

Fourth review of the Adaptation Fund

Note by the SBI Chair¹

3 June 2021

I. Introduction

1. CMP 13 requested the SBI to initiate the fourth review of the Adaptation Fund (AF), in accordance with the terms of reference contained in the annex to decision 1/CMP.12, or as amended, and to report back to its governing body at the session to be convened in November 2021.²
2. With reference to this mandate and following the guidance of the COP Bureau to minimize delays and maximize progress,³ the SBI Chair undertook informal consultations on the fourth review of the Adaptation Fund on 14 April 2021 to hear Parties' views on how to advance work on the review, related to general expectations, including views on the overall approach to and possible outcomes of the review; possible terms of reference, building on the agreed terms of reference for the third review, or as amended; possible requests for submissions and/or technical work, including a technical paper; and any other matters related to the review. Further to those consultations, Parties and observer organizations were invited to make voluntary submissions of their views on the terms of reference for the fourth review of the Adaptation Fund, to be based on the terms of reference for the previous review.
3. This informal note includes the terms of reference of the third review of the Adaptation Fund⁴ and the submissions received from eight groups of Parties and Parties⁵ and one observer organization.⁶
4. This informal note is produced with the aim of assisting deliberations by Parties and does not pre-empt Parties further inputs and deliberations on this issue.

¹ This note replaces the informal note issued by the SBI Chair on 1 June 2021.

² Decision 2/CMP.13, para. 9.

³ See <https://unfccc.int/news/cop-bureau-agrees-to-hold-virtual-meeting>.

⁴ As per decision 2/CMP.13, para. 10.

⁵ AILAC, EIG, EU, LDCs, LMDCs, Canada, Indonesia and Norway.

⁶ Development Alternatives on behalf of the Adaptation Fund NGO Network.

Terms of reference for the third review of the Adaptation Fund⁷

I. Objective

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

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 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

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;

⁷ As contained in Decision 1/CMP.12, Annex.

- (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 non-governmental organizations dealing with climate change financing;
- (f) The reports of the Standing Committee on Finance;
- (g) The reports on the work programme on long-term finance;⁸
- (h) The reports of the Least Developed Countries Expert Group, the Adaptation Committee and the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention;
- (i) The technical paper and summary for policymakers arising from the technical examination process on adaptation in 2016;
- (j) The report on the independent evaluation of the Adaptation Fund (stage 1).⁹

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⁸ FCCC/CP/2012/3 and FCCC/CP/2013/7.

⁹ Available at <https://www.adaptation-fund.org/wp-content/uploads/2015/09/AFB.EFC_17.3-Evaluation-of-the-Fund-stage-I.pdf>.



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 project level 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 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 **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 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 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 **2020**;*

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

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** ~~the component aimed at increasing South-South cooperation between accredited national 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 technical examination 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 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 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.



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 Secretariat relating to the views on the Terms of Reference of 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 as amended, the Government of the Republic of Indonesia hereby submits its view:

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

Indonesia recognizes the Terms of Reference has an important role as a guide to conduct the Fourth Review 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 of deferred review submission and AF has formally served both the Kyoto Protocol and the Paris Agreement.

Below are several points which need to be included in the Terms of Reference:

1. 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 and priorities of eligible developing country Parties.
2. Certainty of the AF financial resource while the share of proceeds for AF from activities under the mechanism as referred to in Article 6.4 of the Paris Agreement has not yet been completed.
3. The need to scale up the AF financial resource beyond traditional donors' contributions. AF, for example, could have a replenishment mechanism and should strive to increase contributions from the private sector.
4. Information on the progress and the operationalization of the AF serving the Paris Agreement.
5. Lessons learned from:
 - The application of the access modalities of the AF, including its operational policies and guidelines and Streamlined Accreditation Process;
 - The project approval procedure of the AF, especially in the Covid-19 crisis;
 - 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 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 complement 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.

(v) 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 accord 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.
