Fourth review of the Adaptation Fund

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

16 June 2021

Introduction

1. The informal consultations on the fourth review of the Adaptation Fund took place during the first two weeks of the May–June sessional period of the 2021 sessions of the Subsidiary Body for Implementation. Parties advanced work informally through exchanges of views and voluntary submissions of views on the fourth review of the Adaptation Fund and its terms of reference. During the third week, the co-facilitators held bilateral consultations with Parties and groups of Parties to further clarify the submissions made during the May–June sessional period.

2. In total, 17 submissions were received from eight groups of Parties,[1] three Parties individually,[2] two observer States[3] and one observer organization.[4] These submissions are available on the dedicated page of the UNFCCC website.[5]

3. Parties engaged in a constructive discussion on the fourth review of the Adaptation Fund, including its terms of reference. Parties recognized the important role of the Adaptation Fund in supporting concrete adaptation action in developing countries. There were productive discussions that helped to advance an overall understanding of some of the key issues, particularly the role of the CMA in the fourth review. Divergence remains as on the extent to which this could be reflected in the terms of reference and a draft decision.

4. This informal note by the co-facilitators on the fourth review of the Adaptation Fund captures views expressed orally and views submitted by Parties relating to the terms of reference and elements of a draft decision, such as preambular and operative elements, elements on timelines and submissions. The latter are included in annex II to this note.

5. This informal note by the co-facilitators is not exhaustive, has no formal status and should not be considered final in any way. It is intended to capture the work of Parties under this agenda item during the May–June sessional period and does not prejudge further work or prevent Parties from providing additional views.

[1] ABU; AGN, AILAC, AOSIS, EIG, EU, LDCs, and LDMCs.
[2] Bolivia, Indonesia and Norway.
[3] Canada and United States of America.
[4] Development Alternatives on behalf of the Adaptation Fund NGO Network.
[5] 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 preambular and operative sections

Preambular section

Views expressed:

- Recall decisions 1/CP.21, 1/CMP.3, 6/CMP.6, 2/CMP.9, 2/CMP.10, 1/CMP.14 and 13/CMA.1.

Operative section

- Fourth review of the Adaptation Fund be undertaken in accordance with the terms of reference contained in the annex;
- Adaptation Fund Board to make available in its report to CMP XX and to CMA X information on the financial status of the Adaptation Fund with a view to the fourth review of the Adaptation Fund being finalized at the same session;
- Invitation to Parties to the Kyoto Protocol and to the Parties of the Paris Agreement and observer organizations, as well as 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, to submit views to the secretariat on the fourth review of the Adaptation Fund on the basis of the terms of reference contained in annex I, for consideration at SBI XX;
- The secretariat, in collaboration with the Adaptation Fund Board secretariat, to prepare a technical paper on the fourth review of the Adaptation Fund in accordance with the terms of reference, taking into account the submissions from Parties and the deliberations and conclusions of SBI XX for consideration by the SBI at its subsequent session;
- SBI to complete its work on the fourth review of the Adaptation Fund at its XX session with a view to recommending a draft decision on the matter for consideration and adoption.

Views expressed:

- Conclusion of the review either in 2021 or 2022;
- Report of the review to be submitted both the CMP and the CMA;
- The SBI to complete its work on the fourth review of the Adaptation Fund with a view to recommending a draft decision on the matter for consideration and adoption at CMP XX and with a view to recommending a draft decision for consideration and adoption at CMA XX;
- SBI to conclude work with a view to forward a draft decision to the CMP for adoption.

. # Annex I

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

Objective

Third review of the terms of reference text with technical adjustment for the fourth review

"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 202X)."

Scope

Third review of the terms of reference text with technical adjustment

"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 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."

Sources of information

Third review text – taken from the third review with technical adjustment, including submissions from Parties to the Paris Agreement

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

(a) Submissions from Parties to the Kyoto Protocol and Parties to the Paris Agreement, 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;

(c) 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;

(d) The reports of the Adaptation Fund Board to the CMP, the Adaptation Fund annual performance report for the most recent fiscal year, the outcomes of the initial, second and third reviews of the Adaptation Fund and the mid-term review of the implementation of the medium-term strategy (2018–2022) 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;

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

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

(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 20XX;

(j) The report on the independent evaluation of the Adaptation Fund;

Additional views expressed:

- Objective and the scope of the review would also be undertaken in light of the CMA and including serving the Paris Agreement;
- Governance to be addressed as part of the review;
- Linkages to Article 6 to be included in objectives.

Annex II

ABU Submission on the ToR for the fourth review of the Adaptation Fund

3rd June 2021

Argentina, Brazil and Uruguay welcome the opportunity to share our views and comments on the Terms of Reference (ToRs) for the Fourth Review of the Adaptation Fund.

The Adaptation Fund has proven to be an effective tool and has become one of the most important Funds for developing countries and the only one fully dedicated to adaptation.

With the Fourth Review of the Adaptation Fund, we have, in our hands, the opportunity to strengthen the role of the instrument and increase its resources in line with the actual needs of developing countries. This is a two-fold exercise: while we are to look backwards to assess the processes and actions that the Adaptation Fund has undergone since the last evaluation, the Fourth Review should provide us with valuable suggestions on the way forward to the next period.

ABU is of the view that the ToRs should build from the third revision period, as presented in Decision 1/CMP.12, with updates regarding the assessment of needs of developing countries. The ToRs should also echo the fact that the Adaptation Fund has been serving, from January 2019, both the CMP and the CMA. In addition, 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.

In that regard, the Fourth Review should look at the overall provision of resources to the Adaptation Fund. One of the main sources of funds, the CDM, has contributed to about one-quarter of its financial supply through levying a share of proceeds to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to assist them in meeting the costs of adaptation.

The implementation of Decision 1/CMP.8, adopted by consensus by Parties at the time, is paramount to ensure that the share of proceeds to be levied in regard to transactions of ERUs and AAUs are provided to the Adaptation Fund. Since 2013, CDM share of proceeds continued to be transferred to the Adaptation Fund, but the same does not apply to the share of proceeds to be levied in regard to transactions of ERUs and AAUs. The levy of a share of proceeds related to the other flexibility mechanisms has already been decided on, and we the Secretariat should implement Decision 1/CMP.8, so as to provide the Adaptation Funds with these resources.

Moreover, we believe the terms of reference should also assess the linkages of the Adaptation Fund with Article 6 mechanisms. Article 6 negotiators have now the opportunity to strengthen the Adaptation Fund, by adopting provisions on a mandatory share of proceeds to be levied in regard to transactions occurring under Article 6.2 and
6.4. This would provide an important predictable and stable source of resources, complementary to the need for scaled-up donations from developed countries.

Terms of reference for the fourth review of the Adaptation Fund

I. Objective

1. *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) **and the Conference of the Parties serving as the meeting of the Parties of the Paris Agreement (CMA)** adopting a decision on the matter at CMP **17, and CMA 4**(November 20**22**).*

2. **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

3. *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** 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 **and in alignment to the Paris Agreement and its long-term goals**;*

(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 **of the Convention and the Paris Agreement** and its specialized funds;*

(d) ***The institutional arrangements and the governance of the Adaptation Fund***.

Sources of information

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

Submissions from Parties to the Kyoto Protocol ***and the Paris Agreement****, 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;*

(a) 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;

(b) 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;

(c) 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;*

(d) 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;

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

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

(g) 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;

*(h) The technical paper and summary for policymakers arising from the technical examination process on adaptation in 20****20****;*

(i) The report on the independent evaluation of the Adaptation Fund.

AGN Views on the Fourth Review

The AGN submits these views in a narrative form as part of the SBI's consideration of the Fourth Review of the Adaptation Fund as mandated by the CMP in Decision 2/CMP.13 for a decision by the AF's governing body the CMP in 2022.

Since the adoption of Decision 2/CMP.13, Parties to the PA agreed (Decision 1/CMP.14) that the AF would also serve the PA, and the adoption of a decision by the CMP that the AF would exclusively serve the PA once the share of proceeds from Article 6 are available.

As this exclusivity clause is not effective, this review is mandated only by the CMP as the primary governing body as per 1/CMP.3 the AF is not only accountable to the CMP, it is also under the authority and guidance of the CMP ", which shall decide on its overall policies in line with relevant decisions." The authority to decide on its overall policies is not accorded to the PA either now or once the exclusivity trigger has been met.

Decision Elements

The decision text would need to capture the following elements:

a) Launching of the Fourth review.
b) Approval of the ToR.
c) Invitation to Parties to the CMP to submit views by a set deadline.
d) Also, an invitation to the CMA and Parties to the PA to submit view on matters related to the AF's support to the PA. We therefore do not believe that the decision or the ToR need to specify an additional element of support to the PA.
e) Request to the UNFCCC Sec, and AF Sec, to prepare a technical paper for consideration by Parties at SBI 202.

ToR/Objective

1.The objective of the fourth review of the Adaptation Fund is to ensure the effectiveness, sustainability, equitable access to, 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 17 (November 2022).

ToR/Scope of Work

2.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.

ToR/Input

3.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.

Submission by the Republic of Gabon on behalf of the African Group of Negotiators (AGN) on the Fourth Review: Elements of the Draft Covering Decision

The AGN submits these views in a narrative form as part of the SBI's consideration of the Fourth Review of the Adaptation Fund as mandated by the CMP in Decision 2/CMP.13 for a decision by the AF's governing body the CMP in 2022, in accordance with the mandate of the review contained in Decision 1/CMP.3. These views present an updated consideration of our earlier submission.

The AGN restates is objection to the inclusion of any references to the AF serving the Paris Agreement as part of the 4th review. We also prefer the more generic language as used in previous decisions of AF reviews inviting views from Parties, etc, involved in AF activities.

Decision Elements

The decision text would need to capture the following elements:

1. Preambular language, taking note of the following: Decisions 1/CP.3, 6/CMP.6, 2/CMP.13, and 13/CMA.1;
2. Approval of the ToR of the 4th review;
3. Invitation to Parties to the Parties 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;
4. Request to the UNFCCC Sec, and AF Sec, to prepare a technical paper for consideration by CMP Parties at SBI in 2022.
5. Requests the Parties to the SBI to conclude work by SBI 2022 with a view to forward a draft decision to the CMP 17 for adoption.

SUBMISSION BY PARAGUAY ON BEHALF OF THE AILAC GROUP OF COUNTRIES COMPOSED BY CHILE, COLOMBIA, COSTA RICA, HONDURAS, GUATEMALA, PANAMÁ, PARAGUAY AND PERU

Terms of reference of the Fourth Review of the Adaptation Fund

Introductory Remarks

1. Following the invitation by the SBI Chair, AILAC welcomes the opportunity to provide views on the terms of reference of the Fourth Review of the Adaptation Fund.
2. At the outset, AILAC would like to underline that our countries are highly vulnerable to the adverse effects of climate change and that adaptation planning, preparedness and action are quite expensive and risky for conventional sources of financing. Hence, the challenge to attract investments for resilient infrastructure and implementing adaptation actions is enormous. For our group, the Adaptation Fund has been an important source of funding to address projectlevel needs regarding adaptation in specific sectors, despite the limited amount of financing available for each developing country in the Fund.
3. It is in this sense that this Fourth Review of the Adaptation Fund provides with an opportunity to open up a discussion as to whether the scale of resources that the Adaptation Fund is currently managing relates to the scale of needs of developing countries in adaptation, in particular in line to adaptation funding required to achieve the Paris Agreement and its long-term goals; and how financial resources can be significantly increased so that the underfunding of adaptation is overcome, and the Adaptation Fund becomes a central entity to foster adaptation action in the developing world.

Terms of reference of the Fourth Review of the Adaptation Fund

4.In order for this Review to respond to the new reality of the Fund in which it serves the Paris Agreement, we are signalling the main changes we would like to see reflected in these terms of reference (in bold and gray background) below:

*Terms of reference for the**fourth** review of the Adaptation Fund*

I. *Objective*

*1.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) **and the Conference of the Parties serving as the meeting of the Parties of the Paris Agreement (CMA)** adopting a decision on the matter at CMP 17 **and CMA4** (November 20**22**).*

II. Scope

2.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*** *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 ***and inalignment to the Paris Agreement and its long-term goals****;*

(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 ***of the Convention and the Paris Agreement*** *and its specialized funds;*

(d) ***The institutional arrangements for the Adaptation Fund****.*

III. Sources of information

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

(a) Submissions from Parties to the Kyoto Protocol ***and the ParisAgreement****, 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;

(c) 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;

(d) 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;*

(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;

(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 20**20**;*

(i) The report on the independent evaluation of the Adaptation Fund.

AILAC´s inputs on the Fourth Review of the Adaptation Fund

On the basis of agreed terms of reference as included in Decision 1/CMP.12, and in line with the position of the G77/China, AILAC would like to signal the main changes (gray and bold) that our Group would like to see reflected in the cover decision and the terms of reference for the Fourth Review of the Adaptation Fund, as it is shown below, particularly since we have stated from the beginning that we are looking for precise, concrete amendments to the Terms of Reference from the Third Review that, from our position, reflect the fact that now the Adaptation Fund serves the Paris Agreement as well as necessary performance assessment and lessons learned. In that sense, this is our streamlined version of the TORs and we consider that the scope of current TORs already do that work.

We also would like to signal our two main concerns on views expressed on the scope of the TORs:

1. As shared by the G77, we do not want to open any governance discussions that could lead to reopening the membership of the Adaptation Fund Board.

2. Also, item c) on the scope of the Third Review already makes reference to coherence and complementarity between the AF and other institutions and entities of the Financial Mechanism. Hence, making any other specific reference to the relationship between the AF and the GCF in the scope is redundant and we see that this specific mention could drive to an undesirable mix of the corresponding eligibility criteria of each Fund. It is a redline to our constituency to make reference to any sort of differentiation between developing countries.

Cover Decision

Fourth Review of the Adaptation Fund

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Recalling decisions 1/CMP.3 and 6/CMP.6 on the three-year review cycle for the Adaptation Fund,

Also recalling decisions 2/CMP.9 and 2/CMP.10,

Further recalling decision 1/CP.21,**13/CMA.1 and 1/CMP.14 by which it was decided that the Adaptation Fund shall serve the Paris Agreement**,

1. *Decides* that the **fourth** review of the Adaptation Fund will be undertaken in accordance with the terms of reference contained in the annex;

2. *Requests* the Adaptation Fund Board to make available in its report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its **seventeenth** session (November 2022) information on the financial status of the Adaptation Fund with a view to the **fourth** review of the Adaptation Fund being finalized at the same session;

3. *Invites* Parties **to the Kyoto Protocoland the Paris Agreement** and observer organizations, as well as 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, to submit by 30 April 20**22** their views on the **fourth** review of the Adaptation Fund based on the terms of reference contained in the annex, for consideration by the Subsidiary Body for Implementation at its **fifty-fourth** session (**May/June 2022**);

4. *Also requests* the Subsidiary Body for Implementation to complete its work on the **fourth** review of the Adaptation Fund at its **fifty-fifth** session with a view to recommending a draft decision on the matter for **corresponding** consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its **seventeenth** session **and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fourth session (November 2022)**.

*Terms of reference for the**fourth** review of the Adaptation Fund*

Objective

*1. 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 1**7** (November 20**22**).*

Scope

2. 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**.*

Sources of information

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

(a) *Submissions from Parties to the Kyoto Protocol* ***and the Paris Agreement****, 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;*

(c) *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;*

(d) *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;*

(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;*

(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 20****20****;*

(i) *The report on the independent evaluation of the Adaptation Fund.*

ALLIANCEOFSMALLISLANDSTATES

SUBMISSION

TOPIC: FINANCE – FOURTH (4th) REVIEW OF THE ADAPTATION FUND

JUNE 2021

MANDATE(S)

SBI Chair Message to Parties (23rd April 2021): The Chair of the Subsidiary Body for Implementation ('SBI') would like to invite Parties … to make submissions … on their views on the terms of reference of the 4th review of the Adaptation Fund ('AF'), based on the terms of reference from the previous review.

For the Alliance of Small Island States ('AOSIS'), it is essential to complete the fourth review of the AF latest 2022 if not earlier. AOSIS underscores that 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.

AOSIS supports the aim of the current intersessional work to go as far as possible to achieve a common understanding on the process, timeline and elements of the terms of reference for the review.

In response to the invitation of the SBI Chair for the submission of views on the TORs of the fourth review of the Fund, AOSIS is pleased to share its preliminary views on possible elements to update the TOR's adopted at CMP.12, specifically with respect to:

a) technical updates;
b) updating of the Terms of Reference to address the role of the AF serving the *Paris Agreement 2015* and also contributing to the achievement of the Global Goal on Adaptation;

AOSIS is pleased to provide those suggestions in the context of the format of the TOR's of the third review, contained in the Attachment. The format utilized is for ease of communication and understanding.

Key:

Textual updates/additions are indicated in **red boldface highlighted text.**
Comments on possible additional updates are reflected in a 'comment box'.

Annex Terms of reference for the **fourth** review of the Adaptation Fund I. Objective

1. 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 Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) **and the Conference of the Parties serving as the meeting of the Parties of the Paris Agreement (CMA) adopting a decision on the matter at CMP 17 and CMA4 (November 2022).**

Scope

2. 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:

Comment: This sub-section could address 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

(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;

Comment: This sub-section could specifically address, such procedures in relation to the provision of article 9.9 of the Paris Agreement which states:

"The institutions serving this Agreement, including the operating entities of the Financial Mechanism of the Convention, shall aim to ensure efficient access to financial resources through simplified approval procedures and enhanced readiness support for developing country Parties, in particular for the least developed countries and small island developing States, in the context of their national climate strategies and plans."

(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;

Comment: A reference to the Paris Agreement may be appropriate here

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

Sources of information

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

a) Submissions from Parties to the Kyoto Protocol, **and from Parties to the ParisAgreement**,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;

c) 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;

d) 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 reviews of the Adaptation Fund;

Comment: This could be generalized to address "outcomes of previous reviews"

e) The outcomes and reports emanating from United Nations processes, relevant bilateral and multilateral funding institutions and other intergovernmental and nongovernmental 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;

Comment: Any report generated under the Article 9(5) work programme could be added here or in a separate bullet point.

h) 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;

(i) The technical paper and summary for policymakers arising from the technical examination process on adaptation **in 20****
(ii) The report on the independent evaluation of the Adaptation Fund (stage 1).

May 2021

EIG Submission on the ToR for the fourth review of the Adaptation Fund

The EIG appreciates the opportunity to share its views on the terms of reference of the 4th review of the Adaptation Fund, based on the terms of reference from the previous review. You can find our proposed amendments in the text below. The amendments primarily update the text based on the latest developments in the AF Board and developments relevant for the AF transition from the KP to the PA.

Terms of reference for the ~~third~~ fourth review of the Adaptation Fund

Objective

1. The objective of the ~~third~~**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 ~~13~~**17**~~(November 2017)~~.

Scope

2. 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 sustainable, predictable and adequate 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;

(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 **lessons learnt from the enhanced direct access programme** ~~thecomponent aimed at increasing South–South cooperation between accreditednational implementing entities and those seeking accreditation~~;

(v) The programme for regional projects;

(vi) **The programme on innovation (Innovation Facility);**

(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 **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**.

Sources of information

3. 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;

(c) 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;

(d) 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 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 nongovernmental 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**;

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

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

(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 technicalexamination process on adaptation in 2016;~~ **AF Mid-Term Review of the implementation of the Mid-Term Strategy 2018-2022**

(j) The report on the independent evaluation of the Adaptation Fund.

(k) **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**

SUBMISSION BY PORTUGAL AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES

12 May 2021

Subject: Fourth review of the Adaptation Fund

The European Union and its Member States welcome the opportunity to share views on the terms of reference of the 4th review of the Adaptation Fund, based on the terms of reference from the previous review.

The European Union and its Member States acknowledge the important role of the Adaptation Fund to deliver concrete adaptation action on the ground often for the most vulnerable and welcome the review as an important exercise to acknowledge recent programmatic developments by the Fund.

The review follows a well-established process with the objective to ensure the effectiveness, sustainability and adequacy of the Fund and its operations.

The EU and its Members States are of the view that the Fourth Review of the Adaptation Fund can be initiated based on the existing ToRs as annexed to 1/CMP.12, and including the role of the CMA, because the AF and the bodies providing relevant input now also serve the Paris Agreement. The review should also reflect most recent reports as listed under the sources of input.

SUBMISSION BY PORTUGAL AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES

13 June 2021

Subject: Fourth review of the Adaptation Fund

Fourth review of the Adaptation Fund

- We provide our views on text of a CMP cover decision and the TOR for the fourth review of the AF. This submission is based on the agreed Terms of Reference for the 3rd review of the Adaptation Fund and shows amendments in yellow.
- The mandate given by the CMP to the SB was to agree the ToR and initiate the review without having to come back to the CMP. It is regrettable that it does not seem feasible to do so and to conclude the review at COP 26 in Glasgow. Against this backdrop, this submission reflects a second-best path that would conclude this important exercise for the Adaptation Fund at COP 27 in 2022.

Operative Part

1. Decides that the fourth review of the Adaptation Fund will be undertaken in accordance with the terms of reference contained in the annex;
2. Requests the Adaptation Fund Board to make available in its report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its 17th session and to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its XX session (November 2022) information on the financial status of the Adaptation Fund with a view to the fourth review of the Adaptation Fund being finalized at the same session;
3. Invites Parties to the Kyoto Protocol and Parties to the Paris Agreement and observer organizations, as well as 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, to submit to the secretariat by XX.XX.20XX their views on the fourth review of the Adaptation Fund

based on the terms of reference contained in the annex,for consideration by the Subsidiary Body for Implementation at its XX session (May 2022);

4. Requests the secretariat, in collaboration with the Adaptation Fund Board secretariat, to prepare a technical paper on the fourth review of the Adaptation Fund, in accordance with the terms of reference contained in the annex, taking into account the deliberations and conclusions of the Subsidiary Body for Implementation at its XX session (May 2022) and the views referred to in paragraph 3 above, for consideration by the Subsidiary Body for Implementation at its XX session (November 2022);

5. Also requests the Subsidiary Body for Implementation to complete its work on the fourth review of the Adaptation Fund at its XX session (November 2022) with a view to recommending a draft decision on the matter for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its XX session (November 2022) and with a view to recommending a draft decision for consideration and adoption by the Conference of the Parties serving as the meeting of the Paris Agreement at its XX session (November 2022);

Terms of reference of the fourth review of the Adaptation Fund

I. Objective

1. 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 2022) and with a view tothe Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) adopting a decision on the matter at CMA XX (November 2022).

II. Scope

2. 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 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

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

(a) Submissions from Parties to the Kyoto Protocol and from Parties to the Paris Agreement, 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;

(c) 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;

(d) 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;

(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;

(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 20xx;

(j) The report on the independent evaluation of the Adaptation Fund

SUBMISSION BY BHUTAN ON BEHALF OF THE LEAST DEVELOPED COUNTRIES GROUP ON

"Views on the Terms of Reference of the 4th review of the Adaptation Fund"

The Least Developed Countries Group (LDCs Group) welcomes the opportunity to submit their views on the Terms of Reference of the 4th review of the Adaptation Fund based on the terms of reference from the previous review.

I. Mobilization of financial resources

- The review should also look into existing and desirable mechanisms for coordination and communication among institutions funding adaptation projects and programs, in particular institutions under the Convention and the operating entities of the Financial Mechanism and its specialized funds;
- As the Fund also serves the Paris Agreement, not only Kyoto Protocol as it was in 2017, maybe it should be updated in TOR and evaluated how the Fund also acts for or aims to act for PA as well;
- Effective linkages between the AF and the GCF; Article 6 Financing adaptation
- Support countries, particularly those that are challenged in benefitting from the fund, in scaling-up successful projects with the lift of the country cap through the development of strategic plans (such as coastal strategy, etc.)

II. Scope: What lessons learnt do we want the review to focus on?

- Include the AF's stakeholder engagement policies
- New small grants program; and lessons learned from Enhanced Direct Access
- 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 AF acting in the new reality created by the covid 19 pandemic;
- Explore other sources of funding besides share of proceeds and developed country contributions for sustainable resources. Eg from Article 6 of PA, and voluntary contributions from contributors
- Contribution of the AF projects in the NDCs
- Impacts of the NIE in strengthening institutional capacities for the governance of climate funds
- Involvement of Community-based organizations and women groups in the implementation of the AF projects to enhance ownership of those projects
- Gather testimonies from communities that benefited from the AF projects to have a view on the social return.
- Enhance the communication and information on the readiness program for the development of NIEs
- local anchoring of AF projects and coherence with the local development strategies particularly if these integrate Adaptation
- the relationship between the AF and the GCF and how to strengthen cooperation and implementation between these two funds with regard to adaptation projects to SIDS, LDCs and Africa

III. Access modalities

● Encourage countries particularly LDCs to set up NIEs and ensure that MIEs can only have maximum 50% of the funding granted to a country.

IV. Source of information

- Case studies and inputs from beneficiaries.
- Refer to CSO and other stakeholder publications related to AF projects and processes.
- the report of the Warsaw mechanism on lost and damage

Submission of India on behalf of the Like-Minded Developing Countries (LMDC)On Fourth Review of the Adaptation Fund

- The role of Adaptation Fund as a dedicated fund for adaptation is very crucial. Considering the importance, the last Board meeting has successfully agreed of doubling the country cap to US$ 20 million. The adequacy of fund still remains an issue and further scaling up of fund with credible trust, ambition and transparency from the developed country Parties is an important requirement for climate resilient future.
- It is the main tool for adaptation projects for developing countries. Demand for finance therefore will be increasing as we move ahead and hence, it is vital that developed countries sufficiently finance the Adaptation Fund. Developed countries must ensure sustainable, adequate, timely and predictable replenishment of the Adaptation Fund. There are several projects in the pipeline waiting for funding.
- The fourth review of the Adaptation Fund rightly highlights the pivotal need for adaptation financing to developing countries. Adaptation for us is not an option, it is our top priority. Our focus is on the significance of ensuring adaptation finance in terms of adequacy, predictability, and sustainability. We speak of balance between mitigation and adaptation funding but the reality is that adaptation funding is far lower than mitigation funding. Efforts must be made to scale up financing for adaptation and bring it on par with financing for mitigation.
- The Convention and its Paris Agreement make it abundantly clear that it is the legal obligation of developed countries to assist developing countries in meeting costs of adaptation. New and additional public, grant-based finance is a legal obligation however we increasingly note a disturbing challenge of decline in public finance for both mitigation and adaptation with grant financing at a very lower share and the rest in the form of loans and other non-grant instruments.
- The Direct access modality should be ensured for all Adaptation finances to be accessed by developing countries to adapt and build resilience to counter changing climate conditions in sectors ranging from agriculture and food security to coastal zones and urban areas.
- In terms of sources of funding, it is important that funds from Article 6 share of proceeds, both from 6.2 and 6.4, are used for adaptation financing thus contributing to the Adaptation Fund which will now also serve the Paris Agreement. We strongly believe that equal treatment of share of proceeds under both Article 6.2 and 6.4 will ensure long-term adaptation finance under the Paris Agreement. In addition, it is noteworthy to mention that adaptation fund cannot survive on Certified Emission reductions (CERs) alone.
- All the above, the countries are spending a significant amount of resources for adaptation to climate variability. However, considerable efforts are still required to strengthen food security, provide adequate housing, access to energy, and ensure full

access to basic social services. In view of this, the adaptation actions are required to be viewed from the poverty alleviation and social and economic development as resources has competing demands due to the other development imperatives.

- The global outbreak of COVID 19 will have serious implication on the flows of adaptation finance as a significant part of the population moved into extreme poverty. The pandemic has exacerbated the finance gap in carrying out adaptation actions in developing countries.
- Developing Economies are no exception as the pandemic posed severe challenges to it. To control the rapid spread of the virus, many of Governments had to undertake country wide lock down measures during a significant part of the year 2020. The battle against the pandemic continues in 2021 with recent surge in COVID-19 cases in form of second wave of the virus spread. The localized lockdown/restriction strategies along with the vaccination drive are followed this time to deal with the virus. As a result of that economic uncertainties remained high and expected to remain so in next few more months or years. The uncertainties of the economy will have a severe bearing upon the climate actions, especially in the critical areas for adaptation actions against climate change. More focus on emergency healthcare investment and economic relief has left fewer public resources available for investment in climate resilience.

Submission by the Plurinational State of Bolivia
(June 9, 2021)
4th Review of the Adaptation Fund

Adaptation is not an option for developing countries, it is a priority. Developed countries have commitments related to climate finance and technology transfer that they must comply with assuming what is agreed in article 4.7 of the Framework Convention (UNFCCC); they have the historical responsibility with the countries that are not developed so that we implement adaptation measures that allow us to face climate change, it is not possible that today, almost 20 years later, we continue to demand climate resources.

The low mobilization of climate financing resources for developing countries is not meeting the adaptation needs to face climate change, due to the bureaucratic procedures of financial mechanisms, the allocation of loans instead of grants, the higher counterparts required for the countries, among other situations that are making this financial mechanism unfeasible.

A logic of project financing has been implemented, which only disperses efforts, when instead we require investments in large programs with a comprehensive vision, aimed at strengthening compliance of the NDCs and the National Adaptation Plans (NAPs). For developing countries, climate change must be faced in the context of sustainable development and poverty eradication; Climate change has deepened inequalities in our countries, the same that in a pandemic scenario produced by COVID 19, have only deepened, leaving one of the most important economic crises globally.

Therefore, we need to advance in the operational improvement of the AF, for which we propose a constructive discussion on two levels:

1. General aspects:* This discussion should be directed mainly to the allocation of resources by developed countries for adaptation issues in developing countries. Therefore, the requirement for developed countries to comply with their commitments assumed in Article 4 paragraph 7 of the Framework Convention is fundamental, this same aspect constitutes the operational basis of Article 6 paragraph 8 of the Paris Agreement on the marketrelated approaches.

***2. Specific considerations of Reference for the 4th AF exam:* This evaluation process is important, but it should be aimed at answering the following topics:**

- ***Where will the resources come from and how will it be assigned to the different instruments of the convention, for example article 6 paragraph 8 (No Markets)?***
- ***What will be the resource allocation modalities, including a direct allocation line of annual and cumulative financial resources for developing countries based on their NAPs?***
- ***How is this financing going to respond integrally to compliance the NDCS and NAPs of developing countries?***
- ***To what extent will these funds increase the public funds provided in the Paris Agreement expressed in Article 9 paragraph 3?***

SUBMISSION BY THE GOVERNMENT OF THE REPUBLIC OF INDONESIA related to the Fourth Review of the Adaptation Fund

In response to the invitation for inputs by the UNFCCC Secretariatrelating to theviews on the Termsof Referenceof the Fourth Review of the Adaptation Fund, in accordance with the terms of reference contained in the annex of the decision 1/CMP.12, or asamended, the Government of the Republic of Indonesia hereby submits its view:

Indonesia views the Adaptation Fund (AF) which provides a grant-onlyscheme, pioneering direct access, and does not require co-financing as an importantfinancial mechanism for developing country Parties.

Indonesia recognizes the Termsof Referencehas an important role as aguideto conductthe FourthReview of the AF. Indonesia also refers to the Terms of Reference contained in the Annex to Dec.1/CMP12. However, the latter Terms of Reference should be adjusted because ofdeferred review submission andAF has formally servedboth the Kyoto Protocol andthe Paris Agreement.

Below are severalpoints which needto be included in the Terms of Reference:

1. The provisionof sustainable, predictable,and adequate financial resourcesand the mobilizationof financial resources to fund concrete adaptation projects and programmes that are country-driven and based on the needsand priorities of eligible developing country Parties.
2. Certainty of the AF financial resourcewhile theshare of proceedsforAFfrom activities under the mechanism as referred to in Article 6.4 of the Paris Agreementhas not yet been completed.
3. The need to scale up the AF financial resource beyond traditional donors' contributions. AF,for example,could havea replenishment mechanism and should strive to increase contributions from the private sector.
4. Information on the progress and the operationalization of the AF servingthe Paris Agreement.
5. Lessonslearned from:
   - The application of the access modalitiesof the AF, including its operational policies and guidelinesand Streamlined Accreditation Process;
   - The project approval procedureof the AF, especially in the Covid-19crisis;
   - The results and impacts of approved adaptation projects and programs.
6. Programming and project coherence and complementarity between AF and other climate finance mechanisms under the UNFCCC.

Submission by Norway related to the fourth review of the Adaptation Fund

Norway welcomes the invitation by the SBI Chair to provide views on the terms of reference of the fourth review of the Adaptation Fund, based on the terms of reference from the previous review.

Norway appreciates that the Adaptation Fund has a clear niche in delivering small-scale adaptation programmes through direct access entities and that it has been setting precedence of an innovative funding source at the international level.

On the timing for the review, CMP 13 requested SBI (June 2020) to initiate the fourth review of the Adaptation Fund, in accordance with the terms of reference (ToR) contained in the annex to decision 1/CMP.12, or as amended, and to report back to the governing body to be convened in conjunction with COP 27 (November 2021).

As considered by the UNFCCC bureau, we need to maximize progress and minimize delays in the preparation for the Climate Conference COP26. We believe it is possible to conclude the review as originally planned by November 2021 at COP26. The Adaptation Fund is an essential channel for supporting adaptation action, and it is important that we allocate sufficient time and space to conduct a thorough review this year. We support further intersessional work with the aim of reaching agreement on this item at COP 26.

Norway believes the ToR from the third review could serve as a basis for the fourth review. The review will however need to take into account that this is the first review being conducted where the Adaptation Fund serves both the Kyoto Protocol and the Paris Agreement. The list with sources of information should also reflect the latest available information.

We suggest the following steps and time-line for conducting the review:

- Although the Bureau's consideration is that decisions will only be adopted at the next formal meeting *in person*, Norway's primary position is to support virtual decision making, particularly in areas where no complex negotiations are needed, and on issues to be procedurally transmitted to the higher bodies for their formal adoption. In light of this, Norway proposes that the SBI in its June session could adopt the draft decision on the ToR and initiate the fourth review.
- If no decision is taken in June, Norway hopes that Parties will advance towards a common understanding of the possible elements of the draft conclusion/decision of the ToR during the SBI session in June 2021. Progress on this matter should be captured in an informal note under the authority of the SBI chair.
- 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.

- Further discussion under the authority of the SBI Chair with the aim of reaching agreement on this item at COP 26, as appropriate.
- 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.

Submission by Canada on the terms of reference for the fourth review of the Adaptation Fund

Canada welcomes the SBI Chair's invitation to provide views on the terms of reference for the fourth review of the Adaptation Fund, based on the terms of reference for the third review.

The previous reviews of the Adaptation Fund have played an important role in ensuring the effectiveness, sustainability and adequacy of the Fund. As such, Canada is pleased to present its views on the terms of reference for the fourth review of the Adaptation Fund.

Taking into account the guidance of the Bureau to minimize delays and maximize progress in the context related to the COVID-19 pandemic, Canada urges Parties to advance work on the review where possible, to reduce impact to any future reviews of the Fund.

The terms of reference for the third review of the Adaptation Fund were developed based on the views and input from Parties, and benefited from the outcome of terms of reference for the first and second review of the Adaptation Fund. In an effort to ensure efficiency without sacrificing quality, Canada supports the use of the wording in the third review terms of reference to inform the fourth one.

Between the third and fourth reviews of the Adaptation Fund, and as referenced in decisions 13/CMA.1 and 1/CMP.14, Parties decided the Adaptation Fund would serve the Paris Agreement effective 1 January 2019. This review should therefore assess the Adaptation Fund's performance in, including challenges for and opportunities in, serving the Paris Agreement. The inclusion of the Paris Agreement in paragraph 1 and a dedicated item under paragraph 2 in the terms of reference for the third review would suffice.

Given the aforementioned transition, the Sources of Information in paragraph 3 of the previous terms of reference should also be updated to include submissions from Parties and observer organizations to the Paris Agreement.

Canada is ready to work with other Parties and observer organizations to advance work on this review.

Présentation par le Canada sur le cadre de référence du quatrième examen du Fonds d'adaptation

Le Canada se réjouit du fait que le président du SBI l'invite à donner son avis sur le cadre de référence du quatrième examen du Fonds d'adaptation, en se fondant sur le cadre de référence du troisième examen.

Les examens précédents du Fonds d'adaptation ont joué un rôle important pour assurer l'efficacité, la durabilité et le caractère adéquat du Fonds. Ainsi, le Canada est fier de présenter son point de vue sur le cadre de référence du quatrième examen du Fonds d'adaptation.

En tenant compte des conseils du Bureau visant à réduire au minimum les retards et à optimiser les progrès dans le contexte de la pandémie de COVID-19, le Canada exhorte les Parties à faire progresser l'examen dans la mesure du possible afin de réduire les répercussions sur tout examen futur du Fonds.

Le cadre de référence du troisième examen du Fonds d'adaptation a été élaboré à partir des points de vue et des commentaires des Parties, et a bénéficié des résultats du cadre de référence des premier et deuxième examens du Fonds d'adaptation. Dans le but d'assurer l'efficacité sans sacrifier la qualité, le Canada favorise l'utilisation de la teneur du cadre de référence du troisième examen pour orienter celui du quatrième examen.

Entre les troisième et quatrième examens du Fonds d'adaptation, et comme l'indiquent les décisions 13/CMA.1 et 1/CMP.14, les Parties ont décidé que le Fonds d'adaptation s'inscrirait à l'appui de l'Accord de Paris à compter du 1er janvier 2019. Le quatrième examen devrait donc permettre d'évaluer le rendement du Fonds d'adaptation, y compris les difficultés et les possibilités, à l'appui de l'Accord de Paris. Il suffirait d'inclure l'Accord de Paris au paragraphe 1 et un point à ce sujet au paragraphe 2 du cadre de référence du troisième examen.

Compte tenu de la transition susmentionnée, les sources d'information figurant au paragraphe 3 du cadre de référence précédent devraient également être mises à jour pour inclure les documents présentés par les Parties et des organisations observatrices de l'Accord de Paris.

Le Canada est prêt à collaborer avec les autres Parties et les organisations observatrices à la progression de cet examen.

U.S. Submission on the Terms of Reference of the Fourth Review of the Adaptation Fund

Following the invitation of the SBI Chair to Parties to the Convention and to the Paris Agreement to submit their views on the terms of reference (TORs) of the 4th review of the Adaptation Fund, based on the TORs from the previous review as contained in the annex to decision 1/CMP.12, or as amended, the United States submits the following views:

The fourth review of the Adaptation Fund is an opportunity to ensure that the Adaptation Fund has incorporated COP guidance and is serving the Paris Agreement effectively, as well as to consider ways in which this service can be enhanced. Existing Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) decisions provide an indication of the areas that Parties think are important to examine in more detail, as well as areas for further work. In 1/CMA.1, Parties expected that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) would take decisions to address the governance and institutional arrangements, safeguards and operating modalities of the Adaptation Fund (paragraph 11). Further, in 13/CMA.1, Parties invited the CMP to request the Adaptation Fund Board to consider the rules of procedure of the Board, the arrangements of the Adaptation Fund with respect to the Paris Agreement (paragraph 6). These decisions demonstrate the importance of considering the Adaptation Fund's governance and institutional arrangements, including with respect to safeguards, in an exercise such as the review of the Adaptation Fund.

Therefore, the United States submits the following text for addition to the existing TORs:

In the Objective (section I) of the TORs:

as well as the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) … CMP 16 and CMA 3 (November 2021)

In the Scope (section II) of the TORs:

(e) 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;

(f) 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.

In the Sources of Information (Section III) of the TORs:

(a) Submissions from Parties to the Kyoto Protocol, Parties to the Paris Agreement, …

Submission on the terms of reference for the 4th review of the Adaptation Fund

Submitted through: Development Alternatives

On behalf of the following organisations from civil society: Climate Action Practitioners (Rwanda), Development Alternatives (India) Enda Energie (Senegal), Fundación Vida (Honduras) Fundación Futuro Latinoamericano (Ecuador) Germanwatch (Germany), Green Alternative (Georgia), Indigo development & change (South Africa), Jeunes Volontaires pour l'Environnement (Benin), Panos Caribbean (Jamaica/Haiti/Caribbean)

The SBI Chair invited Parties and admitted observer organisations to make submissions on their views regarding the terms of reference of the 4th review of the Adaptation Fund (AF). In response to this request, the civil society organisations listed above - all being members of the AF NGO Network's governing body- jointly drafted the present submission.

The terms of reference for the previous review of the AF continue to cover relevant points in terms of I.) objective, II.) scope, and III.) sources of information. While we think that those points should be kept in the terms of reference, we also think that those points should be complemented by the following suggestions:

Scope

Section two of the terms of reference is focusing on the scope of the 4th review of the AF to cover progress made to date and lessons learnt in the operationalization and implementation of the fund. While we think that the existing elements from the previous review of the AF are still relevant to be covered, we suggest to compliment some of the existing elements and to add additional elements.

Under 2.a) we think it is highly important to also assess the **fund's potential to significantly scale up its action** (not taking into consideration the current funding constraints) and the potential impact this might have especially with regard to reaching the objectives of the Paris Agreement. Reviewing the fund's potential to significantly scale up its action, will be essential to assess the progress made with regard to the provision of sustainable, predictable and adequate financial resources.

Under 2.b) we recommend to add supplementary points on lessons learnt from the fund's **innovation facility** and **enhanced direct access (EDA)** window. Besides that we suggest the following supplements below for (i), (iv) and (v).

(i) With regard to lessons learnt from access modalities, we recommend to review persisting **barriers for direct access** and the use of the Streamlined Accreditation Process taking into consideration the fund's recent decision to lift its country cap and allow for accreditation of a second NIE.

(iv) We recommend focusing on all the existing AF readiness grants (South-South cooperation grants, project formulation assistance grants, technical assistance grants on ESP and gender, project scale-up grants). We also suggest reviewing the process of communicating **information on the fund's readiness support** to designated authorities and potential NIE candidates in the countries and whether lacking information on the AF's readiness support constitutes a barrier for obtaining direct access to the fund.

(iv)When assessing the funding window for regional projects, we recommend to review especially the **country-ownership** of those

Under 2.c) where coherence and complementarity of the fund are addressed, we suggest adding that the review should also examine the **AF's uniqueness, added value and comparative advantages**. We also suggest the review to look into existing and desirable mechanisms for coordination and communication among institutions funding adaptation projects and programmes, in particular institutions under the Convention and the operating entities of the Financial Mechanism.

In addition to the amendments of the existing elements for the scope of the review, we suggest to add the following elements.

- The fund's performance with regard to **stakeholder engagement** (at Board level and within the project cycle). A special focus should be given to review the fund's engagement opportunities for civil society observers and how the fund performs in this regard compared to other institutions under the Convention and the operating entities of the Financial Mechanism.
- The fund's performance to promote **gender equality** and the empowerment of women and girls. Including how the fund's recently updated Gender Policy and Action Plan translate into action.
- Criteria and indicators that assess whether projects are truly **country-driven**, especially when they are implemented by multilateral implementing entities; the fund's performance to enhance ownership and involvement of community based organisations in its projects; and assessing the local anchoring of AF projects including their coherence with local development strategies.
- How the fund promotes synergies between its projects in general (and within one country specifically).
- Whether the recently lifted country cap and opportunity accredit a second NIE leads to the need for additional support of **strategic country programming** (through e.g. the fund's readiness programme)
- How the fund reacted and adapted to the new realities created by the **COVID-19** pandemic.

Sources of Information

We appreciate the variety of sources of information already covered in the previous terms of reference including the opportunity for submissions from observer organisations and other stakeholders involved in the activities of the fund. However, we also noted that all sources listed are "official" reports only. We think that in addition to those "official" reports listed, the 4th review of the AF could also benefit from **case studies and papers** related to AF projects and process that have been **published by beneficiaries and other stakeholders** involved such as civil society. Moreover, testimonies from communities that benefited from AF interventions could provide valuable insights on the social return of those interventions.