

# Fourth review of the Adaptation Fund

## Co-Facilitators informal note related to the fourth review of the Adaptation Fund

10 June 2021

### I. Introduction

1. The informal consultations on the fourth review of the Adaptation Fund have taken place during the first two weeks of the May/June sessional period of the 2021 sessions of the Subsidiary Body for Implementation. Parties have advanced work informally through exchanges of views and through the voluntary submission of views on the fourth review of the Adaptation Fund and its terms of reference.
2. This Co-Facilitators informal note related to the fourth review of the Adaptation Fund captures views expressed and submitted by Parties relating to the operative section, as well as the terms of reference of the fourth review of the Adaptation Fund. In an Annex, views expressed and submitted by Parties relating to a draft preambular section of the Fourth review of the Adaptation Fund are listed.
3. In total, fourteen (14) submissions have been received from eight Groups of Parties,<sup>1</sup> two Parties,<sup>2</sup> two observer States<sup>3</sup> and one observer organization.<sup>4,5</sup>
4. The Co-Facilitators informal note is not exhaustive, has no formal status and should not be considered as final in any way. It is intended to capture the work of Parties under this agenda item at this session and does not prejudge further work or prevent Parties from providing additional views.

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<sup>1</sup> ABU, AGN, AILAC, AOSIS, EIG, EU, LDCs, LMDCs

<sup>2</sup> Indonesia, Norway.

<sup>3</sup> Canada, US.

<sup>4</sup> Development Alternatives on behalf of the Adaptation Fund NGO Network.

<sup>5</sup> Submissions are also available at <https://unfccc.int/topics/climate-finance/funds-entities-bodies/adaptation-fund/submissions-related-to-the-fourth-review-of-the-adaptation-fund>.

## **Views expressed by Parties on elements for operative sections of the fourth review of the Adaptation Fund**

### **Operative section**

*Views expressed:*

#### **Launch of review:**

- SBI to initiate and to report back to its governing body on the fourth review

#### **Terms of reference:**

- Approval of the terms of reference of the fourth review of the Adaptation Fund as contained in the annex to decision 1/CMP.12, or as amended

#### **Submissions:**

- Invitation to Parties and observer organizations, as well as other interested international organizations, stakeholders and nongovernmental organizations involved in the activities of the Adaptation Fund and implementing entities accredited by the Adaptation Fund Board to submit views by a set deadline
- Invitation to the CMA and Parties to the PA to submit view on matters related to the AF's support to the PA
- 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

#### **Technical paper:**

- Request to the UNFCCC and AF secretariats to prepare a technical paper for consideration
- The secretariat, in collaboration with the Adaptation Fund Board secretariat, to prepare a technical paper in advance of COP 26 on the fourth review of the Adaptation Fund, in accordance with the ToR from the third review, taking into account the submissions from Parties and the deliberations under the SBI session in June 2021

#### **Timing:**

- Request the Parties to the SBI to conclude work by SBI xxx in 2022 with a view to forward a draft decision to the CMP 17 for adoption
- Complete the fourth review of the AF latest 2022 if not earlier. Any delay pertaining to the conclusion of the fourth review shall be treated as exceptional and shall not constitute a precedent for any future review of the Fund
- The SBI to complete its work on the fourth review of the Adaptation Fund at its session in November 2021 with a view to recommending a draft decision on the matter for consideration and adoption by CMA and the CMP at its session in November 2021
- The timeframe for the fourth review should reflect the deadlines and processes of the third review, so as not to create any further delays on the provision of adaptation funds

## **Terms of reference of the **fourth** review of the Adaptation Fund with views expressed by Parties in the first informal consultations**

### *Overarching considerations expressed by Parties on the ToR for the fourth 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;
- Acknowledgement of decision 13/CMA.1 that the Adaptation Fund shall serve the Paris Agreement, effective 1 January 2019.

## **Objective**

3<sup>rd</sup> review TOR text with technical adjustment;

*"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 **XX**(November 20**XX**)."*

*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 6 of the Paris Agreement.

## Scope

3<sup>rd</sup> review ToR text – as is from the 3<sup>rd</sup> 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 Green Climate Fund (GCF) and how to strengthen cooperation and implementation between these two funds with regard to adaptation projects to small island developing states (SIDS), least developed countries (LDCs) and Africa;
  - new small grants program.

## **Sources of information**

3<sup>rd</sup> review text – as is from the 3<sup>rd</sup> review with technical adjustment;

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

- (e) *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;*
- (f) *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;*
- (g) *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;*
- (h) *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 and third reviews of the Adaptation Fund;*
- (i) *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;*
- (j) *The reports of the Standing Committee on Finance;*
- (k) *The reports on the work programme on long-term finance;<sup>6</sup>*
- (l) *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;*
- (m) *The technical paper and summary for policymakers arising from the technical examination process on adaptation in 20XX;*
- (n) *The report on the independent evaluation of the Adaptation Fund.*

*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;

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<sup>6</sup> FCCC/CP/2012/3 and FCCC/CP/2013/7.

- AF Mid-Term Review of the implementation of the Mid-Term Strategy 2018–2022;
  - The report on the independent evaluation of the Adaptation Fund;
  - 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;
  - Any report generated under the Article 9(5) work programme.
  - 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”.
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## **Annex**

### **Views expressed by Parties on elements for preambular section of the fourth review of the Adaptation Fund**

#### **Preambular section**

*Views expressed:*

- Recall the crucial importance of the Adaptation Fund as an essential channel for supporting adaptation action and the main promoter of direct access, together with its focus on funding the full costs of concrete adaptation projects and programmes in developing countries<sup>7</sup>
- Recalling the deep concern with the continued issues related to the sustainability, adequacy and predictability of funding from the Adaptation Fund, given the current prices of certified emission reductions, which affect its ability to fulfil its mandate<sup>8</sup>
- Taking note of decisions 1/CP.3, 6/CMP.6, 2/CMP.13 and 13/CMA.1
- Acknowledging decision 13/CMA.1 that the Adaptation Fund shall serve the Paris Agreement, effective 1 January 2019

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<sup>7</sup> Decision 2/CMP.13, preamble

<sup>8</sup> Decision 2/CMP.13, preamble