



Climate Action Network

SBI - Review of the Adaptation Fund Virtual SB 2021

June 2021

We welcome this periodical review, as it provides a core opportunity to assess and highlight the important role of the Adaptation Fund in the climate finance architecture, as a nimble fund willing to experiment and take risk (as shown in pioneering the direct access modality), with its focus on concrete adaptation actions, and with its continued commitment to full cost adaptation grant financing. The latter comes at a time when not only the quantity of adaptation finance provided is insufficient, but the quality of its provision in the form of grants is under attack.

Regarding general expectations of the review: During the first informal session last Thursday we heard several developed countries Parties mentioning that the 4th review of the AF should be of a purely backward-looking nature. We would not agree with this suggestion. While the 4th review of the Adaptation Fund should assess the current stage of the Fund's operations, it should do so with a view to the Fund being a learning institution, willing to innovate and experiment. The outcomes of this 4th review should result in key implications to be drawn for the Adaptation Fund's strategy in the future. Therefore, the review needs to be constructive as it will inform future recommendations given to the Adaptation Fund. That's why we consider it highly important that the report will be backward-looking as well as forward-looking.

Regarding the scope of the Terms of Reference: There seems to be general agreement that the ToRs for the 3rd review can serve as a basis for the ToRs of the 4th Review, but needs to be further adjusted and developed. We think that a few relevant additions and key amendments need to be done to reflect recent decisions and developments. While acknowledging that the issue of a share of proceeds for the AF under article 6 is still negotiated in another session, we still think it is highly important that the 4th review of the AF already looks into the Fund's current potential to significantly scale up its action if given more predictable funding instead of being in a perpetual fund-raising modus. It is important to assess whether present structures, staffing, policies and processes of the Fund would allow it to significantly scale up its actions in case it finally receives financial resources out of a share of proceeds to be agreed under article 6. It will only be possible to assess real progress made on the provision of sustainable, predictable and adequate resources for the Fund, if Parties agree on the role and scale of action envisioned for the Fund now that it serves the Paris Agreement.

The ToRs should encourage the review to assess whether there are persisting barriers for enhancing direct access further in the Fund as well as for increased country-ownership. The review should also address the Fund's performance to promote gender equality based on its

recently updated Gender Policy and Gender Action Plan. We also think it is crucial that the review addresses the Fund's performance with regard to inclusive stakeholder engagement at Board and country levels and throughout the project cycle. A special focus should be given to review the Fund's engagement opportunities for civil society observers at the Board level and how it performs in this regard compared to other institutions under the Convention and the operating entities of the Financial Mechanism. We also suggest adding lessons learnt from the Fund's newly introduced innovation facility and enhanced direct access window.

Regarding sources of information for the 4th review: We think that next to the "official reports" listed, the 4th review of the AF should also be informed by case studies and papers on the AF published by beneficiaries and other stakeholders such as civil society.