



ADAPTATION FUND

AFB/EFC.27/Inf.2

9 March 2021

Adaptation Fund Board
Ethics and Finance Committee
Twenty-seventh Meeting
Bonn, Germany (Virtually held), 24 – 25 March 2021

Agenda Item: 5 b)

**MID-TERM REVIEW OF THE MEDIUM-TERM STRATEGY
EMERGING FINDINGS AND AREAS FOR DISCUSSION,
TECHNICAL EVALUATION REFERENCE GROUP
OF THE ADAPTATION FUND (AF-TERG)**

Background

1. The Board approved the Implementation Plan for the Medium-Term Strategy (MTS) in March 2018 and requested the Adaptation Fund Technical Evaluation Reference Group (AF-TERG) to undertake a Mid-term Review (MTR) of the MTS and its Implementation Plan in 2020-2021, as part of AF-TERG's Board-approved (Decision B.35.a-35.b/29) Strategy and Work Programme document

Introduction

2. The aim of the MTR is to assess progress and inform the development of a future strategy for 2023-2027.¹

3. The Review is being conducted in two phases: (i) bringing to the March 2021 EFC and Board meetings lessons from current good practice in the field of strategy, emerging findings and areas of recommendations); and (ii) deepening findings and recommendations for the EFC and Board meetings in October 2021.

¹The AF-TERG established a team comprised of consultants and AF-TERG members to conduct the mid-term review (MTR) following an inception report. The inception report is currently with the graphical editor and will be posted on the website once edited. An unedited version is available upon request. The MTR focuses on six areas of review: utility of the strategy, responsiveness, effectiveness, flexibility, coherence and quality.

What have we learned in the first phase of the MTR?

4. Emerging findings and areas for further discussion are summarized in the table below against three high level questions. These are discussed further in the rest of the document:

Key questions	Emerging findings
1. Does the Adaptation Fund have a 'good,' fit for purpose strategy?	Yes. The Strategy reflects good practices in the field of strategy. It responds to the ambition and urgency required by the Paris Agreement and helps to define and position the Adaptation Fund ('the Fund') within the climate financing landscape as a fast, nimble, catalytic, and innovative fund.
2. Is the Strategy effectively used to guide governance, management, and other funding decisions that lever impact for the Fund?	To some extent. The Strategy has enabled the Fund to continue working in the areas where it has demonstrated strengths and has focused the Fund's work through new funding windows. While the Strategy has pushed to improve the quality of proposals and enhance access to funding, it could be used more effectively to enable prioritization to optimize the Fund's impact.
3. Does the Implementation Plan / process for the Strategy enable its ambition and potential?	To some extent. The Implementation Plan has supported operational work planning, but it could be used in a more strategic, efficient way to enable integration among pillars and lever the full potential of the innovation pillar.
<i>The MTR team does not consider that the MTS or the Implementation Plan should be modified during the current period but that their use could be more strategic to lever greater value for the Fund.</i>	
Areas for further discussion:	
Moving forward, how can the Fund use the Strategy better?	<ol style="list-style-type: none"> 1. Optimize the Fund's impact by integrating a broader resilience lens 2. Leverage the value of the Fund's work by building on synergies across the three strategic pillars 3. Increase the Fund's potential by pursuing catalytic partnerships and investments

Q1. Does the Adaptation Fund have a ‘good,’ fit for purpose strategy? Yes

5. A review of literature from the field of strategy and consultation with strategy experts underscores the character of a “good” strategy. Many of these characteristics are reflected in the Strategy of the Fund. The MTS is an example of good practice among the climate funds. A good strategy serves an organization to:

- (a) clarify its identity and purpose,
- (b) communicate its vision,
- (c) define terms of engagement and key concepts,
- (d) inspire/bring people on board,
- (e) incentivize partnerships,
- (f) position it within the ‘market,’
- (g) determine emerging priorities, threats, and opportunities, and
- (h) to enable choice.

6. In addition, the Strategy effectively aligns the Fund’s ambition to move beyond serving its mandate as per the Kyoto Protocol to **responding to the imperatives and urgency of the Paris Agreement** (refer to Annex 1). The niche and comparative advantage of the Fund, as articulated in the Strategy, position the Fund within the climate financing landscape as a potentially strategic contributor, able to use its position and funds to amplify impact and prioritize the most vulnerable through fast, catalytic, innovative, and high-quality concrete adaptation projects and programmes.

Q2. Is the Strategy effectively used to guide governance, management, and funding decisions that lever impact for the Fund? *To some extent.*

7. Evidence of use of the MTS is seen in: (refer to Annexes 2 and 4)

(a) The strategic direction articulated in the MTS has provided the basis for opening **new funding windows** that **focus the Fund's work** into new areas (e.g., innovation, enhanced direct access, learning, scale-up). The operationalization of the new funding windows enables access to finance for all countries, outside of the country cap.

(b) The MTS emphasizes the **quality** of proposals and projects. Enhanced compliance with the Environmental and Social Policy (ESP) and Gender Policy (GP), which has been evident during the MTS period, is one of the drivers for quality improvement.

(c) The MTS reinforces the **Fund's position as a springboard, amplifier, and "first on the ground" for countries and implementing entities (IE)** to access finance. The MTS emphasizes the importance of building country readiness for accessing funding. Since the adoption of the MTS, there has been an enhanced appreciation for the readiness activities and accreditation from the Fund, both for fast-track access to the GCF and for the inherent value that the accreditation (and reaccreditation) process has for national implementing entities (NIE)². More than two thirds of the NIEs reaccredited during the MTS period have done so even when their access to the Fund was limited since their countries of operations have reached the country's cap.

(d) The Fund's response to COVID-19 **compares favorably in its agility** against other climate financing bodies, particularly to support project teams with more flexibility in proposal and project processing (e.g., deadlines have been extended). Furthermore, the Fund has indicated possible support in the future through encouraging countries to integrate a broader resilience lens. However, this has not generated concrete guidance so the Fund could **pivot its work**, like other organizations, to influence and align the financial support to the recovery from the current pandemic to climate change adaptation.³

8. The MTS **does not appear to have significantly changed the Fund's overall portfolio**. The Fund has **not yet fully integrated the potential of the new pillars** and funding windows in its core business:

² Adaptation Fund, July 2020. Study on Readiness and Capacity Building for Direct Access to Adaptation Finance. Available at: <https://www.adaptation-fund.org/document/study-on-readiness-and-capacity-building-for-direct-access-to-adaptation-finance/>

³ Example of climate finance support to COVID-19: CIF, 2021. How can Climate Finance Support COVID-19 Recoveries? Climate Investment Funds (CIF), Washington, DC. Available at: https://www.climateinvestmentfunds.org/sites/cif_enc/files/knowledge-documents/how_can_climate_finance_support_covid-19_recoveries_cif_lessons_0.pdf

(a) Since the adoption of the MTS, the Fund has **continued to support concrete adaptation projects** (almost 40% of all concrete projects approved through the Fund have been approved since 2018). **Concrete adaptation projects remain the Fund's core business** and the Strategy has not significantly altered funding allocations across the Fund's outcome areas. The experiences and lessons that will come from the implementation of the recently approved Fund's Climate Innovation Accelerator have the potential to enrich the Fund's portfolio.

(b) So far, **financing under the new funding windows is yet to pick up pace**. The first half of the MTS implementation period has been dedicated to establishing and defining the new funding windows, so results are yet to be seen. Under the Implementation Plan, the new funding windows are expected to expand the regular Fund commitments by 26% overall. By the end of 2020, only 7% of the Implementation Plan's projected grant funding for the new windows has been committed.

(c) The Fund is currently conducting work to establish its **working definition of innovation** for Board consideration. Defining innovation has been challenging at strategic and operational levels. **This is a gap that all those working on climate finance recognize needs to be filled to lever the full benefits of innovation to climate change.**⁴

⁴ Adaptation Fund, October 2020. Options for further defining innovation in adaptation projects and programmes. Document number AFB/PPRC.26.b/17. Available at: <https://www.adaptation-fund.org/document/options-for-further-defining-innovation-in-adaptation/>

Q3. Does the MTS Implementation Plan/process enable the Strategy's ambition and potential? *To some extent*

9. The Implementation Plan guides operationalization of the MTS: (see Annex 3)

(a) While **discrete portfolios of activities** support annual work-planning, this also produces a siloed approach to implementation of the three pillars of the Strategy which does not optimize potential synergies across the pillars. Concrete adaptation projects, under the action pillar, are not, for example, routinely developed or monitored in terms of their contribution to the outcomes of the innovation portfolio, nor do they articulate a shared path to impact across the outcome areas. Some action projects have resulted in innovative adaptation which have potential to offer experiences and lessons across the Fund portfolio and the innovation pillar.

(b) There are several **factors that guide and prioritize project proposal and selection**, notably the principle of country driven approaches. Others include:

- (i) **limited and predictable funding** as well as the funding **country caps** which could reduce the scope of the proposals as well as the selection of priorities.
- (ii) **availability of IEs**, particularly when it comes to ensuring a balance in the number of projects implemented by multilateral and national IEs.
- (iii) **capacity of the countries** to identify priorities under National Action Plans and Nationally Determined Contributions.
- (iv) **review and feedback** from the AFB Secretariat to improve quality of proposals and
- (v) **approval processes** by the Board.

The Implementation Plan and the Fund's Operational Policies and Guidance (OPG) have **not fully addressed these constraints and enabling factors**. For example, the IEs and national authorities use the OPG as the basis for project selection criteria and design but the OPG has not been significantly revised since the MTS was adopted. The MTR team proposes to further explore the topic of country-drivenness and bring additional findings and possible recommendations to the October EFC and Board meetings.

(c) The MTS implies a **significant expansion in the diversity of funding modalities** through the new funding windows. The Implementation Plan does not identify or plan for potential changes to the organizational structure, resourcing, and capacity necessary to meet the new demands coming from the MTS. One particularly good approach the Fund has taken to improve its reach in support of the MTS's ambition, without changing its organizational structure, is establishing partnerships with UNDP, UNEP and CTCN for the Innovation Accelerator, a key component of one of the new funding windows and pillar of the MTS. This approach, which could be replicated in other areas by creating additional partnerships, for example, has the potential for leveraging and amplifying the Fund's financing and reach capacity.

Moving forward, exploring options to use the Strategy better

10. **There is infinite need, infinite choice, and finite resources for climate adaptation.** With this context in mind, the team considers, in the short-term, that there are several areas in which the Board and the AFB Secretariat could improve the use of the MTS without modifying the current MTS or the Implementation Plan. The Board decision on the Fund's COVID-19 response to modifications to the project cycle is a good example of what the Fund could do to adapt to a new context.

11. The team proposes to have an initial discussion with the EFC and Board during their March 2021 meeting on topics that the MTR team considers could improve the use of the MTS in the short term: **optimizing the Fund's impact; leveraging the value of the Fund's work and increasing the Fund's potential.** The discussion will also provide inputs to the next stage of the MTR (see next section on next steps). The final MTR report in October 2021 will include a discussion on lessons identified during Phase 2 that could be applied in the development of the next Fund strategy.

(a) Optimizing the Fund's impact through:

- (i) Integrating a broader climate **resilience lens**, as suggested in the Fund's COVID-19 response, in the COVID-19 recovery plans, that draws on the Fund's priorities, experiences and comparative advantages. This could optimize and catalyze the Fund's impact. The Fund has yet to provide guidance on the evolving concept of adaptation and resilience in the context of the recovery from the pandemic⁵.

(b) Leveraging the value of the Fund's work through:

- (i) Continuing to move **beyond project funder to thought leader**. The Fund has some of the most extensive experiences in funding adaptation in the world. Lessons from projects across the pillars should continue to be brought into relevant national and global climate change dialogue and negotiation. The Fund can also support thought leadership by further **defining key concepts** such as adaptation, innovation, and build upon its work on readiness in the context of climate finance.
- (ii) **Improving synergies across the three strategic pillars.** This can be achieved by integrating reporting on results from across the three pillars according to the results outcomes. For example, one concrete suggestion would be to report innovative activities and results in the action and knowledge pillars.

⁵ GCA, January 2021. Adaptation Finance in the Context of Covid-19. Global Center on Adaptation (GCA), Rotterdam, the Netherlands. Available at: <https://gca.org/reports/adaptation-finance-in-the-context-of-covid-19/>

- (c) *Increasing the Fund's potential by:*
- (i) **Pursuing catalytic partnerships to increase the Fund's potential.** The MTS articulates the Fund's comparative advantages that incentivize new partnerships. These new partnerships could increase resource mobilization to levels that are more ambitious and commensurate with the urgency and need for adaptation to climate change.
 - (ii) Drawing attention to the **innovation and pioneering nature of the Fund's enhanced direct access modality.** The Fund should consider what is needed to operationalize, generate and manage an enhanced direct access pipeline. This will provide the Fund with an additional niche in the climate change landscape and will help to incentivize country driven approaches.

Next steps

12. The MTR team will embark on the **second phase of the MTR** starting with the EFC and Board meetings in March. The team will implement the **following next steps**:

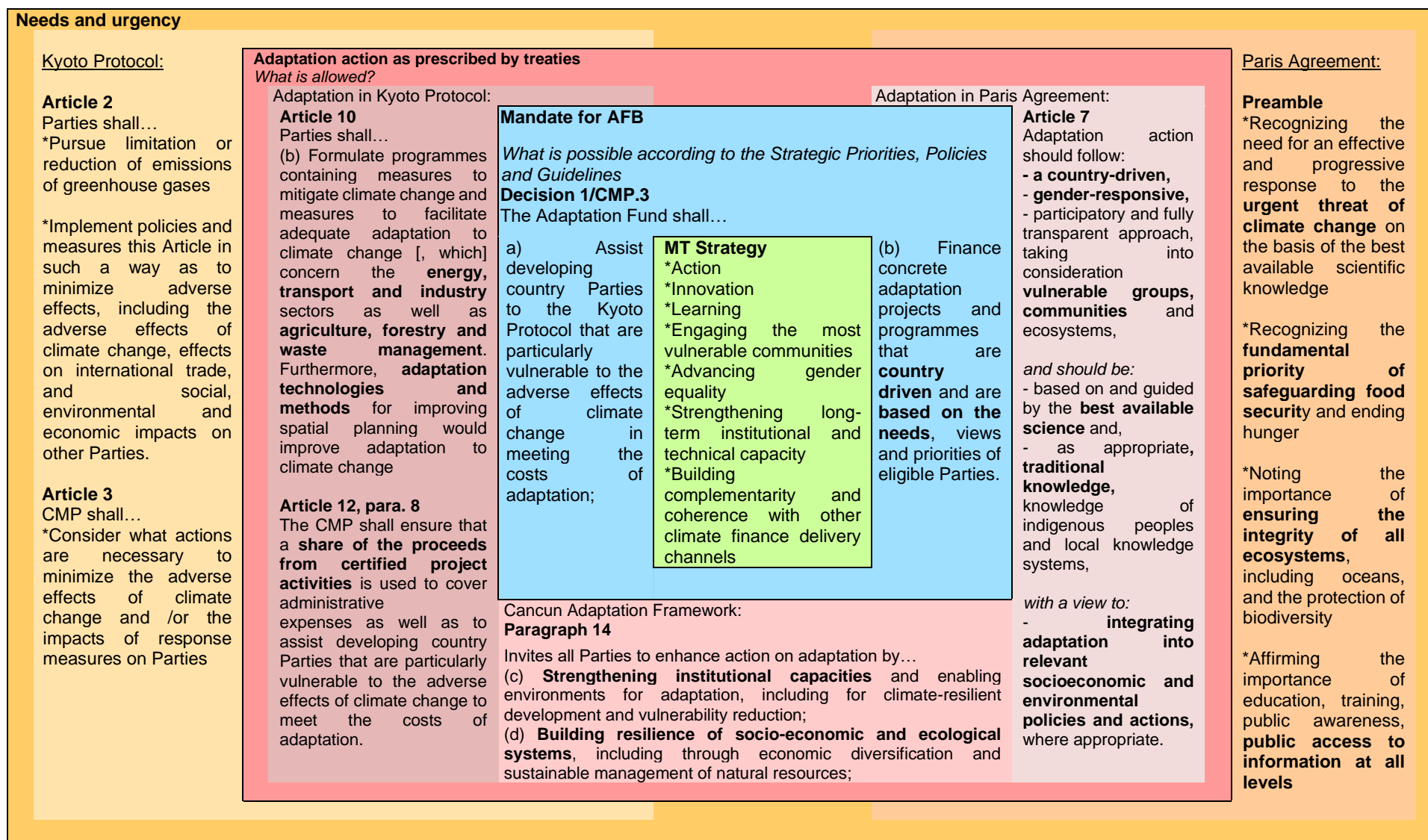
- (a) During the EFC and Board meetings (March 2021) engage in reflection and feedback on emerging findings and options to strengthen use of the Strategy. The team has suggested three areas for discussion: optimizing the Fund's impact; leveraging the value of the Fund's work and increasing the Fund's potential and some concrete actions for the Board to consider.
- (b) Consultations (April-May 2021) with stakeholders to develop two types of recommendations for the final MTR report: (i) those that could strengthen the implementation of the MTS during the completion period through 2022; and (ii) those that inform the development of future strategies. The team will conduct consultations with Board members, AFB Secretariat, IEs, CSO representatives, and strategy experts in the Climate Change Adaptation field.
- (c) Validation of draft MTR report (September 2021) through consultations with AF key stakeholders (as listed above).
- (d) Presentation of MTR report at EFC and Board meetings (October 2021).

Annex 1: Responsiveness to the UNFCCC and AF Board Decisions

1. The Medium-Term Strategy (MTS) places a strategic emphasis on quality, urgency, and vulnerability. As suggested in paragraphs 5 and 6 of the main document, the MTS effectively reflects the imperatives of the Paris Agreement and orients the Fund towards tackling the urgency of climate change, the vulnerabilities of both human and natural systems, and the need to protect, mitigate and adapt.

2. The Kyoto Protocol, Paris Agreement and Cancun Adaptation Framework articulate the threat of climate change and the adaptation actions that are required in response, and in doing so outline what is needed and what is possible to do for Parties. Both the Adaptation Fund (its mandate) and the MTS are situated within that context. The MTS refined the mandate and enabled the Fund to effectively align with the prescriptions of the treaties and the UNFCCC convention and frameworks in light of the needs and urgency of climate change. This is shown below in a representation of these nested imperatives (Figure 1).

Figure 1: Nested alignment of the MTS to the Kyoto Protocol, Cancun Framework, Paris Agreement and CMP.



3. The MTS was requested by the AF Board (Decision B.27/39). Since the adoption of the MTS and the subsequent adoption of the Implementation Plan, the Board has approved new funding windows and projects aligned to the three MTS strategic pillars (action, innovation, learning and sharing); and the cross-cutting themes (gender, capacity building, coherence and complementarity, and vulnerability). Key milestones have been reached and have been reported every year in the Annual Performance Reports (APRs). The tracking of these milestones, Board decisions and project approvals help to illustrate the uptake of the MTS across strategic pillars and cross-cutting themes as shown in Table 1 below.

Table 1: Key Milestones, as reported by the Secretariat in the APRs, for each strategic pillar and cross-cutting theme, along with key Board decisions.

Legend:

APR year (reporting period, FY)
Progress as reported in APRs
Board decision

Board decisions for the MTS	The Board requests the Secretariat to prepare options for a framework for an MTS for the Fund (Decision B.27/39)	The Board requests the Secretariat to draft the MTS for the Fund (Decision B.29/39)	The Board adopts the MTS for the Fund (Decision B.30/42) The Board approves the Implementation Plan for the MTS, requests the Secretariat to monitor the progress of implementation of the MTS and report on it annually, as part of the APRs, and the AF-TERG to undertake a MTR of the MTS and report on it at its 36 th meeting (Decision B.31/32)			
	2016	2017	2018	2019	2020	
Action	Through 30 June 2018, a total of 52 projects are approved	Through 30 June 2018, a total of 63 projects are approved	Through 30 June 2018, a total of 73 projects are approved First Eastern Europe NIE is accredited in Armenia	Through 30 June 2019, a total of 84 projects are approved	Through 30 June 2020, a total of 107 projects are approved	

	2016	2017	2018	2019	2020
Innovation		The Board approved 4 projects offering innovative adaptation solutions in Africa	As part of the activities included in the implementation plan of the strategy, the Fund starts developing a window for large innovation grants and microgrants as a pilot phase	As part of the direct access route, the Fund launched the first call for innovation small grants in December 2018. 3 Innovation Small Grants are submitted during the reporting period	2 small grants for innovation are approved 2 MIE Aggregator programmes are launched at COP25, and are implemented by UNDP and UNEP
		Decision B.31/31: The Board approves a new resource mobilization target of US\$ 90 million per year for the biennium 2018-2019; and requests the Secretariat to assess the feasibility of opening "fundraising drives" associated with specific themes and topics of the MTS		Decision B.32/4: The Board approves the process for providing funding for innovation through small grants to NIEs and requests the Secretariat to prepare the first request for proposals to NIEs for US\$ 2 million	Decision B.34/50: The Board requests the PPRC to continue discussing innovation grants, project scale-up grants and learning grants, and other proposals from any new funding windows
			Decision B.32/5: The Board invites UNDP and UNEP to serve as the MIE aggregators for small grants for innovation and requests the Secretariat to develop guidance to the MIE aggregators for preparing proposals for small grants	Decision B.34-35/22: The Board approves the Legal Agreement for the MIE aggregator programme	Decision B.35.b/10: The Board approves the pilot for projects submitted through the window for enhanced direct access Decision B.35.b/8: The Board approves the process for providing funding for innovation through large grants to IEs

	2016	2017	2018	2019	2020	
Learning			<p>A new funding window in the form of learning grants of up to US\$ 150,000 each is launched by the Fund in FY19</p> <p>The Secretariat publishes a report titled "Lessons Learned from Portfolio Monitoring Missions (PMMs)"</p> <p>The readiness programme collaborates with The Commonwealth to share and disseminate information and experiences of the Fund at their event.</p>	<p>1 Learning Grant is submitted during the reporting period</p> <p>2 e-learning courses are published on Accreditation and on Environmental and Social and Gender Considerations in Project/Programme Design and Implementation</p> <p>1 study about accreditation, 1 study about gender and 1 knowledge report and brochure showcasing lessons learned from the first Country Exchange in Chile are published</p>		
				<p>Decision B.32/38: The Board decides to make learning grants available for NIEs between fiscal years 2019 and 2023 and approves the features and implementation arrangements of the learning grants</p>	<p>Decision B.33-34/11: The Board approves the proposed arrangements for monitoring and reporting criteria for learning grants</p>	<p>Decision B.34/41: The Board decides to align the review cycle for learning grants with the regular review cycle for concrete projects and programmes</p>

	2016	2017	2018	2019	2020
Gender		<p>21 projects In the Fund's portfolio are supporting alternate livelihoods for women</p>	<p>19 projects in the Fund's portfolio have activities that are specifically targeted towards enhancing the capacities of women</p> <p>9 projects in the Fund's portfolio have activities that are specifically targeted towards enhancing women's roles in decision-making processes</p>	<p>During the reporting period, the Secretariat launched the first phase of the process for the update of the GP and GAP, including the assessment on the need of alignment of the Fund's Medium Term-Strategy and GP and GAP and the analysis on other climate fund's practices related to gender</p>	<p>Gender considerations are integrated into the projects through technical assistance grants for gender and ESP & Gender, gender training, an e-learning course on addressing environmental and social and gender considerations in project/programme design and implementation, a gender case study, and an updated PPR template which strengthens gender-disaggregated information</p>
	<p>Decision B.27/28: The Board approves the Gender Policy of the Fund</p>	<p>Decision B.28/39: The Board approves the amendments to Annex 5 to OPG (Project proposal template) to be in line with the Gender policy and action plan</p>			

	2016	2017	2018	2019	2020
Capacity			<p>4 readiness grants were approved by the Board for 6 projects during the reporting period.</p> <p>During the implementation of the MTS, the Readiness Programme will integrate country field exchanges and introduce support to projects during their implementation phase.</p> <p>As of 30 June 2018, the readiness programme had hosted 16 regional workshops</p>	<p>5 readiness grant projects totalling US\$ 167,110 were approved by the Board during the reporting period.</p> <p>The first proposals for project scale-up grants were submitted during FY18</p> <p>The first-ever Country Exchange hosted by Chile is implemented from May 6 to 10, 2019</p>	<p>8 readiness grant projects totalling US\$ 314,000 were approved by the Board during the reporting period.</p> <p>2 regional workshops, 2 webinars and the 2020 annual climate finance readiness seminar for NIEs were held</p> <p>2 meetings for the CPDAE were facilitated with joint support from AF and GCF</p>
		<p>Decision B.29/42: The Board approves the framework for the Readiness Programme and requests the Secretariat to implement further steps to integrate the Readiness Programme into the Adaptation Fund's operations, policies and guidelines, strategies, work plan and budget and to update the results framework of the Readiness Programme to align with the Adaptation Fund medium-term strategy when complete</p>	<p>Decision B.32/2: The Board requests the Secretariat to increase communication with eligible RIEs to make them aware of the opportunities for funding the formulation of regional project/programme proposals and increase the engagement with RIE applicants for accreditation</p>	<p>Decision B.33-34/12: The Board approves the proposed arrangements for monitoring and reporting criteria for project scale-up grants</p>	
		<p>Decision B.30/45: The Board approved the results framework of the Readiness Programme and requests the Secretariat to implement the Readiness Programme in line with the amended results framework.</p>	<p>Decision B.32/39: The Board decides to make project scale-up grants available for NIEs between fiscal years 2019 and 2023 up to a maximum of US\$ 200,000 per year and approves the features and implementation arrangements of the project scale-up grants</p>	<p>Decision B.34/38: The Board decides to align the review cycle for project scale-up grants with the regular review cycle for concrete projects and programmes</p>	

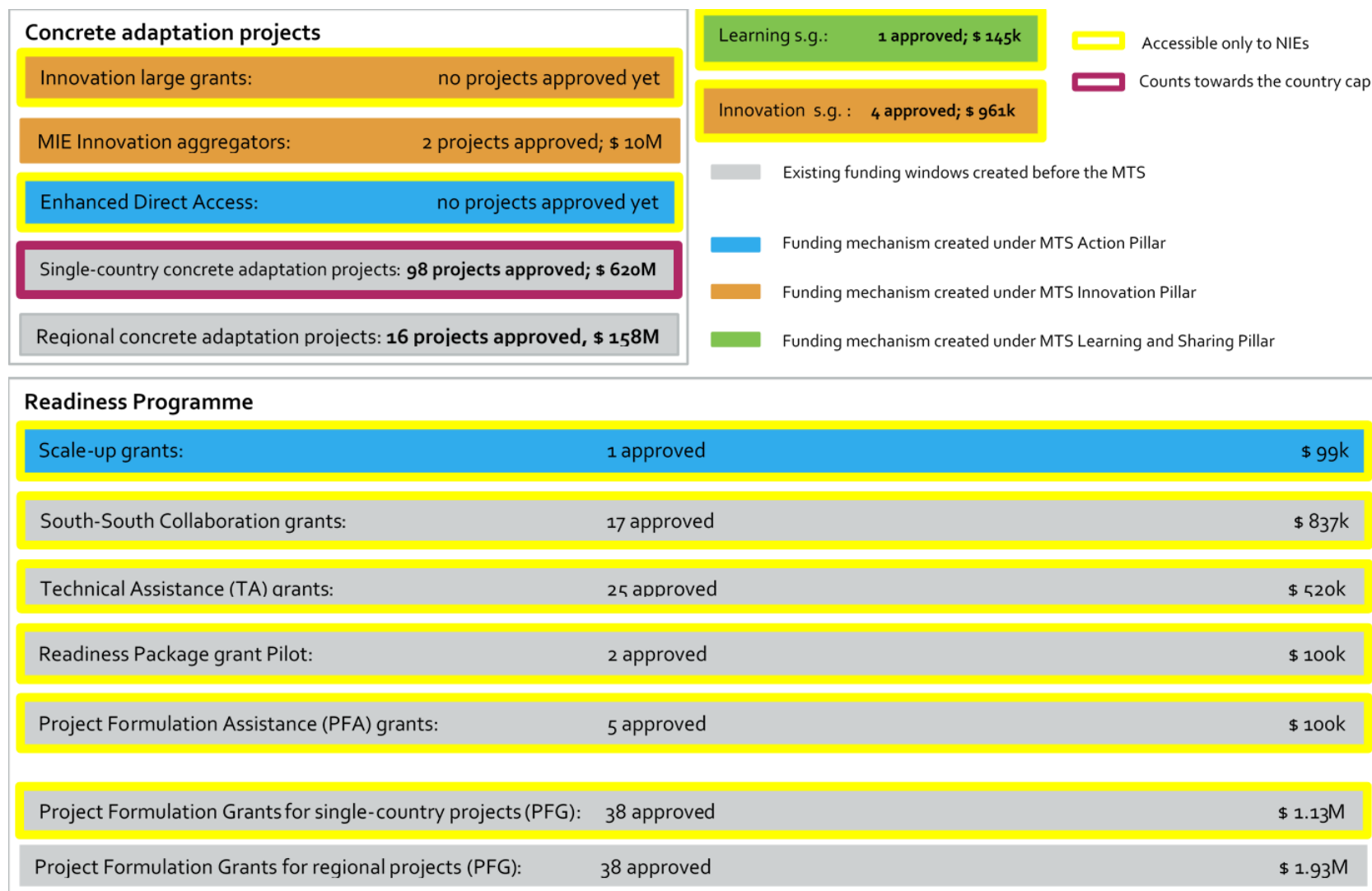
	2016	2017	2018	2019	2020
Coherence and complementarity			<p>Review criteria and the application form for scaling up grants are developed during the reporting period.</p> <p>The call for project scale-up proposals is issued in November 2018 and eligible NIEs are given the opportunity to submit proposals.</p> <p>Project scale-up grants are launched at a side-event at COP24 to the UNFCCC</p>	<p>1 proposal for project scale-up grants is received for consideration by the Board during the reporting period</p> <p>APR reports a non-exhaustive list of GCF projects that reflects some of the results and lessons learned from Adaptation Fund funded projects.</p>	<p>1 project scale-up grant amounting to US\$ 99,000 is approved by the Board during the reporting period</p> <p>1 project scale-up grant is submitted for the Board consideration during the reporting period</p> <p>AF and GCF funds develop a framework for scaling up to ensure complementarity and coherence between the two funds</p>
		<p>Decision B.30/43: The Board requests the Secretariat to initiate the process toward accreditation with the GCF and prepare an assessment of options for fund-to-fund arrangements</p>	<p>Decision B.32/1: The Board approves a fast-track accreditation process for the Fund for potential national, regional and multilateral implementing entities that had been accredited by the GCF</p>	<p>Decision B.34/47: The Board continues consideration of four options for fund-to-fund arrangements with the GCF</p>	<p>Decision B.35.b/19: The Board requests the Secretariat to continue discussions with the GCF to advance collaborative activities between the funds</p>

	2016	2017	2018	2019	2020
Vulnerable communities		First Eastern Europe NIE is accredited in Armenia through direct access	Through 30 June 2018, the Fund has approved three projects that employ, wholly or partly, an enhanced direct access approach	The Medium-term Strategy foresees a specific funding window on enhanced direct access , with first grants excepted by the end of 2019.	A survey among the Fund's IEs is carried out by the Secretariat to understand the impact of the Covid-19 pandemic
				Decision B.32/4: The Board approves the process for providing funding for innovation through small grants to NIEs and requests the Secretariat to prepare the first request for proposals to NIEs for US\$ 2 million	Decision B.35.b/16: The Board temporarily approves for eligible projects/programmes which have been delayed due to COVID-19 a blanket no-cost extension of the project completion date and reallocations in the budget on project material change. Decision B.35.b/10: The Board approves the pilot for projects submitted through the window for enhanced direct access (EDA) to promote EDA and further promote locally led adaptation under the Fund and decides to align the review cycle and approval of projects/programmes submitted through the EDA window with the review and approval process as well as reporting requirements for regular projects/programmes

Annex 2: Evidence on the use of Medium-Term Strategy (MTS)

1. Annex 2 provides evidence of how the MTS has been used since its adoption. This includes data about the funding windows created before and under the MTS. In addition, a sample of responses from the MTR survey on reported use of the MTS is presented.
2. To further explain paragraphs 6, 7, 13 of the main document, Figure 2 illustrates the addition of funding windows created under the MTS, the number of projects approved and the level of financing under each window. Depicted here are the funding mechanisms created before the MTS (grey) and funding windows created since the MTS under each pillar. It should be noted that most windows created under the MTS are accessible to NIEs only, and none of the newly created windows counts towards the country cap.

Figure 2: Overview of funding windows in existence before the MTS and new funding windows created under the MTS strategic pillars



3. A majority of survey respondents coincided in that the MTS helps Fund stakeholders to understand the AF's mission (Figure 3). Further to paragraph 9, Board members (Figure 4) responding to the survey report that they look to the MTS to provide guidance on the Fund's operational policies. However, there is a tension in the extent that the MTS supports active choice-making given that there have been only small changes made to the Fund's operational policies and guidance (OPG) and only 25% of IEs (Figure 5) responding to the survey report that they use the MTS to identify/ prioritize bankable projects for funding.

Figure 3 Reported uses of the MTS by all survey respondents (N = 57 responses)

Most important general use of MTS by 57 survey respondents	Percentage of respondents	Number of respondents
Understand the AF's mission	67%	32
Make decisions about what projects to endorse/propose	60%	29
Communicate with countries and entities about funding priorities	46%	22
Communicate with countries and entities about project quality	17%	8
Prioritize my daily/monthly programme of work	15%	7
Other (Please specify)	15%	7

Source: Survey by the MTS review team of the AF-TERG. Notes: The question of the survey was the following: "What is the most important use of the Adaptation Fund's Medium-Term Strategy (MTS) in your work? I use the MTS to...Please choose up to three options." There were 57 respondents to the survey overall.

Figure 4 Reported uses of the MTS by 14 Board member respondents to the survey. (N = 14 responses)

Most important use of MTS by 14 Board member respondents	Percentage respondents	of	Number respondents	of
Provide guidance on the Fund's operational policies and processes	50%		7	
Review the performance of the Fund	50%		7	
Consider and review projects and programmes submitted to the Board	50%		7	
Advise on matters relating to resources allocation and mobilization	35%		5	
Consider strategic alignment of the Fund with other entities, including for accreditation purposes	35%		5	
Provide oversight of the Secretariat's activities	28%		4	
Determine the level of financial contribution from my organisation	21%		3	
Other (Please specify)	0%		0	

Source: Survey by the MTS review team of the AF-TERG. Notes: The question of the survey was the following: "What is the most important use of the Adaptation Fund's Medium-Term Strategy (MTS) in your work? I use the MTS to...Please choose up to three options." There were 57 respondents to the survey overall, out of those 14 respondents were Board members.

Figure 5 Reported uses of the MTS by 19 Implementing Entity respondents to the survey. (N = 19 responses)

Most important use of MTS by 19 IE respondents	Percentage respondents	of	Number respondents	of
Provide support for programme/ project development	75%		12	
Present the Fund to our stakeholders	63%		10	
Provide oversight of programme/ project implementation	56%		9	
Identify/ prioritize bankable projects for funding	25%		4	
Other (Please specify)	13%		2	
Determine the level of financial contribution from my organisation	6%		1	
Apply for accreditation	0%		0	

Source: Survey by the MTS review team of the AF-TERG. Notes: The question of the survey was the following: "What is the most important use of the Adaptation Fund's Medium-Term Strategy (MTS) in your work? I use the MTS to...Please choose up to three options." There were 57 respondents to the survey overall, out of these 19 were from the Implementing Entities.

Annex 3: Progress on expected results and outputs of the Implementation Plan

1. The following assesses progress as of 31 December 2020 against the Implementation Plan's output indicators. As indicated in paragraph 8, the Implementation Plan is divided into specific pillars and tracked accordingly. Indicators for the Action Pillar are largely on track (indicators for 4 out of 6 expected outputs) while it is too early to tell whether the implementation plan indicators and related expected outputs for the Innovation Pillar are on track (indicators for 1 out of 4 expected outputs are on track). Progress is largely on track for the learning and sharing pillar (4 out of 7 expected outputs) although there is a need to gather additional evidence to determine the extent that the indicators are on track. The progress against the indicators is informed by portfolio data, Fund Annual Progress Reports produced by the AFB Secretariat, and additional information publicly available in the AF website's knowledge & learning section.

Table 2: Progress against outputs of the Implementation Plan as of 31 December 2020

Colour code legend:	Likely on track to meet Implementation Plan output indicator targets		
	Too early to tell whether Implementation Plan output indicator targets will be met		
	More evidence required		

	Expected results	Expected outputs (Implementation Plan)		A summary of progress on the output indicators of the Implementation Plan
Action	ER1 Vulnerability reduced, resilience strengthened, and adaptive capacity enhanced	1	Existing grant mechanisms and processes for eligible Parties, especially through Direct Access.	31 single-country concrete adaptation projects have been approved from 2018 until the end of 2020, for over 180 million USD. This is broadly in line with the projected grant funding in the Implementation Plan.
		2	Existing grant mechanisms and processes for regional projects and programmes.	13 regional concrete adaptation projects have been approved from 2018 until the end of 2020, for over 130 million USD. This is in line with the projected grant funding in the Implementation Plan.
		3	"Enhanced Direct Access" involving subnational institutions and civil society organizations implemented in at least 10 countries.	An EDA window pilot was approved at B.35b in 2020 October. There are no approved projects under this pilot yet. Meeting the envisaged scale of EDA funding in the IP will be dependent on the success of the EDA pilot.
	ER2 Institutional capacity strengthened	4	Enhanced readiness activities for climate finance, encompassing both support for accreditation and project/programme design and/or implementation.	There were two Readiness Pilot package grants, four South-South Collaboration grants, nine Technical Assistance grants, 36 Project Formulation Grants, and five

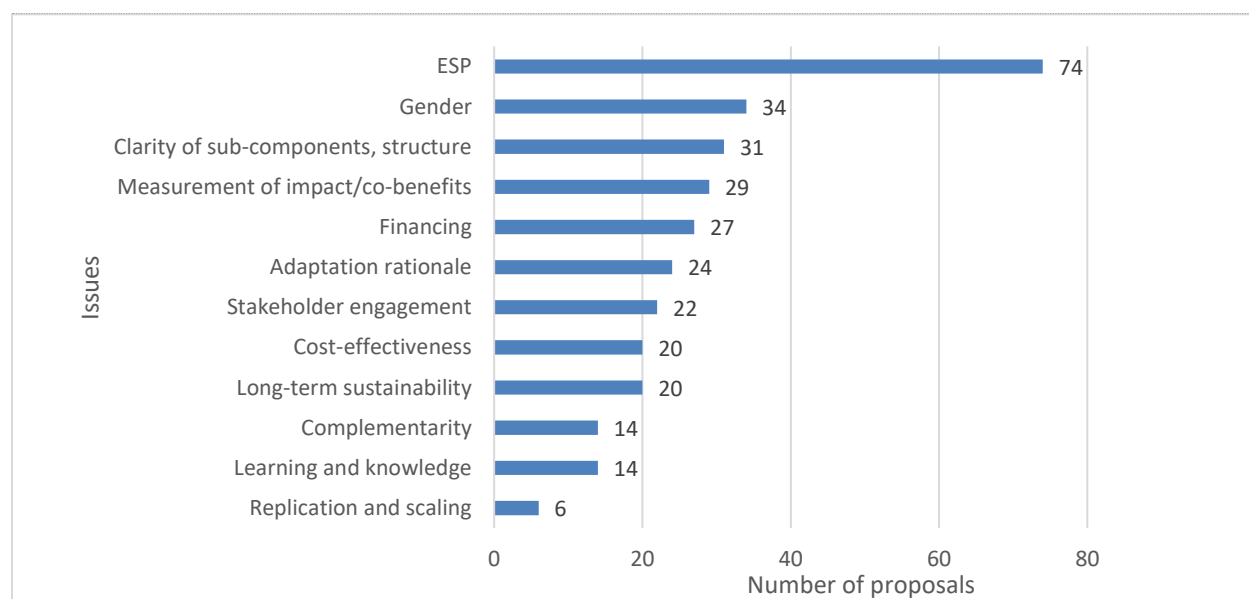
	Expected results	Expected outputs (Implementation Plan)		A summary of progress on the output indicators of the Implementation Plan
				Project Formulation Assistance Grants approved in 2018-2020.
		5	Additional technical support during project/programme implementation, as necessary to achieve expected results.	There were 15 readiness and capacity building events held between 2018 and 2020.
	ER3 Effective action scaled up	6	Project scale-up microgrants (up to US\$ 100,000 each) established under the Readiness Programme.	The AF approved 1 scale-up grant as of the end of 2020. Three AF projects were scaled up (approved for funding) by GCF since 2018. Meeting the envisioned volume for scaling effective action under the Implementation Plan is yet to be seen.
Innovation	ER1 Successful innovations rolled out	1	A large grant (up to US\$ 5 M/ grant) mechanism established to roll out proven solutions in new countries/regions. At least two proposals supported under the 1 st RFP and at least four proposals supported under the 2 nd RFP. Understanding of possibilities and challenges in rolling out financing for innovative action improved and recorded.	The large grant mechanism was approved in 2020 October at B.35b. The first projects to be funded under the first RfP are yet to be approved. Lessons from the RfP roll-out are not yet available.
	ER2 Viable innovations scaled up	2	A large grant (up to US\$ 5 M/ grant) mechanism established to scale up innovations already demonstrated to work at a small scale. At least two proposals supported under the 1 st RFP and at least four proposals supported under the 2 nd RFP. Understanding of possibilities and challenges in rolling out financing for innovative action improved and recorded.	The large grant mechanism was approved in 2020 October at B.35b. The first projects to be funded under the first RfP are yet to be approved. Lessons from the RfP roll-out are not yet available.
	ER3 New innovations encouraged and accelerated	3	A relevant, efficient, effective and sustainable micro-grant (up to US\$ 250,000) mechanism established to develop and/or test innovative adaptation products.	The Innovation small grant mechanism was approved at B.32 in 2018, and the first innovation small grants were approved in 2019. In total, there were four Innovation small grants funded in 2018-2020. The AF approved two small grants each year since the launch of the mechanism. Unless the approval rate increases, the target of 14 innovation small grants will not be met by the end of the MTS period.
		4	At least 14 proposals from Implementing Entities and at least 20 proposals from other entities supported	
	ER4 Evidence base generated	5	A relevant, efficient, effective and sustainable micro-grant (up to US\$ 250,000) mechanism established to generate evidence base effective, efficient adaptation practices, products and	There were a total of seven Innovation small grant proposals registered in the FiF. four of these were approved. With a rate of seven submissions in two years. By 2023 it is expected that 14 proposals can be generated.

	Expected results	Expected outputs (Implementation Plan)		A summary of progress on the output indicators of the Implementation Plan
			technologies, to enable implementing entities and other funds to assess scaling-up.	The MIE aggregators were launched in the second half of 2020. Lessons generated through these MIE aggregators are yet to be seen
		6	At least 14 proposals from Implementing Entities and at least 20 proposals from other entities supported	
Learning and sharing	ER1 Lessons learnt and shared	1	Technical support to project-level learning processes enhanced, especially through knowledge-institutions in recipient countries	An e-learning course on ESS and gender, and studies on gender, locally-led adaptation, and readiness for direct access were commissioned. A summary of lessons from 13 Portfolio Monitoring Missions was also produced.
		2	Micro-grants (up to US\$ 150,000 each) facilitating south-south learning and the sharing of information, good practices and lessons learned from failures as well as success	Only one learning grant was funded so far. The approved volume of grants lags behind the volume of grants projected in the Implementation Plan, lessons learned from grants are yet to be seen.
		3	Collaboration with other climate funds to triangulate lessons and consolidate messages, as feasible	More evidence is required about the planned outcomes of collaboration with other funds. The AF participates in meetings with other climate funds. Alignment between AF accreditation and GCF accreditation is in motion.
		4	Enhanced learning from the accreditation process and outcome	An E-learning course for Accreditation was developed and launched. A study on accreditation, titled "Bridging the gaps in Accreditation" was produced.
	ER2 Knowledge and guidance developed vis-à-vis selected themes.	1	Development of a body of knowledge related to key concepts of adaptation (thematic, sectoral, etc.)	Studies on gender, lessons learnt by NIEs in agriculture and water, locally-led adaptation, and readiness for direct access were developed.
		2	Strategic partnerships with international knowledge-institutions and for a/networks established and maintained	More evidence is required.
	ER3 Analytical capacity strengthened	1	Enhancing institutional capacity of NIEs and governments through learning and sharing using different sources (e.g. CoP, Annual NIE seminars, webinars)	E-learning courses were launched at COP25 side events. The Secretariat also produced a report on lessons learned and applied by NIEs from the first Country Exchange hosted by AGCID in Chile in 2019 around the theme of agriculture and water. There was also a Global NIE Seminar hosted in 2020, as well as other readiness events

Annex 4 Trends on accreditation, readiness, and grant approvals

1. Annex 4 provides data about project approvals, readiness and accreditation trends. This includes project non-approval data which reflects the type of feedback and guidance given in AFB decision texts of not approved projects (Figure 6). The volume of grant approvals shows the trends across new and existing funding windows (Figure 7 and Figure 8). Data on accreditation and reaccreditation trends from NIEs is shows an increase in reaccreditation after the approval of the MTS (Figure 9). Analysis of the distribution of funding from concrete adaptation projects to AF outcome areas before the MTS and within the current strategic period shows significant changes in the sector distribution since the adoption of the MTS but minor fluctuation in contribution to outcome areas (Figures 10 and 11).
2. Project quality has improved since the approval of the MTS and the MTS seems to have a direct effect on this. Analysis of Board decisions on proposals that were not approved has revealed that Board recommendations for the improvement of proposals are notably on issues related to compliance with or attention to the ESP and Gender policies.

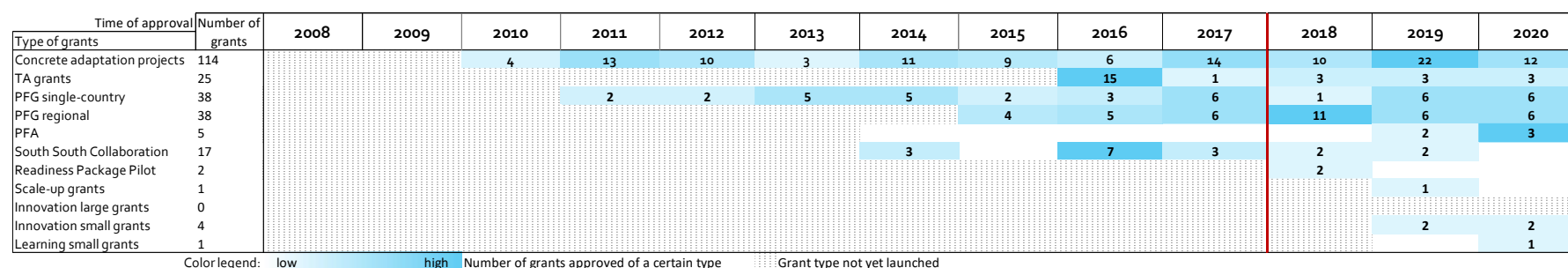
Figure 6: Aggregate reasons for not approving projects in Board decisions (B.30)



Source: AFB decision texts of 99 not approved proposals from B.30 until 31 December 2020. Notes: There were 99 proposals (fully developed proposals, concept notes, and pre-concepts) that were not approved by the AFB since B.30. Each decision text was analyzed and the issues noted were categorized by the MTR team.

3. The Fund has retained its relevance in the strategic period. There has been growth in the Fund's core business (concrete adaptation projects) following the adoption of the MTS. Since the adoption of the MTS, there has been a slight uptick in the approval of project formulation assistance (PFA) grants and project formulation grants which support the quality of projects approved and readiness of NIEs to receive finance. Few innovation grants have been approved since the funding window was created.

Figure 7: Approval grant types over time



Source: Data on approved grants from the AF's Financial Intermediary Funds (FIF) platform, with data valid as of 31 December 2020.

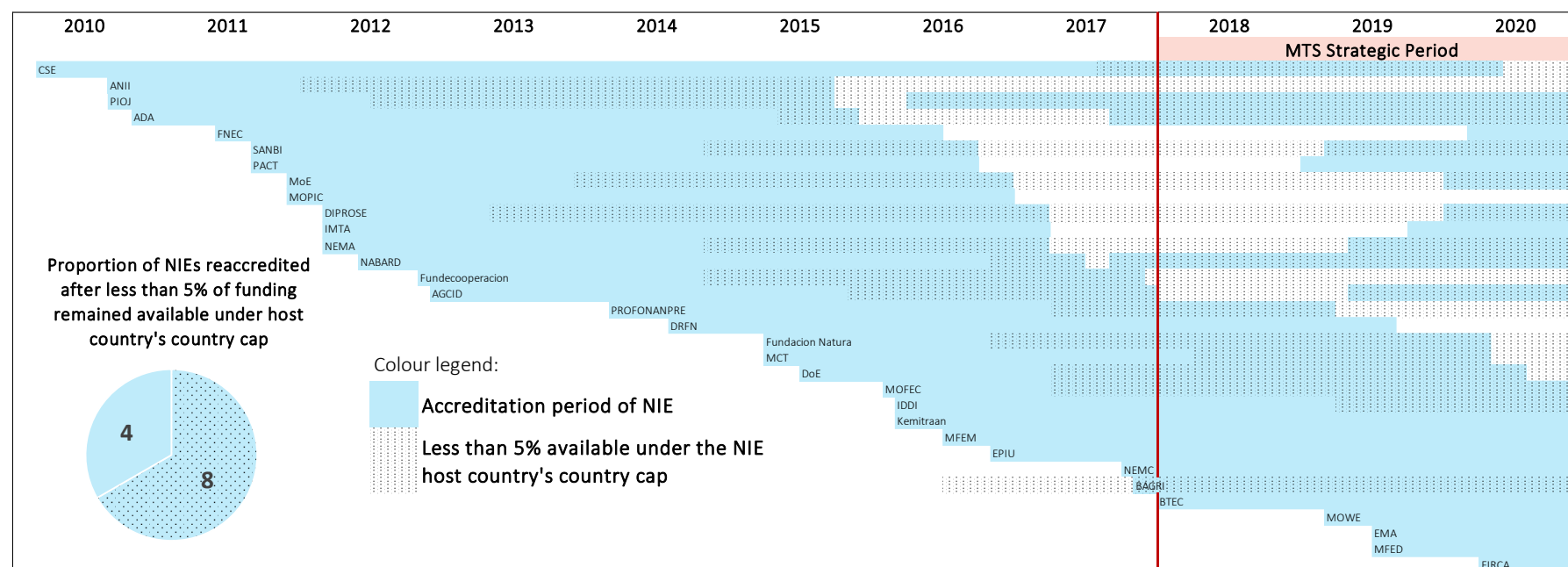
4. Thus far, there have been few grants approved under the new funding windows. The period 2021-2022 may see an upward trend in the number of grants approved. The new funding windows were expected to expand the funding beyond the regular windows by 26%, with an additional 156 million USD projected to be funded over the 5 years of the MTS through these new windows. By the end of 2020, only 7% of this 156 million USD was committed. The first 2-3 years of the strategic period have been used to operationalize the new funding windows. To meet the projected funding levels of the Implementation Plan through the new windows, there needs to be a significant increase in the amount of funding committed. The windows that constitute more than 90% of the projected new funding, the large innovation grants and the Enhanced Direct Access window, are yet to see their first approvals.

Figure 8: Projected and approved grant funding through various AF funding windows

Funding windows	Total grant amounts approved so far (2018-2020)	Total projected funding over 5 years of MTS by the Implementation Plan tentative budget	Percentage of expected funding over 5 years of the MTS
New funding windows established under the MTS	\$ 11,205,027	\$ 156,000,000	7%
Enhanced Direct Access window	\$ -	\$ 100,000,000	0%
Innovation large grants	\$ -	\$ 45,000,000	0%
Innovation small grants	\$ 961,179	\$ 8,000,000	12%
Climate Innovation Accelerator	\$ 10,000,000	no projection in IP	
Learning small grants	\$ 144,848	\$ 2,000,000	7%
Scale-up	\$ 99,000	\$ 1,000,000	10%
Windows existent prior to MTS	\$ 310,140,173	\$ 602,500,000	52%
Single country projects	\$ 185,760,700	\$ 400,000,000	46%
Regional projects	\$ 122,303,559	\$ 200,000,000	61%
South-South Cooperation grants, TA grants	\$ 401,930	\$ 2,500,000	16%
PF grants and PFA grants	\$ 1,673,984	no projection in IP	
Total	\$ 321,345,200	\$ 758,500,000	42%
Funding expansion through new funding windows (Total funding (USD) / funding through windows existent prior to MTS (USD) *100)	103,6%	125,9%	

Source: Funding data extracted from the Financial Intermediary Funds (FIF) platform of the Adaptation Fund, valid as of 31 December 2020. Data for the projected funding of the Implementation Plan was taken from the Implementation Plan's tentative budget columns of relevant indicators.

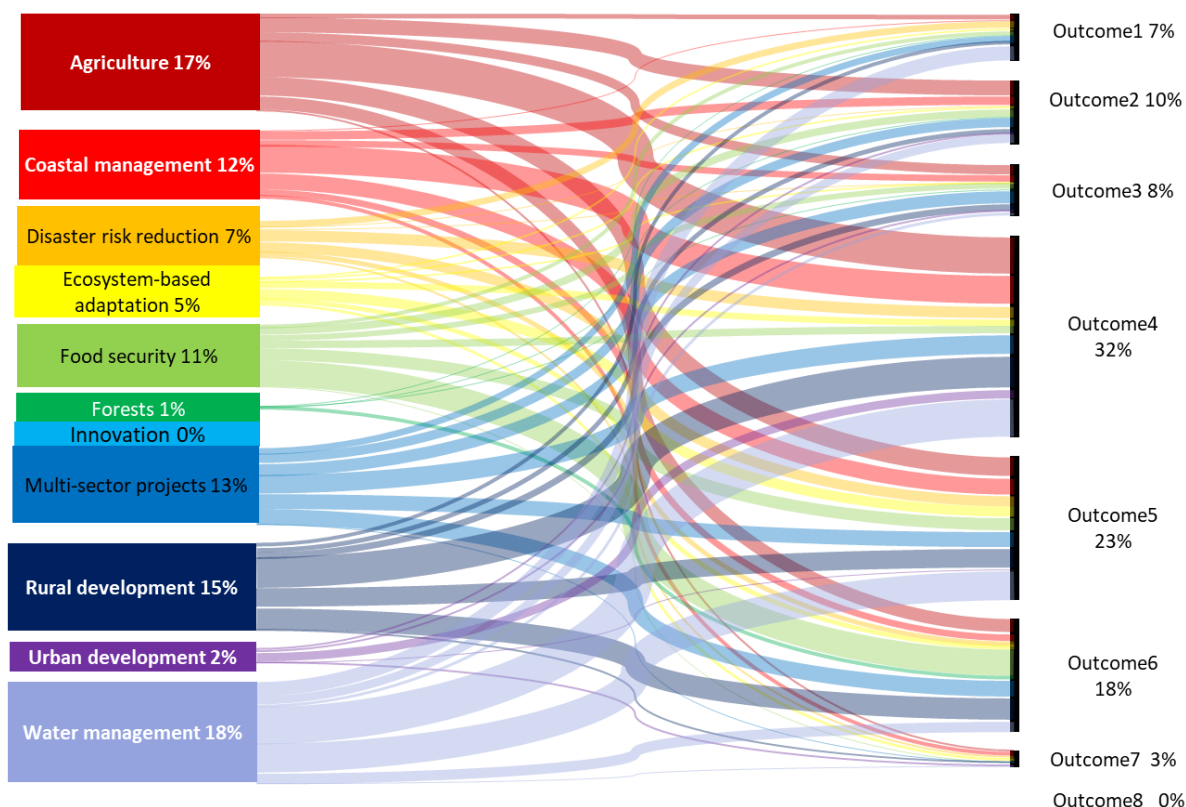
5. The Strategy has opened new funding windows outside of the country cap and has supported investment in the capacity of NIEs. Countries that have reached the country cap can access financing through the new funding windows, which offers an additional incentive for reaccreditation. In fact, seven NIEs from countries that have reached the country cap have been reaccredited since late 2017, when the MTS was approved. NIEs have seen benefit and value in accreditation and reaccreditation from the Fund. There is a recognized value in readiness activities and accreditation from the AF both for its contribution to institutional strengthening, new and additional funding, and for the potential to fast-track accreditation from the GCF (3 NIEs so far).

Figure 9: Accreditation and reaccreditation of NIEs over time

Source: Accreditation and reaccreditation times sourced from the AF website. Country cap calculated based on approved concrete adaptation project funding as indicated on the AF's FIF platform. Data is valid as of 31 December 2020.

6. Figures 10 and 11 should be referenced together to observe the changes in the funding distribution trends across sectors since the adoption of the MTS. There is a significant increase in the disaster risk reduction (from 7% to 34%) and food security (from 11% to 21%) projects in the strategic period (2018-2020) from before the MTS. There are a number of possible explanations for this related to the Fund pipeline and/or shifting priorities for the Fund, or redefinition of sectors. The contribution to outcome areas is largely unchanged since before the MTS and the sectoral categorization does not appear to be aligned to the outcome areas. The OPG introduced Outcome Area 8 for innovation with the approval of the MTS, but there is yet to be project contribution accounted to Outcome 8 in the main portfolio of concrete adaptation projects.

Figure 10: Distribution of funding from concrete adaptation projects to AF outcome areas before the MTS

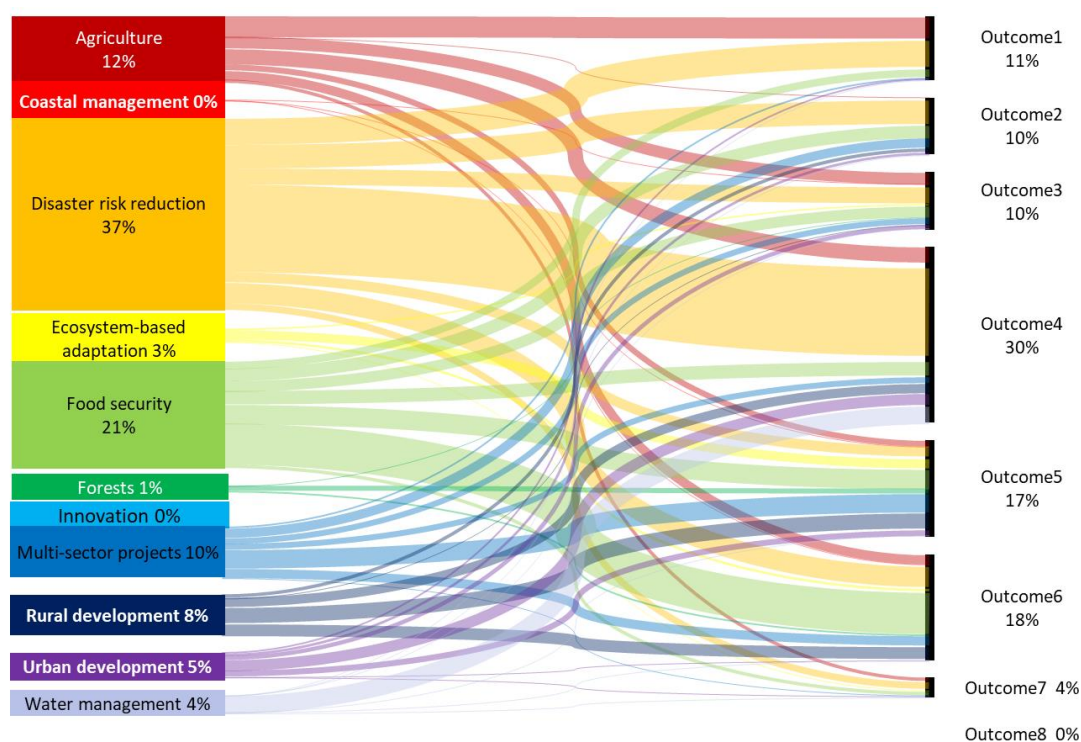


Source: The funding allocation of approved projects to individual outcome areas is based on the data provided for the Strategic Results Framework on the AF's FIF platform. Projects included in the above figure are concrete adaptation projects (single and regional) approved before 2018.

Notes: Outcome areas are as follows:

- Outcome 1: Reduced exposure to climate-related hazards and threats;
- Outcome 2: Strengthened institutional capacity to reduce risks associated with climate-induced socioeconomic and environmental losses;
- Outcome 3: Strengthened awareness and ownership of adaptation and climate risk reduction processes at a local level;
- Outcome 4: Increased adaptive capacity within relevant development sector services and infrastructure assets;
- Outcome 5: Increased ecosystem resilience in response to climate change and variability-induced stress;
- Outcome 6: Diversified and strengthened livelihoods and sources of income for vulnerable people in targeted areas;
- Outcome 7: Improved policies and regulations that promote and enforce resilience measures;
- Outcome 8: Support the development and diffusion of innovative adaptation practices, tools, and technologies.

Figure 11: Distribution of funding from concrete adaptation projects by sector to AF outcome areas, projects approved after MTS (after B.30)



Source: The funding allocation of approved projects to individual outcome areas is based on the data provided for the Strategic Results Framework on the AF's FIF platform. Projects included in the above figure are concrete adaptation projects (single and regional) approved from 2018 until 31 December 2020.

Notes: Outcome areas are as follows:

Outcome 1: Reduced exposure to climate-related hazards and threats;

Outcome 2: Strengthened institutional capacity to reduce risks associated with climate-induced socioeconomic and environmental losses;

Outcome 3: Strengthened awareness and ownership of adaptation and climate risk reduction processes at a local level;

Outcome 4: Increased adaptive capacity within relevant development sector services and infrastructure assets;

Outcome 5: Increased ecosystem resilience in response to climate change and variability-induced stress;

Outcome 6: Diversified and strengthened livelihoods and sources of income for vulnerable people in targeted areas;

Outcome 7: Improved policies and regulations that promote and enforce resilience measures;

Outcome 8: Support the development and diffusion of innovative adaptation practices, tools, and technologies.