



ADAPTATION FUND

AFB/B.37/11  
17 October 2021

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Adaptation Fund Board  
Thirty-seventh meeting  
Bonn, Germany (virtual), 19-21 October 2021

Agenda item 8

## **PROCESS FOR DEVELOPING THE MEDIUM-TERM STRATEGY OF THE FUND BEYOND 2022**

## Introduction

1. The current, first Medium-term Strategy (2018–2022) of the Adaptation Fund (the Fund) was developed following Decisions B.27/39 and B.28/46. To develop the strategy, the Adaptation Fund Board (the Board) had “committed to crafting an agile Strategy informed by decisions under the UNFCCC as well as other, relevant, international frameworks, declarations and agendas, based on a clear Theory of Change, and developed through a transparent and participatory process involving Implementing Entities, contributing and recipient governments, civil society and sibling funds”.<sup>1</sup>
2. The Medium-term Strategy (MTS) states that it “updates and refines the Fund’s niche to better serve the evolving needs of Parties to the UNFCCC. Towards this end, the Fund’s Vision, Goal and Impact are derived from the Paris Agreement (especially Articles 7, 9 and 11), the 2030 Agenda for Sustainable Development (especially SDG 13), and their implied Theory of Change.”<sup>2</sup>
3. The Board has not yet taken an explicit decision on a possible second MTS and the period of time that would cover after 2022. However, the first MTS includes a general plan to develop a subsequent MTS, and outlines how its development would be informed by evaluations made during the first MTS. The IP further specifies that a “mid-term evaluation is planned to be useful in informing the possible subsequent Medium-term Strategy (which could span years 2023-2027)” and that such evaluations would be carried out by the Evaluation Function of the Fund.<sup>3</sup> The indicative general timeline of the IP contained in its addendum, suggested that the development of “MTS 2023-2027” would be launched in 2021 and finalized in 2022.
4. In accordance with Decision B.31/32, paragraph b)(vi), the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) undertook a Mid-Term Review (MTR) of the MTS. The first phase of the MTR of the MTS concluded in March 2021 at the thirty-sixth Board meeting. The AF-TERG presented to the Board’s Ethics and Finance Committee (EFC) an informational document AFB/EFC.27/Inf.2 on the MTR’s emerging findings and areas for recommendation for the Fund, as well as lessons from current good practice in the field of strategy.
5. Concluding the second phase of the MTR at this meeting, the AF-TERG presents to the EFC at its twenty-eighth meeting the MTR of the MTS in document AFB/EFC.28/7. According to that document, “the aim of the MTR is to assess progress and inform the development of a future strategy for 2023-2027” (paragraph 7).
6. The MTR and its annexes present the key findings and a set of recommendations for the current strategic period and for the development of the next MTS. According to the MTR, the next MTS will face a context of even more urgency. It will need to help countries adapt to the climate crisis in the context of resilient economic response, management and starting recovery from the

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<sup>1</sup> <https://www.adaptation-fund.org/document/medium-term-strategy-2018-2022/>, p.8.

<sup>2</sup> *Ibid*, p.18.

<sup>3</sup> *Ibid*, p.31.

COVID-19 pandemic (paragraph 10). For the next MTS, the MTR presents the following two recommendations:

- (i) The MTR collected lessons that could be used when developing and implementing the next MTS. For example, the new MTS should be used to further strengthen the Fund's niche based on areas of demonstrated value, building on the Fund's role and added value for providing quick and direct financing; creating new solutions built on what works; supporting innovative solutions with higher risk, complementing others through catalytic financing and bringing needed new players into the climate change adaptation space.
- (ii) The experience of consultation during the current MTS was good but the MTR noted that the consultation should be more inclusive in the next round, including, for example, engaging implementing entities, and designated authorities, throughout the process.

7. Following the conclusion of the second phase of the MTR of the MTS and with the initial period of the MTS concluding in 2022, the Board may wish to consider the findings and recommendations of the MTR, as well as the Fund's experience with developing and implementing its first MTS, in order to define and launch a process for developing the Fund's second MTS for the period beyond 2022.

8. This document proposes a possible process for the Board to develop the next Medium-term Strategy of the Fund, provisionally for the time period 2023–2027, in time for consideration by the Board at its thirty-ninth meeting in October 2022.

## Background

9. At its twenty-seventh meeting, in March 2016, having discussed the agenda item "Issues remaining from the twenty-sixth meeting", (c) "Proposal to modify the country cap", the Board noted that there was a need for broader consideration of the Fund's strategic direction, and decided to:

[...]

*b) Request the secretariat to prepare, for consideration by the Board at its twenty-eighth meeting, options for a framework for a medium-term strategy for the Fund, that would reflect the strategic priorities of the Fund approved by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) and take into account the findings of the Phase I of the Overall Evaluation of the Fund, as well as, inter alia, the following matters:*

- (i) The financial situation of the Adaptation Fund, including the work done for resource mobilization for the Fund;*

- (ii) *The progress being made on accreditation of implementing entities and developing readiness to access adaptation finance;*
- (iii) *Allocation of funds, including the cap of 50 per cent set for proposals submitted by multilateral implementing entities by decision B.12/9, the cap per country set by decision B.13/23 and consideration of regional projects and programmes within and beyond the pilot programme for regional projects and programmes set up by decision B.25/28; and*
- (iv) *The discussion on potential linkages between the Adaptation Fund and the Green Climate Fund (GCF).*

*(Decision B.27/39)*

10. Pursuant to the Board decision B.27/39, the Adaptation Fund Board secretariat (hereafter “the secretariat”) recruited an external consultant to help draft, under supervision by and in consultation with the secretariat, a document that would present options for a framework (document AFB/B.28/7 and confidential addendum AFB/B.28/7/Add.1). The document included choices among options in three areas: the conceptual model to be used for the strategy, the structure of the strategy, and the type of design process to be followed. At the twenty-eighth meeting, in October 2016, having considered the above documents, the Board decided:

- a) *To establish a task force to guide the work of the secretariat on the medium-term strategy for the Fund, composed of three members from Annex I countries and three members from non-Annex I countries to be elected intersessionally;*
- b) *To request the secretariat to:*
  - (i) *Arrange, if possible, a meeting of the task force, in the sidelines of the twenty-second session of the Conference of the Parties of the United Nations Framework Convention on Climate Change;*
  - (ii) *Prepare, under the supervision of the task force mentioned in subparagraph (a), elements including options for a medium-term strategy for the Fund, to be considered by the Board at its twenty-ninth meeting, with a view to developing the final strategy by the thirtieth meeting; and*
- c) *That the medium-term strategy would be developed according to the following options for the framework described in document AFB/B.28/7:*
  - (i) *Conceptual model: Option 2: Strategy as dynamic;*
  - (ii) *Structure: Option 1: Strategic choices approach;*
  - (iii) *Design process: a combination of Options 1 and 2, so that at the initial stage, the first formulation of the strategy would be done engaging a focused group of stakeholders and decision-makers (Option 1) and that at the second stage, a more comprehensive process (Option 2) would be applied.*

*(Decision B.28/46)*

11. Following Decision B.28/46, a task force was elected in March 2017 (Decision B.29/1) and at the twenty-ninth meeting, in March 2017, the Board decided to:

a) *Request the secretariat:*

- (i) *To draft the medium-term strategy, under supervision and guidance of the Task Force on the medium-term strategy;*
- (ii) *To present a new version of the draft medium-term strategy for consideration by the Board at its thirtieth meeting.*

*(Decision B.29/39)*

12. During the intersessional period, under supervision and guidance of the medium-term strategy task force, the secretariat prepared a first draft for a medium-term strategy (MTS). After receiving feedback from the civil society and other stakeholders, the secretariat presented the revised draft (document AFB/B.30/5/Rev.1) to the Board at the thirtieth meeting in October 2017. Having considered the draft medium-term strategy for the Fund, the Board decided:

a) *To adopt the medium-term strategy as amended by the Board, as contained in the Annex 1 of the document AFB/B.30/5/Rev.1 (the MTS); and*

b) *To request the secretariat:*

- (i) *To broadly disseminate the MTS and work with key stakeholders to build understanding and support;*
- (ii) *To prepare, under the supervision of the MTS task force, a draft implementation plan for operationalizing the MTS, containing a draft budget and addressing key assumptions and risks, including but not limited to funding and political risks, for consideration by the Board at its thirty-first meeting; and*
- (iii) *To draft, as part of the implementation plan, the updates/modifications to the operational policies and guidelines of the Adaptation Fund needed to facilitate implementation of the MTS, for consideration by the Board at its thirty-first meeting.*

*(Decision B.30/42)*

13. Having considered the draft implementation plan for the MTS for the Fund contained in the Annex I to document AFB/B.31/5/Rev.1, at its thirty-first meeting in March 2018, the Board decided:

a) *To approve the implementation plan for the medium-term strategy for the Fund for 2018–2022 contained in the Annex I to document AFB/B.31/5/Rev.1 (the plan);*

b) *To request the secretariat:*

- (i) *To facilitate the implementation of the plan during the period 2018–2022;*

(ii) *To include the administrative budget for implementing the plan in the secretariat's annual administrative budget during the strategy period, for consideration by the Fund's Ethics and Finance Committee;*

(iii) *To prepare, for each proposed new type of grant and funding window, a specific document containing objectives, review criteria, expected grant sizes, implementation modalities, review process and other relevant features and submit it to the Board for its consideration in accordance with the tentative timeline contained in Annex I to document AFB/B.31/5/Rev.1, with input from the Board's committees;*

(iv) *Following consideration of the new types of support mentioned in subparagraph (b)(iii), to propose, as necessary, amendments to the Fund's operational policies and guidelines Fund to better facilitate the implementation of such new types of support; and*

(v) *To monitor the progress of implementation of the MTS and report on it annually as part of the annual performance reports of the Fund, and if necessary, propose possible adjustments to the plan during its implementation in conjunction with consideration of the annual work plan; and*

(vi) *To request the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) to undertake a mid-term review of the medium-term strategy and the plan and report to the Board at its thirty-sixth meeting.*

*(Decision B.31/32)*

## **Process for developing the Fund's Medium-term Strategy beyond 2022**

14. For the first MTS, the Board adopted a design process in Decision B.28/46 consisting of:
- (i) an initial stage of the first formulation of the strategy through engaging a focused group of stakeholders and decision-makers,
  - (ii) a second stage applying a more comprehensive process, and
  - (iii) the supervision and guidance of a Board elected Task Force on the medium-term strategy composed of three members from Annex I countries and three members from non-Annex I countries.

15. Taking into account the above-mentioned MTR recommendations for the next MTS, the Board at its thirty-sevent meeting may wish to adopt a process for developing the Fund's next MTS, provisionally for years 2023–2027, for consideration at its thirty-ninth meeting in October 2022. With the aim of further strengthening the Fund's niche and making the development process more inclusive and consultative, the process could be structured as follows:

- (i) At thirty-seventh Board meeting: **Launching of process** by deciding on mandate and scope of the MTS 2023–2027; following previous practice, the Board may wish to establish a task force for the MTS 2023-2027, composed of three members from Annex I countries and three members from non-Annex I countries, to guide the process;
- (ii) Between the Board’s thirty-seventh and thirty-eighth meetings: **An initial stage** of developing elements and options for the next MTS, taking into account findings from the MTR, as well as the experience of the Fund with developing and implementing the initial MTS. This stage would be informed by comprehensive and open consultations and collections of views from multiple stakeholders of the Fund, including the Board, secretariat, Implementing Entities and Designated Authorities, civil society organizations, including the AF NGO Network, and other interested stakeholders. Possible formats for organizing consultations include open calls for submissions of views based on guiding questions; surveys; interviews etc.;
- (iii) At thirty-eighth Board meeting: **A second stage** of consideration by the Board of the elements and options derived from stage 1 and guidance for the preparation of the draft MTS 2023–2027; to allow the Board more time for their comprehensive consideration of stakeholders’ views and proposed options, the Board might wish to organize an additional informal session on the day before the start of the Board meeting with a view to taking an informed decision during the formal meeting of the Board;
- (iv) Between the Board’s thirty-eighth and thirty-ninth meetings: **A final stage** of preparing a draft MTS 2023-2027 based on the first and second stages, and undertaking consultations (open or closed) on the draft strategy, with a view to presenting a final draft strategy to the Board at its thirty-ninth meeting;
- (v) At thirty-ninth Board meeting: **Consideration of the draft MTS 2023–2027** by the Board at its final meeting in 2022; and
- (vi) Between the Board’s thirty-nine and fortieth meeting: Following previous practice, the **MTS implementation plan** would to be prepared, to be presented to the Board for its consideration at its first meeting in 2023.

16. **Table 1**, as contained in the annex to this document, presents an overview of the proposed process and its timeline.

## Recommendation

17. Having considered the information contained in document AFB/B.37.11 on the Medium-term Strategy of the Fund beyond 2022, the Board may wish to decide:

- a) To develop a medium-term strategy for the Fund for the period 2023-2027 (MTS 2023–2027) and to request the secretariat to undertake preparatory work towards it, taking into account the findings and recommendations of the Mid-Term Review of the medium-term strategy for the period 2018–2022, as contained in document AFB/EFC.28/7 and related Board discussions;
- b) To establish a task force to guide the work of the secretariat on the MTS 2023–2027, composed of three members from Annex I countries and three members from non-Annex I countries, to be elected intersessionally;
- c) To request the secretariat to:
  - (i) Prepare, under the guidance of the task force, a document which contains elements and options for the MTS 2023–2027, to be considered by the Board at its thirty-eight meeting, with a view to developing the final draft strategy for consideration by the Board at its thirty-ninth meeting;
  - (ii) Arrange, if feasible, an additional informal session in conjunction with the Board's thirty-eighth meeting to consider the outcomes of the consultations and to guide the preparation of the draft MTS 2023–2027; and
  - (iii) Solicit inputs, when developing the elements and options mentioned in subparagraph c)(i) above and when finalizing the draft MTS 2023–2027 mentioned in subparagraph c)(ii) above, through open and inclusive consultations of the various stakeholders of the Fund, including the Board, contributor and recipient governments, accredited implementing entities, AF NGO Network and other civil society representatives, and other relevant stakeholders.



**Annex:****Table 1: Possible process and timeline for developing the MTS 2023–2027**

| <b>Timeline</b>                  | <b>Possible process</b>   | <b>Responsible body</b>                           |
|----------------------------------|---|---|
| AFB.37                           | Launch of MTS 2023–2027   | Board   |
| AFB.37- AFB.38<br>Intersessional | Open and inclusive initial consultations on elements and options for MTS 2023–2027 & preparation of a document                  | Secretariat<br>(under guidance of the task force) |
| AFB.38<br>(March/April 2022)     | Consideration of outcome of consultations and proposed elements and options & provision of guidance for the draft MTS 2023–2027 | Board   |
| AFB.38- AFB.39<br>Intersessional | Preparation of and consultations on the draft MTS 2023–2027   | Secretariat<br>(under guidance of the task force) |
| AFB.39<br>(October 2022)         | Consideration of draft MTS 2023–2027  | Board   |
| AFB.39- AFB.40<br>Intersessional | Preparation of an implementation plan for the MTS 2023–2027   | Secretariat<br>(under guidance of the task force) |
| AFB.40<br>(March/April 2023)     | Consideration of the draft Implementation Plan for the MTS 2023–2027  | Board   |