announced at COP24 that the AF would serve the Paris Agreement from the beginning of 2019⁵⁵. Currently the AF Board is working on what it

⁵⁴ The aim of the Paris Agreement is to strengthen a global response to climate change by keeping the increase in global temperature under 2 degrees Celsius and to pursue efforts to keep the temperature increase below 1.5 degrees Celsius. The mechanisms for doing this include: appropriate financial flows, new technology framework and an enhanced capacity building framework. <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement> Accessed 10 September 2019

⁵⁵ <https://www.adaptation-fund.org/adaptation-fund-shall-serve-paris-agreement-starting-january-1st-2019/> Accessed 10 September 2019

means to transition from the Kyoto Agreement to the Paris Agreement.

Governance

In 2012 the AF Board decided to publish all project performance reports (PPRs) on the AF website in the interests of transparency. In 2016 the Adaptation NGO network analysed the PPRs on the website and reported that 83 percent of all projects had at least one PPR missing. The network argued that the presence of PPRs is crucial for civil society participation in the AF. To increase transparency and responsivity the AF also initiated an ad hoc complaint handling mechanism where anyone can make a direct complaint to the Board via the AF website without having to go through any institutional structures.

As early as 2010 the AF NGO Network began encouraging the AF to adopt procedures and policies to protect the most vulnerable communities. The fund followed up these recommendations by integrating environmental and social principles more explicitly into its operations. In 2013 an environmental and social policy (ESP) was approved, requiring implementing entities to show capacity to comply with the principles when applying for accreditation or re-accreditation. There was also a requirement for the ESP to be integrated into the monitoring and evaluation of the projects/programmes⁵⁶. Although the standards set by the ESP are valuable it has sometimes been challenging to report against these. Some of the principles are not ‘translated’ by NIEs to take into consideration country contexts, particularly when applied to enhanced direct access (see below), as reported by the AF NGO network partner for southern Africa. Acknowledging that this is pilot work, the southern African partner is currently writing up a report on how the reporting on the ESP could be done so as not to over-burden smaller organisations that do not necessarily have the capacity to fulfil the reporting burden placed on them. These reporting requirements are not AF reporting requirements,

⁵⁶ <https://www.adaptation-fund.org/wp-content/uploads/2013/11/Amended-March-2016 - OPG-ANNEX-3-Environmental-social-policy-March-2016.pdf> Accessed 10 September 2019

particularly in relation to enhanced direct access where decision-making is devolved to the national level. Many implementing agencies are facing a steep learning curve in relation to setting requirements that ensure the accountability of local-level organisations, but they are contextually relevant and take small organisations into consideration.

Box 4: Capacity constraints in the South African AF project

South Africa's Community Adaptation Small Grants Facility project allowed community-based organisations to access climate finance from the AF to implement a range of local adaptation actions in two regions. While this was an important pilot programme, it highlighted that small local organisations face significant capacity constraints that make it difficult for them to meet reporting and compliance requirements associated with climate funds. Future programmes of this nature should aim to build additional support for local organisations to help them meet reporting and compliance requirements.

Examples include:

South Africa is a water stressed region, so several projects aimed to secure water using boreholes, rainwater tanks or improving dams. However, this required a water use registration with the National Department of Water and Sanitation before the water could be used in the project in order to comply with local laws, which could take up to a year to obtain. In some cases, this left very little time for project implementation.

Reporting was a challenge for small grant recipients, as this was done on a quarterly basis, and initially also included reporting on ESP compliance before this was shifted to annual reporting.

A specific gender policy was approved by the AF Board in 2016⁵⁷. The intention of this policy was to take a more forward-looking approach to considering gender in implementation, to move from sensitivity to responsiveness⁵⁸. This was pre-empted by the Paris Agreement, which “stressed the importance of following a country driven, gender-responsive, participatory and fully transparent

⁵⁷ https://www.adaptation-fund.org/wp-content/uploads/2016/05/AFB.B.27.9.Rev2_Report-APB-27.pdf Accessed 7th January 2020

⁵⁸ https://www.adaptation-fund.org/wp-content/uploads/2016/04/OPG-ANNEX4_Gender-Policies-and-Action-Plan_approved-in-March-2016-1.pdf Accessed 10th September 2019

approach for adaptation action”⁵⁹. Although gender was already an aspect of the ESP, the AF Board, led by a Swedish Board member, argued that gender equity, as a vital aspect towards adaptive capacity, needed to be more carefully articulated. The ESP includes the principle of gender equality and women’s empowerment. The gender policy expanded on this principle, which was seen as process-oriented and subjectively contextualized, to a legal mandate to gender equality where “women’s empowerment” is understood to be “an expansion of agency throughout women’s lives, especially via participation and decision making...”⁶⁰. The main difference is that the ESP is essentially a “do no harm” policy, covering 15 principles. The gender policy, in contrast, seeks to promote gender issues beyond “do no harm”. In other words, rather than prohibiting activities that might be harmful from a gender perspective, the gender policy promotes activities that can help achieve gender equality and consider women’s and men’s specific needs in terms of adaptation to climate change.

The gender policy extended to the AF Board and had implications for updating the results-based monitoring and evaluation framework. The policy also called for specific capacity building around the gender policy and action plan with IEs. In 2016, as part of the readiness grants, NIEs could apply for a specific technical assistance grant for the Gender Policy (TA-GP). Finally, the policy calls for a sharing of knowledge and learning about projects that do address gender equality. There are now emerging examples of gender sensitive approaches being adopted in countries like Rwanda, South Africa and Ecuador⁶¹.

Box 5: The need to strengthen gender policy within AF

“The Cambodia project document did not specify a gender strategy, relegating this to overall national strategies and commitments. However, national level approaches to gender reportedly require

⁵⁹ https://www.adaptation-fund.org/wp-content/uploads/2016/04/OPG-ANNEX4_Gender-Policies-and-Action-Plan_approved-in-March-2016-1.pdf Accessed 10th September 2019

⁶⁰ https://www.adaptation-fund.org/wp-content/uploads/2016/04/OPG-ANNEX4_Gender-Policies-and-Action-Plan_approved-in-March-2016-1.pdf Accessed 10th September 2019

⁶¹ <https://www.adaptation-fund.org/proactive-focus-environment-social-gender-policies/> Accessed 10th September 2019

improvements. A ‘gendered cultural backlog’ is referenced by the project management to lie outside of the scope of the project. Yet, the history of microfinance reveals crisis in this sector that leads to entrenching vulnerability for the poorest, which includes women.”⁶² This example clearly shows how the AF is responsive to what is emerging from work on the ground as this was reported before the gender policy was introduced by the AF. The gender policy responds to this need. (Taken from Abidi Habib M (2020).)

Enhanced direct access and other grants

“One of the goals of the fund is to benefit vulnerable communities rather than countries. This is the core of the fund.” (Former official, AF Secretariat)

Emmanuel Seck, from the AF NGO Network, said that it is not a given that an adaptation project will benefit vulnerable communities. He gives the following example: “imagine building a seawall to help adapt to climate change, but instead of protecting the fishing community it protects the hotels. That’s why we need to orient adaptation toward the vulnerable and address issues like floods and salt infiltration. Civil society plays an important role to advocate on behalf of the vulnerable.”⁶³

Enhanced direct access is a project initiative of SANBI in South Africa. The idea was to specify another degree of devolution to community level organisations to ensure adaptation of vulnerable communities. It was proposed that, as the NIE, SANBI would fund organisations to run sub-projects in communities. This proposal was controversial at the time as the AF Board was worried about how SANBI would assess projects. As SANBI were an accredited organisation the Board eventually decided to trust SANBI to make decisions on how to run the project based on country needs. After some debate the project was approved and became a showcase of enhanced direct access, later to be replicated in GCF but at a higher scale.

⁶² Abidi Habib M (2020) *op.cit.*

⁶³ <https://www.adaptation-fund.org/proactive-focus-environment-social-gender-policies/>
Accessed 10th September 2019

Box 6: Learning about enhanced direct access and ESP

In South Africa the mechanism created to pursue enhanced direct access was known as the Small Grants Facility (SGF). The idea emerged from dialogues with civil society who argued, to SANBI, that adaptation needs to happen at community level and therefore funds need to be implemented at community level by organisations that understand the main contextual challenges of local people and the environment. 12 projects were selected from two municipalities in two provinces. SANBI as the national implementing entity (NIE) needed a separate executing entity (EE) as well as Facilitating Agencies (FAs) in each province. Accordingly an EE was appointed to execute the project and two well-established organisations in each province to help local NGOs with proposal writing and meeting the requirements of a large international fund. Although the process was innovative it was not easy and Indigo, one of the partner organisations (and also a partner of the AF NGO network) reports that local NGOs struggled with meeting the project's reporting requirements at the time. The independent evaluator of the programme also reported that the systems of reporting, monitoring and evaluation that were expected through the ESP and the gender policy were very difficult to meet by small NGOs. The project partners are currently writing up a number of case studies to highlight lessons from the project. Indigo along with the EE, South-South-North are currently reviewing the ESP aspect of the small grants facility and writing up recommendations of how the ESP and gender policy can be adapted for small organisations with limited capacity. Through engagement in the SGF's processes of reflective learning, all its participants (including the NIE, the EE, FAs, SGRs and beneficiaries) have concluded that, for effective enhanced direct access at the grassroots level the AF/NIE needs to consider a capacity building phase before project money is received to strengthen the institutional capacity of local organisations to receive and manage adaptation funding, as well as better understanding of and reporting against AF policies.

The evaluator of the SANBI small grants facility reported that there was unexpected and disproportionate capacity development around how to manage the project and report against the project policies, and less than anticipated emphasis on strengthening adaptive capacity. She said the intention of the small grants fund was to increase local autonomy but local autonomy is not well enhanced when the message cascaded down to the local level is "you will manage the money [entirely] on our terms." There was a feeling that this was a new form

of managerial imperialism as the terms with which the funds came did not consider or navigate with sufficient sensitivity local contexts such as the levels of government incapacity that local community organisations need to navigate to get projects up and running.

SANBI is a predominantly science-based research institute. The skills that were needed to design and implement this project successfully needed to be drawn in from NGOs and development educators (popular educators) and learning from social movements that understand the context of the seriously underdeveloped municipalities. All of these struggles placed SANBI in a difficult situation where they were being pressurised from above to live up to uncontextualized policies and pressure from below to build the capacity of people in very impoverished communities to be able to report against these policies.

Some key lessons around capacity and learning from the small grants programme evaluation were that there needs to be a learning budget for identifying the core systems and skills that an SGF requires when funds come from global multilateral funding with high reporting, compliance and risk management needs. AF needs to ask the question as to what kind of grant making process, practice and system is needed and that this is not just about translating technical requirements but requires paying attention to social and political histories, its cultures and local economies. The South African evaluation suggests that this requires serious work to translate the grant making process into manageable tasks that show flexibility and responsiveness to the needs and abilities of people affected by climate challenges⁶⁴.

Key design lessons were grouped around the need to rethink the theory of change and whether the intention of SGF is to transfer funds to specified grassroots communities as a means of building climate resilience or whether there are lessons from the current experiences of SGFs that call for broader strategies. Capacity for climate change adaptation in remote rural contexts characterised by poverty and dispossession requires knowledge of climate change adaptation and organisational, networked and relational capacity and project management and administrative capacity. A recommendation is that the SGFs are conceptualised as part of a broader intervention in the relationship of whole regions/districts and municipalities to climate change and challenges to effective adaptation. Here capacity is understood to be embedded 'within a web of relationships and the SGF

⁶⁴ Soul S, Diedricks L (2018) *Taking adaptation to the ground: A small grants facility for enabling local level responses to climate change*. SANBI: Cape Town.

project becomes a lever of structural change – for supporting change in whole contexts- rather than simply helping to meet the needs of specified individuals and small communities”⁶⁵.

Although a slightly different lesson to the Senegal project, this evaluation refers to a similar mechanism that needs to be taken into consideration when implementing adaptation projects – a consideration for the broader environmental (downstream communities), social and political contexts into which AF projects are introduced. These lessons also suggest that country or community ownership is more than access to funds but also situating AF funded projects within a web of relations that will generate structural change initiated from community level.

Innovation grants, readiness grants and regional funding

Several small grants were made available for NIEs to support countries wishing to apply for accreditation with peer-to-peer learning. This is known as the South-South grant. Another additional fund is the readiness grant, which facilitates more direct support for accreditation.

Some emerging issues with direct access, accreditation and the country cap

The AF NGO Network has noted challenges with various regional projects. As the country funding cap is reached, countries are seeing the regional fund as a way of accessing more resources via MIEs or RIEs. The AF NGO Network is worried that this might limit the AF's efforts to strengthen direct access as less money is going towards NIEs (because regional projects are not included in the Fund's 50 percent MIE cap). The Network is also noting that regional proposals are often not making sufficient use of synergies between other similar initiatives or projects implemented in countries. Another challenge to direct access is that countries no longer have the incentive to put forward an organisation for accreditation, as the country funding cap has been reached. This increases the trend towards regional funding through multilateral access.

⁶⁵ Soul S, Diedricks L (2018) *op.cit.* p.40

Consultation with the relevant decision makers at both government level and with MIEs is challenging. There is a call for paying more attention to the capacity of the designated authorities with the readiness outreach grants as well as the organisation that wishes to be accredited. Designated authorities tend to choose entities within their own agency or department rather than the best organisation for implementing adaptation projects.

Sustainability of Sweden's contribution

Sweden considered the AF being highly significant since there was no other multilateral channel for the funding of concrete adaptation projects available at the start of the CCI.” (Official, Swedish Ministry of Foreign Affairs)

“We are now receiving support from countries outside the EU. This acceptance of the AF as a climate fund has been due to Sweden.” (Official, AF Secretariat)

“There were uncertainties about the legitimacy of the fund. Sweden has continually contributed, which has given the fund legitimacy and a firm place in the adaptation landscape. Sweden appreciates the direct access modalities and the focus on communities and making tangible benefits to people. They also appreciate the dedication to small island states and low-income countries.” (Member, Adaptation Fund TERG)

Sweden continued to regularly contribute to the AF after 2012 as they recognised the importance of the fund for piloting direct access and concrete adaptation projects. Given that carbon trading did not turn out as expected Sweden saw funding the AF as addressing an urgent gap. They also funded in the hope of encouraging other countries to contribute.

AF Board members who were Swedish continued to play a leadership role on the Board and on AF committees and panels. Sweden chaired the accreditation panel. This was seen as an opportunity by MFA to influence the development of direct access. The biggest transformational element of the accreditation process

was institutional development. This was also recognised by the 2015 evaluation as an added value of the accreditation process⁶⁶.

Box 7: Added value of accreditation as capacity development

“In Argentina we had limited experience in adaptation and the AF projects and accreditation did a lot to raise the profile of adaptation in the country and now we are working on a National Adaptation Plan. AF started this process. It gives an internal kick especially with countries that have NIE accreditation. In the 2015 evaluation one conclusion is that AF is a learning institution particularly around its approach to accreditation – they keep helping by going through policies and standards. AF established a readiness programme and there were gatherings every year which were very important for building the capacity of countries”.

During Kallhauge’s tenure there is evidence that the conducive working environment within the AF Board was still in place. The board was unlike other boards as it was not polarised in discussions between developed and developing countries. If there was a disagreement it was around expert views instead of block affiliations. “This was the legacy that Cedergren left, that we all have a common objective”.

During Cedergren’s tenure the AF Board set up a code of conduct that included declaring a conflict of interest when reviewing project proposals. This is something that most institutions and funds have in place. During Kallhauge’s tenure this was taken further, with the Board discussing and reaching consensus on what would happen if a conflict of interest was not declared and/or someone in the Board was coerced.

Sweden stood behind and encouraged civil society participation. They have been open to enhancing civil society support and engagement at Board level, however, so far the Fund's Board does not allow for a seat at its table for active civil society observers (as some other climate funds do).

Swedish Board members also acted as a critical friend to the Board by raising issues and concerns. There was growing concern

⁶⁶ Tango International in association with Overseas Development Institute (2015) *op.cit.*

within the AF NGO Network that MIE project tend not to be as effective as NIE projects in terms of country ownership and sustainability. And yet with smaller countries, particularly island states, it was hard to become accredited. Ms Kallhauge pushed for a different way of thinking about MIEs. She suggested that MIEs need to distinguish what they are going to do with AF money that is different from other projects and other funds that they have. One of the criteria for getting AF funds would be to mentor institutions in the country to become NIEs for future funds.

Sweden prioritised gender. The 2015 evaluation report commends the AF on a solid foundation for operational success but notes significant policy gaps, gender being one of these⁶⁷. Sweden insisted on a specific gender policy, arguing that there were bits and pieces in the ESP but there was a need for a specific action plan. Sweden worked with other Board members such as Ghana and Kenya to shift the gender policy from gender sensitive to gender proactive. The development of the gender policy also had impact within the Board, where informal conversations with men who were less progressive led to important shifts in perception. These informal discussions helped gain broad consensus for the gender policy.

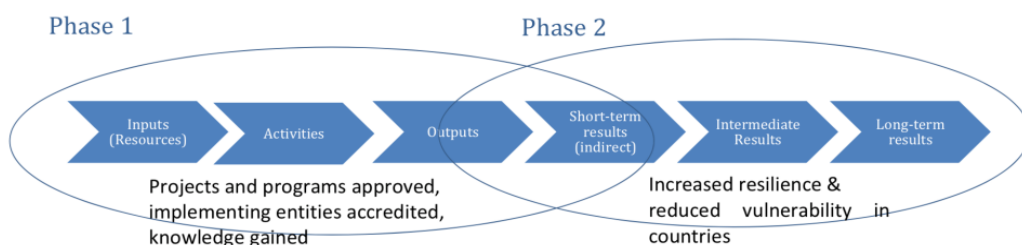
Sweden championed two more significant shifts for the AF. The first was the direct access window, a simplified accreditation process for island states. They argued that the AF's relevance was to fund smaller countries and smaller projects that would get lost in the broader mandate of the GCF. The second was linking the AF to the Paris Agreement.

Sweden also had influence with the AF evaluation. Jan Cedergren approached former head of Sida's evaluation department Eva Lithman to be on the Independent Review Panel for the Phase 1 evaluation in 2015 and as an evaluation specialist and team leader for Phase 2. Ms Lithman has recently been appointed by the AF Board as the chair of the TERG for the AF, which consists of five experts from around the world.

⁶⁷ Tango International in association with Overseas Development Institute (2015) *op.cit.*

Official evaluations of AF by the end of 2019

Figure 4: Diagram of the AF evaluation process



Two evaluations took place after 2012. The phase 1 evaluation (2015) was a process evaluation focusing on the AF's operational performance, while the phase 2 evaluation (2018) was an outcomes evaluation focused on overall results.

Phase 1 evaluation⁶⁸

The phase 1 evaluation in 2015 was a process evaluation intended to inform the decisions of the AF. It focused on evaluating resource mobilisation, decision making, resource allocation, access to funding, including access modalities, the project programme cycle and knowledge management. The objectives of the evaluation were (i) to identify good practices in the fund's operational performance; (ii) to identify opportunities for improvement; and (iii) to provide practical recommendations. The OECD DAC criteria of relevance, efficiency, effectiveness and sustainability were used to identify good practices, identify opportunities and provide recommendations. A summary of the findings is set out at Table 7 below:

⁶⁸ Tango International in association with the Overseas Development Institute (2015) *op.cit.*

Table 7: Summary of the phase 1 evaluation

DAC criteria	Achievements	Challenges
Relevance	<p>-Although small, the AF “is closing the adaptation finance gap” by extending access to all developing countries</p> <p>-Complements other adaptation efforts under the UNFCCC.</p> <p>-AF generating timely lessons for adaptation finance with direct access, examples of adaptation projects that are scalable & replicable & benefit vulnerable communities.</p> <p>-It is a fund that supports pilot activities with the potential to scale up to sub-national, national and regional scales.</p>	<p>The AF’s resource mobilisation strategy is insufficient for the need, particularly with the collapse of CERs</p>
Effectiveness	<p>-Main processes are effective & demonstrate steady improvement.</p> <p>-AF Board and Secretariat have achieved a flat organisation structure & conducive work environment that encourages thinking outside the box and collaborative efforts.</p> <p>-Collaborative environment & secretariats compassionate commitment to reducing vulnerability is the reason for the AF having achieved so much despite small & unpredictable budget.</p>	<p>-Resource mobilisation remains challenging.</p> <p>-One of the reasons for AF’s relevance is the support of pilot projects, therefore important that AF projects are systematically regularly analysed to enrich global knowledge on adaptation & access modalities.</p> <p>-Currently not adequate resources to knowledge management (undermines short-term effectiveness and its significance. Secretariat overstretched.</p>
Efficiency	Reasonably efficient	<p>Decision making needs to be streamlined. Recent addition of the small entity window will improve efficiency.</p>

Sustainability	<p>The niche of the AF is to be at the nexus of learning and innovation in terms of concrete adaptation activities and access modalities.</p> <p>-The collapse of the carbon market threatens the sustainability of the AF.</p> <p>-Voluntary contributions from Annex 1 parties is not expected to provide a reliable solution.</p> <p>-Outcome will depend on the AF's ability to define and defend a specialised role for itself in the emerging global architecture for climate finance.</p>
Key lessons for broader climate financing	<p>-Market based financial mechanisms are too unpredictable to provide a sustainable foundation.</p> <p>-Inter-institutional coordination is critical for avoiding competition.</p> <p>-Direct access is highly relevant, effective and efficient but NIEs in LDCs and small island developing states need support to navigate and benefit from accreditation.</p> <p>-IEs require guidelines and practical suggestions to understand and effectively reach the most vulnerable.</p> <p>-More effective knowledge management is needed to generate and accelerate learning about effective adaptation finance.</p>

Limitations to the evaluation included the amount of documentation on the AF that needed to be reviewed; the structure of reviewing the evaluation via a pro-bono International Review Panel, which was found not to be effective; and the fact that varied expectations by stakeholders about the evaluation were not clarified.

Phase 2 evaluation

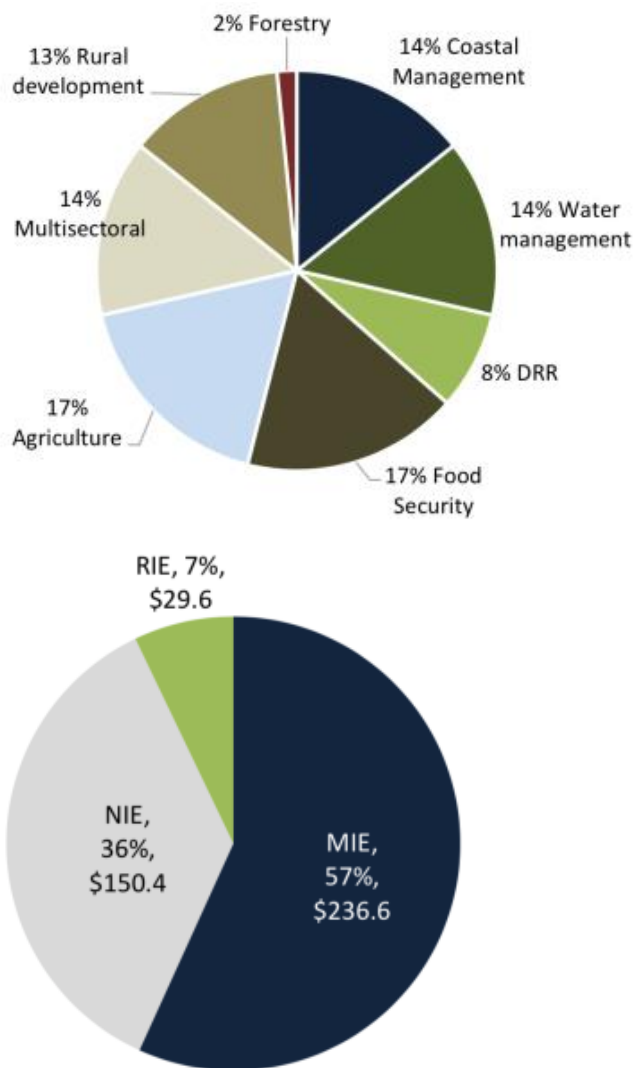
“The evaluation showed good progress but not without challenges. The biggest thing from a global perspective is the direct access modality. The CCI wanted to promote ownership - which the direct access modality does - but it has mostly been used by relatively advanced countries like South Africa, India or Morocco. The poorest countries still mainly access international climate finance through multilateral entities as their own capacity is low. But there are also positive

examples such as the Senegalese Centre de Suivi Ecologique, which was been a pioneer for direct access. ” (Former member, AF Board)

The phase 2 evaluation was finalised in 2018 and was an outcome evaluation that focused on overall results. The objective of the evaluation was to examine and assess the progress of adaptation interventions by looking at relevance, effectiveness and the potential impacts and sustainability of the AF. It assessed the portfolio from 2010 until March 2017. The approaches used were drawn from the OECD-DAC criteria. Along with a literature review and interviews with AF Board, Secretariat and stakeholders, four case studies were developed on work in South Africa, Maldives, Cambodia and Argentina.

By March 2017 there were 63 approved projects in 53 countries. Figure 6 below shows the spread of projects across AF themes and across the three different types of IE. Out of the 63 approved projects, 37 were given to MIEs, which came to 57 percent of the allocated budget.

Figure 5: Portfolio analysis of AF projects by March 2017



The main findings of the 2018 evaluation are summarised in Table 8 below:

Table 8: Summary of the phase 2 evaluation findings⁶⁹

(a) Achievements and challenges		
Criteria	Achievements	Challenges
Relevance	<p>The AF adds value to the Global climate finance landscape in 3 ways: The AF focuses exclusively on adaptation; supports concrete adaptation activities; direct access modality⁷⁰. It aligns with other climate funds and global commitments which generates a strong base for collaboration and commitment. The portfolio of projects is in alignment with the AF mandate of national ownership.</p>	<p>Alignment between funds exists but this has not been institutionalised. Operational links need to be established. Projects can strengthen the adaptation rationale by improving the presentation of evidence and clearly linking how the project will address risks associated with climate drivers. The majority of stakeholders are in the environmental sector. Research shows that although environmental departments may be the best organisations to raise funds, they may not be the best to implement projects.</p>
Efficiency	<p>The secretariat and the AF Board are efficient in managing accreditation and project cycle processes even though the volume of projects has increased. Secretariat is small, lean and cost effective. Projects are mostly delivered on time</p>	<p>Project timeframes often need to be shifted due to delays in start-up and early implementation⁷¹. Accreditation sometimes delayed by institutional challenges (NIEs) and a lack of political support for direct access to climate financing. Project approval slowed down by time needed to ensure projects meet ESPs and gender policy.</p>
Effectiveness	<p>Progress is being made towards all 7 outcomes in the</p>	<p>There is no systematic approach to identifying</p>

⁶⁹ Tango International (2018) *op.cit.*

⁷⁰ The focus on concrete adaptation activities helps streamline processes for countries. The focus on adaptation helps countries make straightforward decisions to address adaptation whereas other funds offer both mitigation and adaptation options. AF is also positioned to streamline direct access with a strong network of NIEs (Tango International, 2018).

⁷¹ See South African example for contextual reasons for delays (p.27-28).

	<p>Strategic Results Framework (see table below)</p> <p>There is evidence that the projects contribute to resilience at a national and local level⁷².</p> <p>There are positive results towards implementing the ESP and gender policy even though not systematically applied across all projects.</p>	gender issues and vulnerability.
Sustainability	<p>AF is aligned with the mandate of increasing developing countries' access to adaptation finance</p> <p>There is evidence of exit strategies to mitigate risk.</p>	<p>AF is limited by the scale of financing available.</p> <p>The sustainable strategies of projects are less comprehensive in the project design phase but sustainability increases during implementation.</p>
(b) Progress towards outcomes		
1 Reduced exposure to climate-related hazards and threats.	All completed risk reduction systems are functioning and being utilized. Vulnerability assessments and risk reduction systems are contributing to localised evidence on climate risk.	
2 Strengthened institutional capacity to reduce risks associated with climate-induced socioeconomic and environmental losses.	<p>Project training programmes and capacity building activities have increased staff and institutional knowledge on:</p> <p>Addressing climate related risks and adaptation</p> <p>In technical fields such as climate modelling, climate-smart agriculture and coastal engineering.</p> <p>They were highly relevant.</p>	

⁷² Resilience is measured using the USAID resilience measurement framework which defines resilience as: "The ability of people, households, communities, countries and systems to mitigate, adapt and recover from shocks and stresses in a manner that reduces chronic vulnerability and facilitates inclusive growth. Three types of resilient capacity were investigated:

- *Absorptive capacity*: comprised of risk management strategies used to help people prepare for or mitigate the impact of shocks and stresses.
- *Adaptive capacity*: reflects the ability to make forward-looking decisions and behavior changes based on past experience and knowledge of future conditions.
- *Transformative capacity*: promotes enabling environments that support absorptive and adaptive capacities through good policies, regulations, infrastructure, formal and informal social protection mechanisms and basic service delivery.

The limitations for investigating resilience were that the current M&E systems are not set up to report on resilience (Tango International, 2018, *op.cit.*).

3 Strengthened awareness and ownership of adaptation and climate risk reduction processes at local level	Projects demonstrate positive trends in behaviour change e.g. sand mining stopped to protect coast, climate friendly agriculture methods, improved attitudes towards prioritising disaster risk reduction planning.
4 Increased adaptive capacity within relevant development sector services and infrastructure assets	Progress is being made towards improving infrastructure that responds to climate impacts e.g. sea walls, flood protection, water management systems, irrigation systems.
5 Increased ecosystem resilience in response to CC & variability-induced stress	Projects are contributing to ecosystem protection in forests, mangroves and river basins.
6 Diversified and strengthened livelihoods & sources of income for vulnerable people in targeted areas	Livelihood support under the projects will take time to yield expected results as they are implemented at a pilot stage and their full impact will not be realised until project results are integrated into larger national programmes or international funding.
7 Improved policies and regulations that promote and enforce resilience measures.	There are improved attitudes and capacity to support climate-risk based planning within target governments, and positive changes in planning practices such as integrating multi-sector and more inclusive processes.
(c) Progress towards impact	
Progress towards goal	The AF has increased developing countries' access to adaptation finance but the USD10 million country cap might discourage countries from seeking funding from AF.
Progress towards impact and objective	<p><i>Absorptive capacity:</i> Projects are generating new and more reliable disaster risk information, strengthened by risk-based planning at local and national levels.</p> <p><i>Adaptive capacity:</i> there is evidence of project-supported livelihood adaptation and diversification strategies</p> <p><i>Transformative capacity:</i> evidence can be seen in the development of climate-resilient infrastructure systems, supporting improved ecosystem management and policy building.</p>

Limitations to the outcomes' evaluation were identified. Most projects were not complete (only 6 percent had been completed at the time of the evaluation). Monitoring and evaluation capacity were still emerging within the AF. Currently targets are only monitored through a central and automated portfolio database. The AF needs to make efforts to capture progress and performance data, although at project level M&E is good.

Some stakeholders that were interviewed for this case study expressed disappointment with the evaluations, particularly the phase 2 evaluation. The evaluation team noted that one of the limitations of this evaluation was the unclear expectations by different stakeholders of what the evaluation was to address. The disappointment of AF stakeholders was in relation to the level of the findings. They were hoping for insights at a country level rather than an overall perspective of the AF. The AF NGO Network reported that the evaluation team did not speak to relevant CSOs at country level who could have given an additional and independent on-the-ground perspective of the projects.

Since the 2018 evaluation the AF has established a TERG with Ms Eva Lithman as the chair. The purpose of the group is to help update and implement the evaluation strategic framework. The group has three responsibilities: evaluation, advice and oversight. A full-time evaluator will also join the secretariat, with a part time consultant to assist.

Reflection and learning

“I think it gave a better understanding of adaptation and also developed a theory of change of how to act and this was a significant knowledge contribution”
(Former member, AF Board)

Value of the AF for learning and innovation

This section reflects on the value of the AF as a space for learning and innovation. These are lessons that are valued by the people we interviewed and that are documented in evaluation reports and AF NGO Network reports. What is missing is the value of the AF for developing country board members (as mentioned in the limitations to this study).

Small enough to respond, adjust and innovate

“The AF is still evolving, and they are looking for new funding windows. They are continually having to adjust their approach. It is interesting to be involved in it and in a fund that is dedicated to adaptation issues.” (Member, AF TERG)

The AF can be seen as a learning organisation. This has a lot to do with the conducive working environment of the Board and the commitment of the Secretariat⁷³. Recommendations from the two formal evaluations have been considered and mostly taken up. For example, the phase 1 evaluation recommended that a more comprehensive gender policy was necessary⁷⁴. In response to the phase 1 evaluation, the AF Board, led by Sweden, developed a separate gender policy based on best practice of the time. Although the gender policy as well as the updated ESP has led to delays in project approvals, the phase 2 evaluation reported that there was

⁷³ Tango International in association with Overseas Development Institute (2015) *op.cit.*

⁷⁴ Tango International in association with Overseas Development Institute (2015) *op.cit.*

significant improvement in the implementation of projects and their alignment with AF policy⁷⁵.

Both evaluations recommended that the AF needs to carefully situate itself as a learning and innovative fund within the broader climate financing landscape⁷⁶. In response, new grants have been initiated such as the readiness and innovation grants to help countries scale up their projects. There is also a South-South grant for peer learning between accredited organisations and organisations who want to become accredited. By situating the fund in this way the AF is able to take more risks and go beyond tried and tested approaches. In this way the AF is setting itself up as a fund that initiates small experimental grants that can be scaled up by other funding mechanisms and larger donors. SANBI, the NIE in South Africa, have used the fund in this way and describe the AF as a very valuable stepping-stone for the GCF. It is also a good space where NIEs can build capacity, because when they apply for funds through the GCF, small country organisations are competing with the private sector and international multilaterals. In this way AF is carving a niche for building the capacity of country organisations in a purely pragmatic way.

The AF is also seen, by Sweden in particular, as a fund that can fill in the gaps for the GCF and focus on small projects in poor countries and communities that may get overlooked by the GCF. This is particularly so for small island states, which Sweden is currently championing.

Another area of innovation that the AF wishes to explore is conflict sensitive projects. AF appreciates Sweden's capacity to take up new and challenging themes and it might suit Sweden's role well to lead on this front.

⁷⁵ Tango International (2018) *op.cit.*

⁷⁶ Tango International in association with Overseas Development Institute (2015) *op.cit.*;
Tango International (2018) *op.cit.*

Market based mechanisms are unpredictable

“Through AF everyone knows that many things are possible, and it can be quick, direct and country driven. Country contributions go away from this original funding model.” (Former member, AF Board)

The AF had high hopes for the CERs as a funding mechanism. This was particularly important for developing countries, who did not want to rely on bilateral donors and the unequal power relations that this seemed to entail. In particular, developing countries wanted a different system to the GEF governance model, which they saw as unequal. The funding was going to come from CERs issued to developed countries engaged in mitigation and this enabled developing countries to view it as their money. This gave them the confidence to argue for a different governance structure for the AF. Unfortunately, the CER market crashed and the AF still faces an uncertain future.

Direct access: a mechanism, a principle and a value

Direct access is seen as a core innovation of the AF for a number of reasons. First, it is seen as a mechanism for ensuring that funds are used to implement climate resilient measures for the most vulnerable. This addresses the concerns that developing countries were losing a lot of funds to multilaterals to administer and execute projects in developing countries. Direct access is also seen as a mechanism to increase country ownership, one of the principles of the Paris Declaration.

A third reason is that direct access is seen as a tangible process for addressing past inequities and unequal power dynamics in climate financing. Support for direct access is seen as a stand of solidarity and an act of trust by developed countries to developing countries.⁷⁷ It can be argued that this acknowledgement also acknowledges historical rifts between the global North and global South related to colonization and economic dominance. This is

⁷⁷ Lovin, 2017 <https://www.adaptation-fund.org/sweden-adaptation-fund-contributor-toward-sustainable-world/> Accessed 30th July 2019

specifically felt in the AF, where the AF Board is described as a conducive working environment enabling members to think outside the box⁷⁸.

Direct access is also seen as a way of building broader capacity within countries to address adaptation to climate change. However, some critics argue that this is dependent on the state of democracy within a country as can be shown by the Cambodia case study for this evaluation⁷⁹. This has been picked up by the AF by working more closely with designated authorities.

Tove Goldmann argues that there is also room for improvement around the synergies between multilateral and bilateral funds. The AF could do better to learn and share with other funds, particularly with LDC funds. While the AF does not have a presence in countries, bilaterals do have country offices. This Tove Goldmann sees as a missed opportunity to build on AF projects and lessons generated through direct access.

The pilot of enhanced direct access in South Africa does open up new opportunities for the AF, although it comes with its own challenges. This is particularly related to the great contrast between the realities of community organisations on the ground working in very poor communities and the demands of an international fund for accountability, monitoring and evaluation and reporting. This requires a wholly different approach where systems need to be set up before the project begins. This includes getting local government collaboration, which can take up to two years in South Africa in some municipalities. There are a multitude of contextual issues that could make this a complex process including issues of trust within government and in local community organisations. Just as some developed countries did not trust developing countries to handle direct access, so this is asking for deeper levels of trust in NIEs' ability to manage the complexities of complying with AF and at the same time ensuring that sub-national organisations are able to comply. Mikko Ollikainen sees the South African project as a good example but some local NGOs that managed the small grants projects found the project traumatic and out of touch with local

⁷⁸ Tango International in association with Overseas Development Institute (2015) *op.cit.*

⁷⁹ Abidi Habib M (2020) *op.cit.*

challenges particularly in very poor communities. There is a lot of opportunity for AF to learn from these pilot experiences and address the challenges with the same sensitivity that they have used to address challenges arising from the accreditation process for direct access. What is worth bearing in mind is that developing trust may entail more than providing templates and target trackers but rather understanding what the context needs and from there what kind of organisational capacity is needed to respond. Another important reflection may be considering where responsibility lies for what level of reporting.

AF as a learning example for climate financing?

“GCF picked up a lot from AF. AF is like a sieve for GCF. GCF took it to a higher scale. The accreditation process is after AF, it is more complex but the experts that AF used to develop it worked with the GCF – the AF was a pilot in a way.” (Former official, AF Secretariat)

Interviewees report how the experiences from AF were adapted by the GCF. The learning was exchanged informally and at times the AF Secretariat were on the phone to the GCF Board a few times a week for several weeks. There have also been links between at least 7-8 GCF projects that have built on earlier AF projects. There have also been several good examples of ecosystem-based adaptation that are in line with the IPCC, which Ms Goldmann believes Sida can learn from. She sees these as more successful than the infrastructure projects which need to be constantly repaired.

Although there has been a lot of exchange between GCF and AF, this has not been formalised and GCF have not publicised the links between what they are doing and the AF experience. The two evaluations point to AF having insights to share with climate financing more broadly and that the main challenge is in AF's knowledge management⁸⁰. In the phase one evaluation report AF is advised to develop a better knowledge management system and to analyse the portfolio regularly to identify insights and lessons to

⁸⁰ Tango International in association with Overseas Development Institute (2015) *op.cit.*;
Tango International (2018) *op.cit.*

share more broadly. This needs to be formalised so as to ensure that AF is recognised not only as a learning institution but also as a fund that generates learning and insight.

Steps have been taken to initiate more coordination between the AF and GCF during Sweden's co-chairmanship at the GCF Board during 2018. Sweden initiated a dialogue between AF and GCF to explore areas of further collaboration. This resulted in several meetings throughout 2018 with the chairs of both Boards, with the outcome being a paper on the possible areas of increased collaboration. This paper was presented at the GCF Board in February 2019.

Furthermore, based on COP guidance, an annual dialogue among climate finance delivery channels that include GCF, GEF, AF and CIF funds has taken place in 2017 and 2018 with GCF being the main facilitator of these discussions with the overall goal to achieve greater coherence and avoid duplication between the different funds. Following this, the AF approved a knowledge management strategy, instituted "learning and sharing" as one of its three pillars, and recruited a knowledge management coordinator supported by a small team.

Approach to adaptation.

"It is not easy to compartmentalise the difference between development and adaptation. There are many different discussions in different forums about this. AF's approach is not to set a definition as there is no simple solution. It can also lead to bias as there are different needs in different sectors and different countries. AF funds what counts as urgent and immediate needs." (Official, AF Secretariat)

Many interviewees said that one of the achievements of the AF was that it provided examples of what concrete adaptation projects would look like in developing countries. There are projects where ecosystem-based adaptation techniques have conserved water and policy shifts have led to changes in water service delivery; shifts in land use practices have led to increased climate-smart farming, and risk reduction projects have been implemented against flooding and

landslides. What seems to be missing is documentation reflecting on the lessons learnt on the ground in relation to adaptation and how the AF continually revises or shifts their position on adaptation approaches in a continually changing and heightened political (and climate change) landscape.

One such shift has been a recognised need to consider conflict sensitive approaches around adaptation and also the growing need to consider what are the responses to migration as an adaptive response to climate change. The AF would welcome Swedish support in this new context.

Between country ownership and failing democracy

Direct access has been a real success with countries that have more capacity. Accreditation and project approval have been slower with countries with less capacity. There is also a tendency for designated authorities to choose their own structures to stand for accreditation even if these are not the best for the project. The Cambodia case shows that the AF funding can be used to entrench the control of a centralized authoritarian government which can have detrimental effects on vulnerable communities⁸¹.

Country ownership, however, means handing over the choice of NIE to the sovereign state. Even when this is not the case and the project is implemented by a MIE there can be issues. For example, with Cambodia, even though capacity was built with national structures and the implementing entity was a MIE, the authoritarian governance played a significant role in how the project played out.

The AF accreditation process does contribute to increasing the capacity within governments:

“At first it was slow and some – such as Kenya - we could not recommend. Kenya sent their senior manager for training and a year later they got their accreditation. This led to other functions within the government being strengthened, particularly around their systems of accountability. Once they were

⁸¹ Abidi Habib M (2020) *op.cit.*

strengthened, issues around accountability were raised in other areas that had nothing to do with adaptation.” (Former member, AF board)

The AF NGO Network is also an important independent body for monitoring projects and reporting issues directly to the board, for example it can make use of the ad hoc complaints mechanism set up by the AF. Although the Network prefers to use blog articles and CSO events, like the CSO dialogue to share these independent insights from their project assessments with the AF Board. It would be worth understanding what this combination of approaches can bring to ensuring country ownership and being able to respond to corrupt or authoritarian governments that increase the vulnerability of communities. As climate change increases in impact, political pressures could mount and conflict sensitive approaches may become more relevant. In this case, the AF NGO Network is open to any organization from civil society this includes the possibility of aligning with organisations outside of climate financing and the environmental sector.

Insights into the AF and Sweden’s role

This section attempts to tease out Sweden’s contribution to the AF and why this has been of value.

“Support for the AF aligns Sweden with developing countries and an ethical position that was acknowledged in COP12 and the Nairobi AF decisions. It situates Sweden as an ethical nation that takes its role in compensating for the benefits of a fossil fuel economy.”⁸²

As with the Clean Technology Fund (CTF) – one of the mitigation case studies for this evaluation⁸³ – the AF is presented as an adaptation success story in climate financing. The AF has made its mark by situating the needs of the most vulnerable at the centre. Unlike mitigation, which is focused on mitigating against the material causes of climate change, adaptation projects are

⁸² Grasso M (2011) The role of justice in North-South conflict in climate change: the case of negotiations on the Adaptation Fund. *International Environmental Agreements*. Vol. 11 p. 361-377

⁸³ Wilson J (2020) *Clean Technology Fund: Case study report*. Stroud: Emerald Network Ltd.

acknowledging that the damage has already been done and there are some that will suffer more than others.

If we dig even deeper into the adaptation space it is also about acknowledging that there are economic inequalities due to the world economic order. The adaptation agenda asks all role-players to consider more than just the damage that has been done to the environment but also the damage that has been done to people and how these two injustices are intertwined. For example, the recent drought in Cape Town that almost led to a city of 4 million people running out of water was a crisis for all and made international news.⁸⁴ What did not make the news was that the majority of people in Cape Town live in a perpetual state of water insecurity. Although the City of Cape Town reduced household use to 20 litres of water per day during the drought, there were many people who had been living on 20 litres of water per day (and sometimes less) for years before the drought even made it to the international stage. It is these realities that lie at the foundation for a call for adaptation.⁸⁵

Sweden's most significant contribution has been to understand and be in solidarity with this reality. On the global stage of climate financing this meant supporting the AF.

In order to understand Sweden's contribution to the AF there is a need to first consider how action is enabled in the world. We would argue that key mechanisms can be viewed as connectors and, in a time of increased animosity to 'others' and 'difference', should be viewed in this way. Significant connectors are multifaceted: human, institutional, policy driven, contextual and historical. Connecting is also multi-scaled, for example, horizontal connectivity across Kyoto Parties or between AF Board members. And vertical connectivity between the AF, countries receiving funds and community beneficiaries. If we use this metaphor what do we see when we look at Sweden's contribution to the AF?

⁸⁴ <https://www.youtube.com/watch?v=bi8gR7v1X-M>

⁸⁵ Environmental Monitoring Group, 2018

http://www.emg.org.za/images/downloads/water_cl_ch/EMG-drought-guide-for-web_Jan2018.pdf Accessed 14th September 2019

The AF emerged at a time of political conflict between developed and developing countries.⁸⁶ The Philippines led the developing countries. It is unclear who was the main influencer in the developed countries standpoint. What is clear is that in 2007 this standpoint shifted and most developed countries chose to stand together around an ethical consideration: that adaptation is often about sheer survival for developing countries and so their call for more control and alignment in the financing of adaptation activities was valid. It was a matter of rebuilding trust. It is unclear what Sweden's role was in this shift in 2007 but what is clear is that Jan Cedergren, from Sweden, made a significant contribution in setting the tone of the AF board as a collaborative space where developed and developing countries could work together towards a common cause.

"The AF was very political in the beginning but through the work in the Board it became less so. It has been the same with the GCF. In the beginning the AF Board was very political but now it is more and more populated by technical people and civil servants who are focused on getting the work done. Now there is a good atmosphere in the fund. It is really remarkable that there is not the common split between developed and developing countries. There are disagreements but they are more of a technical nature. Jan was the bridge that enabled this. The Board members and colleagues that were involved at that time say that he did a very good job and he should get a lot of the credit as the AF benefited a lot from his intervention." (Former member, AF board)

What enabled Cedergren's role as a human connector is both personal, institutional, contextual and historical. Interviewees speak of how Cedergren had spent a lot of time working in Africa and developed good relations with African countries. He was seen as being on their side and understanding their problems but at the same time was respected by developed countries as a skilled diplomat. Cedergren, like other Swedish representatives, is an example of a global connector who is enabled by the context of Sweden, Sweden's experience and position around aid, Sweden's understanding of the historical space the country is working in, and understanding and appreciation of the historical inequalities playing out on developed countries. Sweden also seems to value diplomatic

⁸⁶ Grasso M (2011) *op.cit.* Grasso describes this shift as having taken place through a series of smaller meetings leading up to the 2007 COP.

skills. These early years of negotiation were then institutionalised in the guidelines and procedures of the AF.

Sweden's influence continued in this pattern with a Swede sitting on the AF Board each year to date. Sweden chaired the Accreditation Panel towards accrediting NIEs and MIEs with NIE accreditation enabling countries direct access to funds. The next Swedish representative, along with the Ghanaian and Kenyan members of the AF Board, led the development of the gender policy and action plan:

"Sweden mostly raised profile around ensuring gender consideration even before government was calling itself a feminist government. 2011-2012 they helped focus on these areas." (Official, AF secretariat)

The current Swedish AF board member sees Sweden's role as for example, championing a conflict-sensitive approach, the gender policy and action plan as well as addressing the financial uncertainties that the fund still experiences.

Sweden has also championed an institutional connector, the AF NGO Network, as vital for beginning to generate vertical connection between the AF Board, the NIEs and the beneficiaries on the ground:

"The civil society network has also been useful. It is run from Germanwatch and the interplay between the NGO community and some progressive donors from the board have helped it move forward. Sweden is one of these progressive donors."

(Official, AF secretariat)

Sweden still does not offer financial support to the Network which is currently only being funded through the IKI. In the Cambodia case study we argue that meso-level connectors are valuable for noticing issues early on which may prevent maladaptation.⁸⁷

Although the CCI principles were not very visible and the multilateral development principles seemed to be more present when deciding whether to fund the AF, they came through in

⁸⁷ Abidi Habib M (2020) *op.cit.*

Sweden's talking points. As argued in other reports of this evaluation the principles were implicit connectors that stated Sweden's long held position in development aid and climate financing.

Sweden, as a country and a donor, is also viewed as a connector. The Secretariat viewed Sweden as an easy donor. Sweden is also seen as a donor that is tacit about national priorities.

"I can say this in a short sentence. Sweden has been the most stable supporter of the AF. Their culture is to consider what is appropriate and the conduct of their board members is not to be too vocal. It is nuanced. They seldom beat the drum of their own government's views or Sweden's priorities. The Minister will often talk about the AF and why they are active in supporting it. They are more vocal when we organise contributor's dialogues." (Official, AF secretariat)

Sweden is furthermore the only country that has contributed continually since 2012. It has continually contributed regardless of changes in government, which in most other countries plays a role.

Sweden is viewed by the AF Secretariat as having a stable political hand that pushes for good governance and direct access. It is a country that is not scared to address contentious issues. The Secretariat would welcome Sweden to step forward to lead the AF Board around issues of climate refugees, a growing issue in adaptation, and the AF could work into this space and provide valuable lessons going forward.

This paints a picture of a country connector that understands the nuances of building a relationship with other countries, institutions and people. This requires a sensitivity of knowing when to support and offer solidarity and when to champion and offer guidance. Sweden has had a significant influence on the AF in a positive manner and yet some Swedish interviewees suggested that Sweden's position in the AF is not being used to its full advantage to influence global climate financing. Those responsible for climate financing within the MFA are stretched and cannot make the most of this position. It is obvious that Sweden has the potential to offer more than money to a fund and yet this cannot be actualised to its full extent.

“Sweden gained a lot of credit around AF and there was a potential to have an even bigger political influence but there was a lack of capacity, both at the MFA and the Ministry of Environment. It is a major priority for Sweden but there is not enough capacity. Italy and Finland contribute very little to climate finance and yet they have a big influence (e.g. within the EU climate finance negotiator’s group) as they have staff dedicated to it. Sweden punches below its weight. If Sweden wants to have influence we need to have staff to be proactively involved in the discussions, dialogues and negotiations. Adding additional funding is positive but will only get us so far. We need both funds and policy and negotiation. There is a gap between finances and action on the ground and political influence.” (Former member, AF board)

Alignment of CCI principles with Sweden’s contribution to the AF

This section considers how the AF aligns with the CC principles as well as how Sweden’s contribution can be viewed through the lens of the CCI principles.

“The CCI principles – you can see them in Sweden’s talking points. This is when they make them explicit but they transmit them more indirectly through support. They are very diplomatic.” (Official, AF Secretariat)

Of the seven CCI principles, all relate in some way to adaptation. We briefly reflect here on all seven principles (Table 9):

Table 9: CCI principles and Sweden’s contribution to the AF

Principle	Reflection
P1: The funds reserved for adaptation interventions should go primarily to the poorest countries.	<i>Alignment of AF with CCI principles:</i> The goal is in alignment with the Kyoto principle, to assist developing countries that are particularly vulnerable to the adverse effects of climate change. All countries that have received funds from AF are ranked low on the Human Development Index (HDI) and/or fell into the SIDS-LDC-Africa category and are considered vulnerable to climate change. At least one of three climate risk indices also apply to each country receiving funds from the AF ⁸⁸ . The impact of the AF emphasises increased

⁸⁸ Tango International (2018) *op.cit.*

	<p>resilience at community, national and regional levels⁸⁹. <i>Sweden's contribution:</i> Sweden is recognised as having pushed for good governance, direct access and the accreditation of SIDS that makes finances available more locally and to the most vulnerable.</p>
<p>P2: The Swedish contributions should have a tangible added value.</p>	<p><i>Alignment of AF with CCI principles:</i> The AF has generated examples of successful concrete adaptation projects and there have been projects that have been replicated by other funds. The tangible added value of the direct access and accreditation process was the growth of institutions, project examples and lessons that were relevant for other climate financing.</p> <p><i>Sweden's contribution:</i> Sweden is recognised as the most consistent and reliable donor of the AF; has motivated other countries, when the CERs crashed; contributed to good governance of the AF Board; supports CSO participation, inclusion and contribution; contributed to the gender policy and action plan to move beyond being gender sensitive to being gender responsive/proactive; and argued for a simplification of the NIE accreditation for SIDS⁹⁰. Finally, Sweden is viewed as a valuable participant going forward, particularly with regards to championing contentious issues such as climate migration.</p>
<p>P3: Contributions should work towards the implementation of the Paris agenda principles on aid effectiveness.</p>	<p><i>Alignment of AF with CCI principles:</i> The direct access modality devolves developing country ownership of project choice, country policy and priority alignment and implementation to an NIE. The first NIEs were mostly from middle income countries. This is shifting and more NIEs from poorer countries are being accredited. There is potential to align MIE and NIE projects. Both AF evaluations report that the AF has complementarity and coherence with other funds but that this needs to be further institutionalised⁹¹. NIE projects are country owned and country driven although this can have unexpected negative</p>

⁸⁹ Interviewees emphasised the community level, which they saw as the valuable contribution that the AF made. Even in middle income countries there is a recognition that there are vulnerable communities.

⁹⁰ "Sweden insisted on more projects in small islands as this is one of Sweden's priorities. They also insisted that there are NIE's in small islands. This was very challenging as the islands have small institutions as government but we came up with something. This was all championed by Sweden - we came up with a policy for a simplified accreditation for small entities and small developing countries. We could approve and accredit them and once they got accredited they could target the most vulnerable and poor." *Source:* Interview with official, AF secretariat.

⁹¹ Tango International in association with Overseas Development Institute (2015) *op.cit.*; Tango International (2018) *op.cit.* There is evidence of this in terms of how SANBI (the South African NIE) has used the AF as a stepping-stone to GCF (Interview with Mandy Barnett, 19th September 2019)

	<p>outcomes in countries under authoritarian governance. The uncertainty of AF funding is working against countries wanting to go through the accreditation process.</p> <p>Alignment of donor and recipient country priorities: Germany and Sweden are the biggest donors of the AF and priorities tend to be aligned. Funds are managed by the AF Board which is made up mostly of developing countries. This goes a long way towards ensuring alignment. However, the Cambodia case (implemented by a MIE) shows evidence of a misalignment between the AF as contributor to the resilience of vulnerable communities and the way the AF-funded project in Cambodia may have perpetuated unequal relations between communities and government⁹².</p> <p>Donor agencies harmonise and coordinate development aid: Sweden worked hard on this internally although some interviewees asked for better alignment between bilateral CC programmes and multilateral funds like the AF. There was a feeling that Sweden could learn from AF projects, particularly those focused on ecologically resilient solutions. Sida could also support the AF more on country level.</p> <p>Both donors & recipients manage for results: The AF Board is the decision-making authority for the AF. This was a matter of contention between developed and developing countries during the operationalisation. Developed countries wished for GEF to manage the fund whereas developing countries considered GEF not to be democratic enough. Consensus was reached with the establishment of the AF Board that is mostly made up of developing countries and donors representing either Annex 1 Parties or the geographical block of Western Europe.</p> <p>Mutual accountability: The AF Board manages for mutual accountability between donors and recipients. However, at national level, with the introduction of enhanced direct access, smaller organisations who are receiving small grants are struggling with the capacity needs for providing evidence of accountability to NIEs and thus the AF Board⁹³.</p>
P4: Consideration should be taken to the ongoing international	<p><i>Sweden's contribution:</i> In the CCI there was disagreement over funding the AF although a pledge was made in 2008. It was argued that the AF did not align with Sweden's multilateral development principles because it was not a mature fund and would not be managed by an established</p>

⁹² Abidi Habib M (2020) *op.cit.*

⁹³ Research is currently being undertaken into how the ESP and gender policy can be aligned with the context and capacities of small grant holders as well as considering where the bulk of responsibility lies for monitoring & evaluation, reporting and capacity development.

climate negotiations regarding timing and choice of channels.	channel such as the GEF. This hesitation could have been because of the conflicts between developed and developing countries. Due to these ongoing debates, the fund lost credibility. The tenure of the Swedish Chair contributed to resolving these initial conflicts. One reason Sweden eventually funded the AF was because the AF was in line with Principle 3. The AF gave Sweden an opportunity to uphold these principles both on the global stage and through the piloting of direct access. This risk has paid off with Sweden now having significant credibility and leverage in GCF negotiations, which some interviewees felt would not have happened without their role in AF.
P5: The allocation should reflect the ongoing work of the Commission on Climate Change and Development (CCCD).	<p><i>Alignment of AF with CCI principles:</i> The phase 1 & phase 2 evaluations provided evidence that the AF is in alignment with the ongoing work of the CCCD but could benefit from generating more operational links to align the AF with other climate financing⁹⁴.</p> <p><i>Sweden's contribution:</i> Sweden has taken back learning from AF into their ongoing participation in the GCF.</p>
P6: Sustainable adaptation to CC requires that clim. perspective is integrated into the countries' own development strategies.	<p><i>Alignment of AF with CCI principles:</i> The direct access modality made it easier for countries to align AF projects with the country's own development strategies. The accreditation process also enhanced the capacity of some countries to align sustainable adaptation with development strategies. The AF has seven thematic areas which cover water and land use and urban as well as rural areas.</p> <p><i>Sweden's contribution:</i> Contributed support for direct access.</p>
P7: A proportion of contributions should focus on disaster risk reduction as an integral part of climate adaptation.	<p><i>Alignment of AF with CCI principles:</i> DRR is a theme of the AF although currently only 8% of all projects focus on DRR. Many of the other projects do contribute to DRR through better adaptive practices and early warning systems⁹⁵.</p>

⁹⁴ Tango International in association with Overseas Development Institute (2015) *op.cit.*; Tango International (2018) *op.cit.*

⁹⁵ Tango International (2018) *op.cit.*

Value for Sweden from CCI and the AF

This section draws out the value of the AF to Sweden as a country contributing to the global climate negotiations.

At the operationalisation of the AF the value add for Sweden and CCI was to:

- work in solidarity with developing countries which gave Sweden positive visibility in the climate negotiations.
- uphold the Paris Agenda on the global climate financing stage.
- support a fund with a focus on adaptation and LDCs. This also gave Sweden a foothold in the climate negotiations.

Sweden's financial and leadership commitment to AF has paid off, with the AF being considered a success and an example of adaptation funding that has successfully piloted country ownership through direct access. This has in turn given Sweden a lot of political power in the GCF negotiations where they can push their positive experiences of direct access. If Sweden had not been involved in the AF and not had these positive experiences it is unlikely they would have pushed for direct access in GCF.

Sweden has also shown itself to have diplomatic leaders who can negotiate contentious issues and situations and set the tone for collaborative governance. The AF now looks to Sweden to champion climate migration going forward.

Finally, Sweden has entrenched its role as a leader with regards to gender equality and as early as 2011/12 helped the AF focus on the ESP and gender. This was taken further with the development of the gender policy and action plan.

Discussion and recommendations

In concluding this case study, the following points were developed around the concept of ‘connectors’ to inform discussion within the Evaluation Reference Group, as a basis for recommendations for future climate change investments.

The concept of connectors comes from network theory and resilience literature, and more recently has also found its way into conflict research that differentiates between connectors and dividers⁹⁶. Another similar concept is that of boundary objects and boundary crossing in the communities of practice literature⁹⁷. It is important to visualise connectors not only as individual people but as people and institutions emerging out of history and social structure.

Connectors as peace makers guided by principles: The AF story is a story of connectors. Swedish representatives were powerful connectors during the operationalisation of the AF, in setting up the processes of accreditation for the first countries to be accredited and in strengthening the gender policy and action plan. How should Sweden continue to enhance this position in climate negotiations?

Connectors at multiple scales: As climate change increases the work of champions, peace makers and peace-making organisations will become more important and valuable, but this needs to extend to multiple levels. The AF NGO Network is a good example of an institutional mechanism that can build connectivity between organisations on the ground, NIEs and the AF Board. As the issues around climate change shift this may also mean drawing in organisations that are outside the environmental sector and have specific skills to deal with shifting contexts, particularly conflict and migration. The AF Cambodia case study shows that connectors are equally important at a local level. We identify this as the meso-level and argue that “Meso-level organisations are by no means

⁹⁶ See e.g.: UNOCHA / UNDP. 2015. A Principled Approach to Conflict Sensitive *Do No Harm* Programming in the context of Federal Iraq and the Kurdistan Region.

⁹⁷ Akkerman SF, Bakker A (2011) Boundary crossing and boundary objects. *Review of Educational Research* 81 (2): 132–69.

insignificant, [these] inhabit an often opaque ‘twilight’ area between the central state and the community [...] where mandates and everyday actions are often open to interpretation and where public authority and ‘reach’ are sometimes fragmented, ambiguous and contested... Nationally these disjunctures can be compartmentalised within different ministries; at the meso-level they are harder to ignore⁹⁸’. How is this meso-level brought into meaningful conversation with other levels? What inhibits these organisations from moving out of the twilight?

Connectors as championing important principles: Sweden has played a significant role in championing certain principled positions within the AF such as direct access, the Paris agenda and the gender agenda and yet staff within the MFA and Sida are stretched and lack capacity in relation to other countries who contribute less funds but have more staff on the ground to promote a particular position. This is an ongoing challenge of finding a balance between contributing funds and capacity. Given that contributing to adaptation is in essence a principled position and that this is recognised by the CCI principles this balance may be worth revisiting.

Connecting beyond competitiveness and towards collaboration and coordination: Although the AF is in alignment with other adaptation funds in principle, the phase two evaluation recommends that this alignment needs to be formalised. In the highly political landscape of climate financing this may be difficult but essential to ensure collaboration and coordination. Interviewees say that the GCF is achieving this to a degree and that the AF could learn from the GCF in this regard. Since this evaluation report, the AF Board has had a standing agenda item on coherence and complementarity with the GCF for several years now, and linkages have been actively promoted both at the chairperson level and between secretariats. There is also a lack of synergy between regional AF projects and different implementing agencies and bilateral projects. Interviewees also say that synergies can be strengthened

⁹⁸ Christoplos I (2016) *Understanding sub-national climate governance. Findings from Nepal, Uganda, Vietnam and Zambia*. DIIS – Danish Institute for International Studies. Page 56 as quoted in Abidi Habib M (2020) *op.cit.*

between Sida and multilateral funds including how the different institutions learn from each other.

The NIE is a potential country connector towards country ownership: The ideal model for country ownership is for projects to be implemented by NIEs but many countries struggle to reach the accreditation standard in the short term and rely on MIEs to implement projects in their countries. Interviewees suggested possibilities of NIE outreach to MIEs where MIEs support NIEs to gain accreditation along with South-South grants. MIEs can also support NIEs with support. The South African NIE, SANBI, developed a relationship with the UNDP where the UNDP gave them access to their online portal and assisted them to draw in much needed expertise.

The designated authority may not always be the best connector: Designated authorities are people within government departments that put forward an applicant as a national implementing entity. Designated authorities usually choose entities within or linked to their own organisations. The phase two evaluation report states that this leads to more coordination between country priorities and projects but in countries where democracy is compromised this may not be the case.

Predictability of funding is needed when funding adaptation through direct access. The sustainability struggles of the AF have jeopardised direct access. Donor countries usually announce commitments to the fund on a year-by-year basis at the COP. This is not sustainable as it inhibits the AF from strategizing for the long term. The AF NGO network calls for donors to commit for a series of years rather than a year at a time to absent this continual uncertainty. The recent Swedish 4-year contribution to the AF announced at the UNSG climate summit in September 2019 is very valuable in this respect, and has been appreciated by other governments in COP 25.

Proactively designing the accreditation as a learning process: The accreditation process has shown that it leads to strengthening capacity in developing countries around adaptation and country priorities as well as raising the profile of adaptation. The AF is extending the accreditation as a learning process through

South-South grants and readiness grants. Proactively designing accreditation and other managerial mechanisms as learning processes could strengthen climate financing more broadly.

Donor country structures as connectors: There is evidence that Sweden's internal structures enabled learning and supported Swedish representatives to take a principled stand within the AF. Most people interviewed expressed how Sweden embodied a particular attitude that made them an ally and an asset for the AF. Sweden is described as an easy and principled donor who does not push country priorities and listens. Even though Sweden struggled with the capacity to invest enough time into the AF process they still managed to have a significant effect. This seems to have something to do with what some call the 'Swedish way' which is understood to be diplomatic and aligned with developing countries concerns. It would be worth considering what enables Swedish agency and how this can be strengthened particularly in relation to conflict-sensitive climate financing.

Overall the AF is poised to become an innovative fund that prioritises experimentation, learning and sharing. What mechanisms can be put in place to strengthen adaptive capacity as principled innovation and learning?

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