

Fourth review of the Adaptation Fund

Co-facilitators Note

8 June 2021

I. Introduction

1. This note includes the views expressed by Parties to the terms of reference grouped according to sections. It also includes in an Annex the terms of reference of the third review of the Adaptation Fund,¹ with necessary technical updates (highlighted in yellow) for a draft term of reference of the fourth review. The proposals by Parties for an accompanying decision (chapeau and operative sections) will be added in the next iteration of this note.
2. This note covers the submissions made by eight Groups of Parties,² two Parties,³ two observer States⁴ and one observer organization.⁵
3. In order to facilitate the second informal consultation on the fourth review of the Adaptation Fund, the co-facilitators suggest the following guiding questions for consideration by Parties:

With a view to updating the terms of reference as agreed, based on the terms of reference from the third review of the Adaptation Fund and on the note provided by co-facilitators to Parties,

- (a) Which issues of duplication/ convergence can Parties identify?
- (b) How can the review, respectively the terms of reference, consider the fact that the Adaptation Fund also serves the Paris Agreement as of 2019?
- (c) How can the terms of reference and the technical review address what the Fund has done in the past in order to provide a basis for Parties' decision on what it should and can do in the future (e.g. legal transition, Board eligibility and flows from Art. 6)?
- (d) Which new and additional information in the section of inputs are necessary to be included considering the existing sources from the 3rd review, especially the reports from GEF, GCF and AF?

¹ As per decision 2/CMP.13, para. 10.

² ABU, AGN, AILAC, AOSIS, EIG, EU, LDCs, LMDCs.

³ Indonesia, Norway.

⁴ Canada, US.

⁵ Development Alternatives on behalf of the Adaptation Fund NGO Network.

Terms of reference of the third review of the Adaptation Fund with views expressed by Parties through in the first informal consultations

This note and its Annex were prepared as contained in the Annex by the co-facilitators on this matter. The note is not exhaustive, has no formal status, and should not be considered as final in any way. It is offered to assist us in advancing the discussions on this matter and does not prejudge further work or prevent Parties from expressing their views at any time.

Overarching considerations expressed by Parties on the TOR for the 4th review

- We do not envisage any further changes to the ToR as agreed from the Third review, except for clarification/updating of information/references that have changed

Objective

3rd review TOR text – as is from the 3rd review;

"The objective of the third review of the Adaptation Fund is to ensure the effectiveness, sustainability and adequacy of the fund and its operations with a view to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) adopting a decision on the matter at CMP 13(November 2017)."

Views expressed:

- The objective of the fourth review of the Adaptation Fund is to ensure the effectiveness, sustainability, equitable access to, and adequacy of the fund
- The objective of the fourth review of the Adaptation Fund is to ensure the effectiveness, sustainability and adequacy of the fund and its operations, including in relation to its role in serving the Paris Agreement and the Global Goal on Adaptation
- With a view to the CMP and the Conference of the Parties serving as the meeting of the Parties of the Paris Agreement (CMA)
- With the view of adopting a decision on the matter at CMP 17
 - CMP 16
 - and CMA X
 - and CMA 4
 - and CMA 3
 - (November 2022)
 - (November 2021)
- The review should look at the provision and mobilization of adequate and predictable resources to the Adaptation Fund, throughout, among others, their linkages to other Funds, decisions of the CMP and CMA, and the financial flows from the mechanisms of Article 06 of the Paris Agreement.

Scope

3rd review TOR text – as is from the 3rd review;

"The scope of the review will cover the progress made to date and lessons learned in the operationalization and implementation of the fund and will focus on, inter alia:

(a) The provision of sustainable, predictable and adequate financial resources and the mobilization of financial resources to fund concrete adaptation projects and programmes that are country-driven and based on the needs, views and priorities of eligible developing country Parties;

(b) Lessons learned from:

(i) The application of the access modalities of the Adaptation Fund, including its operational policies and guidelines, including its Streamlined Accreditation Process;

(ii) The project approval procedures of the Adaptation Fund;

(iii) The results and impacts of approved adaptation projects and programmes;

(iv) The readiness programme for direct access to climate finance, including the component aimed at increasing South–South cooperation between accredited national implementing entities and those seeking accreditation;

(v) The pilot programme for regional projects;

(c) Programming and project coherence and complementarity between the Adaptation Fund and other institutions funding adaptation projects and programmes, in particular institutions under the Convention and the operating entities of the Financial Mechanism and its specialized funds;

(d) The institutional arrangements for the Adaptation Fund, in particular the arrangements with the interim secretariat and the interim trustee.

Views expressed:

- The scope of the review will cover the progress made to date and lessons learned in the operationalization and implementation of the fund, including in serving the Paris Agreement
- More specifically, the review will assess;
- the provision and the mobilization of sustainable, predictable and adequate financial resources, based on the needs, views and priorities of eligible developing country Parties and in alignment to the Paris Agreement and its long-term goals;
- programming and project coherence and complementarity between the Adaptation Fund and other institutions funding adaptation projects and programmes, in particular institutions under the Convention and the operating entities of the Financial Mechanism of the Convention and the Paris Agreement and its specialized funds;
- whether and how the Fund promotes best practices and innovation in its projects, and ensures synergy between the projects (at least within the countries);
- the institutional arrangements and the governance of the Adaptation Fund;
- the institutional arrangements for and governance of the Adaptation Fund, in particular the arrangements with the interim secretariat and the interim trustee in light of the Fund's envisaged full legal transition from the Kyoto Protocol to the Paris Agreement;
- the current governance, rules of procedure, and institutional arrangements of the Adaptation Fund including with regard to their appropriateness and effectiveness for facilitating equitable representation of Parties to the Kyoto Protocol as well as Parties to the Paris Agreement on the Adaptation Fund Board;
- procedures in relation to the provision of article 9.9 of the Paris Agreement;

- the safeguards and operating modalities of the Adaptation Fund, including their effectiveness in ensuring high quality interventions with safeguards and transparency systems that meet the standards of other multilateral climate finance institutions
- lessons learned from the project approval procedure of the AF, especially in the Covid-19 crisis;
- Placeholder – performance in, including challenges for and opportunities in, serving the Paris Agreement
- Also related to performance;
 - assess the Fund acting in the new reality created by the covid-19 pandemic;
 - assess the impacts of the National Implementing Entities in strengthening institutional capacities for the governance of climate funds;
 - gather testimonies from communities that benefited from the Fund projects to have a view on the social return;
 - assess lessons learned from the AF’s Innovation Facility, AF Climate Innovation Accelerator, the new windows that have been approved for large innovation grants and a dedicated funding window for Enhanced Direct Access;
 - the readiness programme for direct access to climate finance, including lessons learnt from the enhanced direct access programme;
 - the programme on innovation (Innovation Facility);
 - assess stakeholder engagement policies of the Fund;
 - assess involvement of Community-based organizations and women groups in the implementation of the AF projects to enhance ownership of those projects;
 - Local anchoring of Fund projects and coherence with the local development strategies particularly if these integrate Adaptation;
 - Contribution of the Adaptation Fund projects in Nationally Determined Contributions
- Further to;
 - consider how to enhance the communication and information on the readiness program for the development of National Implementing Entities;
 - explore other sources of funding besides share of proceeds and developed country contributions for sustainable resources (for example from Article 6 of the Paris Agreement, and voluntary contributions from contributors);
 - consider the relationship between the Fund and the GCF and how to strengthen cooperation and implementation between these two funds with regard to adaptation projects to SIDS, LDCs and Africa;
 - new small grants program

Sources of information

3rd review text – as is from the 3rd review;

The review shall draw upon, inter alia, the following sources of information:

(a) Submissions from Parties to the Kyoto Protocol, observer organizations, other interested international organizations, stakeholders and non-governmental organizations involved in the activities of the Adaptation Fund and implementing entities accredited by the Adaptation Fund Board on their experiences regarding the Adaptation Fund;

(b) The annual reports of the Global Environment Facility (GEF) to the Conference of the Parties (COP) on its activities as an operating entity of the Financial Mechanism,

including the information on the Least Developed Countries Fund and the Special Climate Change Fund, and other relevant GEF policy, information and evaluation documents;

(a) The annual reports of the Green Climate Fund (GCF) to the COP on its activities as an operating entity of the Financial Mechanism and other relevant GCF policy and information documents;

(b) The report of the Adaptation Fund Board to the CMP, the Adaptation Fund annual performance report for the most recent fiscal year and the outcomes of the initial, second reviews of the Adaptation Fund;

(c) The outcomes and reports emanating from United Nations processes, relevant bilateral and multilateral funding institutions and other intergovernmental and non-governmental organizations dealing with climate change financing;

(d) The reports of the Standing Committee on Finance;

(e) The reports on the work programme on long-term finance;⁶

(f) The reports of the Least Developed Countries Expert Group, the Adaptation Committee and the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention;

(g) The technical paper and summary for policymakers arising from the technical examination process on adaptation in 2016;

(h) The report on the independent evaluation of the Adaptation Fund (stage 1).⁷

Views expressed:

- We do not envisage any further changes to the ToR as agreed from the Third review, except for clarification/updating, such as references to the MTR of the AF strategy of information/references that are no longer relevant
- The review shall draw upon the latest available information;
- The review shall draw upon the most recent reports;
 - The report of the Adaptation Fund Board to the CMP, the Adaptation Fund annual performance report for the most recent fiscal year and the outcomes of the initial, ~~and~~, second and third reviews of the Adaptation Fund;
 - The outcomes and reports emanating from United Nations processes, relevant bilateral and multilateral funding institutions and other intergovernmental and non-governmental organizations dealing with climate change financing, including the Global Commission on Adaptation, as well as relevant institutions and organization in the field of disaster risk management, in particular under the Sendai Framework for Disaster Risk Reduction
 - The reports of the Least Developed Countries Expert Group, the Adaptation Committee, other constituted bodies and the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention;
 - The technical paper and summary for policymakers arising from the technical examination process on adaptation in 2020
 - AF Mid-Term Review of the implementation of the Mid-Term Strategy 2018–2022
 - The report on the independent evaluation of the Adaptation Fund

⁶ FCCC/CP/2012/3 and FCCC/CP/2013/7.

⁷ Available at <https://www.adaptation-fund.org/wp-content/uploads/2015/09/AFB.EFC_17.3-Evaluation-of-the-Fund-stage-I.pdf>.

- The technical paper and summary for policymakers arising from the technical examination process on adaptation
 - Relevant Existing legal assessments on the requirements for full transition of the Fund from the Kyoto Protocol to the Paris Agreements and related recommendations to the AF Board;
 - Case studies and inputs from beneficiaries
 - Civil society organizations and other stakeholder publications related to the Fund projects and processes;
 - The report of the Warsaw mechanism on loss and damage.
 - Placeholder for any report generated under the Article 9(5) work programme could be added
- Submissions from Parties to the Kyoto Protocol and the Paris Agreement
 - Submissions from Parties to the Kyoto Protocol, and from Parties to the Paris Agreement,
 - Comment: This could be generalized to address “outcomes of previous reviews”

Annex

Terms of reference of the third review of the Adaptation Fund with technical adjustments for the fourth review of the Adaptation Fund

I. Objective

2. The objective of the fourth review of the Adaptation Fund is to ensure the effectiveness, sustainability and adequacy of the fund and its operations with a view to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) adopting a decision on the matter at CMP ~~13XX~~ (November 20~~17XX~~).

II. Scope

3. The scope of the review will cover the progress made to date and lessons learned in the operationalization and implementation of the fund and will focus on, inter alia:
 - (a) The provision of sustainable, predictable and adequate financial resources and the mobilization of financial resources to fund concrete adaptation projects and programmes that are country-driven and based on the needs, views and priorities of eligible developing country Parties;
 - (b) Lessons learned from:
 - (i) The application of the access modalities of the Adaptation Fund, including its operational policies and guidelines, including its Streamlined Accreditation Process;
 - (ii) The project approval procedures of the Adaptation Fund;
 - (iii) The results and impacts of approved adaptation projects and programmes;
 - (iv) The readiness programme for direct access to climate finance, including the component aimed at increasing South–South cooperation between accredited national implementing entities and those seeking accreditation;
 - (v) The pilot programme for regional projects;
 - (c) Programming and project coherence and complementarity between the Adaptation Fund and other institutions funding adaptation projects and programmes, in particular institutions under the Convention and the operating entities of the Financial Mechanism and its specialized funds;
 - (d) The institutional arrangements for the Adaptation Fund, in particular the arrangements with the interim secretariat and the interim trustee.

III. Sources of information

4. The review shall draw upon, inter alia, the following sources of information:
 - (a) Submissions from Parties to the Kyoto Protocol, observer organizations, other interested international organizations, stakeholders and non-governmental organizations involved in the activities of the Adaptation Fund and implementing entities accredited by the Adaptation Fund Board on their experiences regarding the Adaptation Fund;
 - (b) The annual reports of the Global Environment Facility (GEF) to the Conference of the Parties (COP) and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) on its activities as an operating

entity of the Financial Mechanism, including the information on the Least Developed Countries Fund and the Special Climate Change Fund, and other relevant GEF policy, information and evaluation documents;

- (c) The annual reports of the Green Climate Fund (GCF) to the COP and the (CMA) on its activities as an operating entity of the Financial Mechanism and other relevant GCF policy and information documents;
- (d) The report of the Adaptation Fund Board to the CMP and the (CMA), the Adaptation Fund annual performance report for the most recent fiscal year and the outcomes of the initial, and second and third reviews of the Adaptation Fund;
- (e) The outcomes and reports emanating from United Nations processes, relevant bilateral and multilateral funding institutions and other intergovernmental and non-governmental organizations dealing with climate change financing;
- (f) The reports of the Standing Committee on Finance;
- (g) The reports on the work programme on long-term finance;⁸
- (h) The reports of the Least Developed Countries Expert Group, the Adaptation Committee and the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention;
- (i) The technical paper and summary for policymakers arising from the technical examination process on adaptation in 2016XX;
- (j) The Adaptation Fund Mid-Term Review of the implementation of the Mid-Term Strategy 2018–2022;
- (k) The report on the independent evaluation of the Adaptation Fund (stage 1).⁹
