AFB/EFC.28/7
14 October 2021
Ethics and Finance Committee

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Technical Evaluation Reference Group
ADAPTATION FUND

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**AF-TERG Chair:** Debbie Menezes

**Team members:** Claudio Volonte, Judith Friedman, Liza Ottlakán, Caroline Holo, Nancy MacPherson, Andy Rowe

**AF-TERG Secretariat Coordinator:** Dennis Bours

The Adaptation Fund was established through decisions by the Parties to the United Nations Framework Convention for Climate Change and its Kyoto Protocol to finance concrete adaptation projects and programs in developing countries that are particularly vulnerable to the adverse effects of climate change. At the Katowice Climate Conference in December 2018, the Parties to the Paris Agreement decided that the Adaptation Fund shall also serve the Paris Agreement. The Fund supports country-driven projects and programmes, innovation and global learning for effective adaptation. All of the Fund's activities are designed to build national and local adaptive capacities while reaching and engaging the most vulnerable groups, and to integrate gender consideration to provide equal opportunity to access and benefit from the Fund's resources. They are also aimed at enhancing synergies with other sources of climate finance, while creating models that can be replicated or scaled up. www.adaptation-fund.org

The Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) is an independent evaluation advisory group accountable to the Adaptation Fund Board, established in 2018 to ensure the independent implementation of the Fund's evaluation framework. The AF-TERG, which is headed by a chair, provides an evaluative advisory role through performing evaluative, advisory and oversight functions. The group is comprised of independent experts in evaluation, called the AF-TERG members. A small secretariat provides support for the implementation of evaluative and advisory activities as part of the work programme.

While independent of the operations of the Adaptation Fund, the aim of the AF-TERG is to add value to the Fund's work through independent monitoring, evaluation and learning. www.adaptation-fund.org/about/evaluation/



AF-TERG, 2021. Mid-Term Review of the Medium-Term Strategy of the Adaptation Fund. Document no. AFB/EFC.28/7. AF-TERG, Washington, DC.


This report was presented to the Adaptation Fund Board at its 37th meeting

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# Acknowledgements

The Mid-Term Review of the Medium-Term Strategy of the Adaptation Fund is an opportunity to support the Adaptation Fund to take stock of what the Fund has accomplished during the first half of the strategic period, and to cast its sights on what will be needed to reach the ambitious targets set by the strategy. The Mid-Term Review was led by the Adaptation Fund Technical Evaluation Review Group (AF TERG), working in concert with the Adaptation Fund's Secretariat, and in consultation with a diverse group of stakeholders. Claudio Volonte, AF TERG member was the evaluation focal point for the MTR, Judith Friedman was the MTR lead with Liza Ottlakan, data analyst consultant, and Caroline Holo, AF-TERG secretariat analyst. The evaluation work greatly benefitted from the advice, and vision of former AF-TERG members, Nancy MacPherson and Andy Rowe, and oversight from the AF TERG chair, Debbie Menezes, with support from Dennis Bours, AF TERG Coordinator. Moreover, this evaluation would not have been possible without the insights and support of Mikko Ollikainen, Manager of the Adaptation Fund, and others at the AFB Secretariat.

# Acronyms

| | |
|---|---|
| **AF** | Adaptation Fund |
| **AFB** | Adaptation Fund Board |
| **AFB Sec** | Adaptation Fund Board secretariat |
| **AF-TERG** | Adaptation Fund Technical Evaluation Research Group |
| **AP** | Accreditation Panel |
| **CMA** | Conference of the Parties serving as the meeting of the Parties to the Paris Agreement |
| **CMP** | Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol |
| **COP** | Conference of the Parties |
| **DA** | Designated Authority(ies) |
| **EFC** | Ethics and Finance Committee |
| **ESP** | Environmental and Social Policy |
| **FY** | Fiscal year |
| **GCF** | Green Climate Fund |
| **GEF** | Global Environment Facility |
| **IEs** | Implementing Entities |
| **IP** | Implementation Plan |
| **KM** | Knowledge Management |
| **LDC** | Least Developed Countries |
| **MDB** | Multilateral Development Banks |
| **MIEs** | Multilateral Implementing Entities |
| **NGOs** | Non-governmental Organization |
| **NIEs** | National Implementing Entities |
| **OPG** | Operational Policies and Guidelines |
| **PPRC** | Project and Programme Review Committee |
| **PPR** | Project/Programme Performance Reports |
| **RIEs** | Regional Implementing Entities |
| **SPPG** | Strategic Priorities, Policies, and Guidelines |
| **TOA** | Theory of Action |
| **TOC** | Theory of Change |
| **UNDP** | United Nations Development Programme |
| **UNEP** | United Nations Environment Programme |
| **UNFCCC** | United Nations Framework Convention on Climate Change |
| **WFP** | United Nations World Food Programme |

# Foreword

Dear Reader,

As the urgency of climate change adaptation grows greater by the day, the mandate of the Adaptation Fund is more relevant than ever. The Fund has adopted its first Medium-Term Strategy (2018-2022) and its Implementation Plan to guide its efforts and provide strategic direction in responding to ambition of the Paris Agreement. Now, more than three years later, ahead of COP26 climate negotiations, questions about the future direction and role of the Fund for climate action are asked.

As part of the Fund's learning efforts, the Mid-Term Review (MTR) of the Strategy came at a time not only crucial for global climate negotiations, but also took place against the backdrop of the ongoing global recovery from the COVID-19 pandemic. The MTR assessed the progress of Strategy so far and provides lessons and recommendations to accelerate and optimise implementation for the remainder of the strategic period, and to lay the foundations for the next one.

An underlying question of the MTR, driving the evaluation team, has been to ask what is needed for the Adaptation Fund to step into the role that the urgency and scale of the climate challenge demand from it and how the Strategy can help the Fund to steer it in the direction it needs to go. The next few years ahead, both for the Fund and the countries it serves, will be crucial. The Fund will not only need to keep learning from and building on what has been working, but also proactively shape and claim its niche within the changing climate finance landscape. It will have to do this under potential resource uncertainty, retaining flexibility and meaningfully engaging and bringing old and new stakeholders on board.

The Adaptation Fund has its work cut out and this evaluation aims to support the Fund at this important point on its journey.

Debbie Menezes

Debbie Menezes

Chair of the Adaptation Fund Technical Evaluation Reference Group (AF-TERG)

# Executive Summary

There is a "burning platform" with respect to the urgency of climate change adaptation, which makes the Adaptation Fund (the Fund) more relevant than ever. The Fund developed its first Medium-Term Strategy 2018-2022 (MTS) in the context of the Kyoto Protocol, which it serves. The MTS aimed to align with Paris Agreement negotiations taking place at the time of the MTS development and approval. As such, it was a response to the needs of the urgent climate crisis. The MTS was ambitious, providing the Fund with strategic directions beyond its extensive experience. It identified concrete actions to scale up its work and move into areas of innovation and knowledge generation.

This context plus the ongoing recovery from the COVID-19 pandemic form the backdrop for this Medium-Term Review (MTR). **The MTR assesses progress in MTS implementation** and also **provides lessons and recommendations on how the Fund could step up.** To that end, it identifies improvements both for completion of the current MTS and for developing the next one. Indeed, 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 COVID-19 pandemic.

**The MTS is a good, fit-for-purpose strategy that was ambitious, forward-looking, and responsive to global processes and imperatives for climate change adaptation.** The MTS reflects good practices in the field of strategy. When it was adopted, the MTS aimed to clarify and build upon the Fund's strengths to raise the ambition, and the potential, for impactful adaptation projects. In large part, the strategy was built to explain how the Fund would play its role in bridging a critical adaptation funding gap. To that end, it would provide quick, quality, and concrete support to developing countries that are particularly vulnerable to the adverse effects of climate change.

**The MTS has achieved significant strides.** Progress during the first half of the MTS has been significant. It has launched seven new funding windows,[1] meeting targets for its funding windows and seeing Board approval to double the country cap and expanding accreditation of NIE from 1 to 2 entities. It has enabled the Fund to go beyond past achievements in concrete adaptation projects. Specifically, it has introduced innovation, and learning and sharing through established pillars and backed by new funding windows.

During the MTS, the Fund has continued to support adaptation and readiness activities. These are aimed at both regional implementing entities (RIEs) and subnational institutions. The Adaptation Fund Climate Innovation Accelerator (AFCIA), for example, has received significant interest.

For concrete adaptation projects, the Board has been capitalizing on the Fund's activities and has maintained progress. Attention to quality and project compliance have increased

1. The Fund's seven new funding windows are: innovation large grants, innovation small grants, the AFCIA, the Enhanced Direct Access window, the learning small grants, readiness package grants, and the scale-up grants.

during the MTS period. **However, implementation is not fast enough to achieve some of the ambitious projected targets envisioned in the implementation plan (IP)** and the new windows by the end of the strategic period. For new funding windows that support the MTS pillars, the overall ambition, in terms of number of grants and resources mobilized, may not be fully achieved with just over one year remaining in the MTS period.

**Innovation** has been a new area for the Fund and has taken time to launch. Since launching the three innovation windows between 2018 and 2020,[2] the Board has approved four small grants for innovation. Recently, it has also started receiving proposals through the AFCIA and the large grant window for innovation. While the need for innovation was clear, it has been challenging for the Fund (and the climate change adaptation community generally) to define "innovative." Responding to this challenge, the Board set up an innovation task force in 2019 and established the definition and working vision of innovation in the context of adaptation. The funding windows have received significant response and It remains to be seen how this interest will translate into investments with potentially higher risk and reward for adaptation impact.

With respect to cross-cutting issues in the MTS, there have been notable gains in implementing the Gender Policy (GP), which has markedly improved the attention and quality of gender mainstreaming in approved projects. The Board has approved scale-up grants as part of readiness grants of accredited National Implementing Agencies (NIEs) to expand or replicate quality projects based on country needs, views, and priorities supported by the strategy.

With respect to coherence with other Funds, the MTS helped carve out the Fund's niche, which helped to further consolidate those relationships. With the MTS, the Board, and the secretariat have focused on coherence and complementarity with the Green Climate Fund (GCF). Specifically, they have worked on approval for fast-track accreditation, development of a scaling-up approach framework, and other collaborative activities with the GCF. To focus on vulnerable communities, the Board made several decisions and approved grants that help increase direct access for entities.

**While the strategy has been used effectively to guide governance, management, and other funding decisions that lever impact for the Fund, it could be used more effectively to optimize the Fund's impact.** The output-oriented IP does not fully harness the ambition and potential envisaged by the MTS. Nor has it been used for rapid response to the current external threats and triggers which have changed since IP was developed. IP targets have not been reviewed to determine how the Fund can achieve its longer-term impacts in this new context. This is particularly important given the increased vulnerability of people and places due to COVID-19, which are key target populations of the Fund. The pandemic has increased the urgency for climate action as documented in the scientific findings of the 2021 Intergovernmental Panel on Climate Change (IPCC) report, as well as resource mobilization challenges. The Fund developed guidance, for projects, on how

2. For a more detailed timeline, please refer to Appendix I. Portfolio of activities refers to the expected results and associated activities that are organized under each of the strategic pillars

to deal with delays in processing due to COVID-19 and allowed material change (up to 20 percent) in budget for projects to accommodate COVID-related modifications.

While discrete portfolios of activities[3] support annual work planning, they have also produced a siloed approach to implementation of the three MTS pillars. This approach does not optimize potential synergies across the pillars or allow them to be mutually reinforcing for a dynamic reflection and learning loop between the pillars. For example, the results management framework could provide opportunities for pillars to report across all of them, as well as the eight outcomes. Concrete adaptation projects, under the action pillar, are not routinely developed or monitored for their contribution to outcomes of the innovation portfolio, despite the new outcome area for innovation.

While the strategy has set the Fund on the right track, there is opportunity to take it further. There are opportunities to use the strategy better to move closer to the ambitions of the MTS and take bolder, more decisive action for the next one, and beyond. The prospects for action for the short to longer term are described below:

| | First half of the MTS period | Current MTS | Next MTS | Longer-Term forecast |
|---|---|---|---|---|
| **Intent** | Adaptation Fund updates and refines the Fund's niche to better serve the evolving needs of Parties to the UN Framework Convention on Climate Change | | Demonstrates the potential of quality, efficient, country-driven projects to enhance resilience of people, livelihoods and ecosystems | Roll-out and dissemination of adaptation projects and programmes showing results at scale |
| **Key activities** | • Developed Medium Term Strategy<br>• Developed knowledge and learning strategy<br>• Launched Innovation Window<br>• Launched Knowledge and Learning Window | • Strengthen and expand Adaptation Fund role and niche<br>• Clarification of concepts and implementation of guidelines to support countries<br>• Enhanced learning and knowledge | • Publication of lessons and failures based upon experiences: "we have tried: these things don't work"<br>• Diversifying funding sources | • Increase and scale up investments in proven areas |
| **What success looks like** | • Set up and channel funds to new windows<br>• Scope and parameters of Funding windows are clear<br>• The fund operationalizes its work in other spaces<br>• Nascent partnerships | • Flexing of activities to meet objectives<br>• Meet MTS objectives<br>• Reaching funding targets across funding windows<br>• 100m invested in large innovation grants<br>• Steady volume of project approvals and ready pipeline of projects<br>• Identify new funding sources (donors) and partners | • Testing risky ideas: Build in a possibility to fail and a clear threshold for failure<br>• Accessibility to newcomers<br>• Demonstration of impact<br>• Clear understanding of role and complementarity with other actors | • Entry point for newcomers and new ideas<br>• Clear, predictable trajectory for scaling good ideas<br>• Mobilization of additional funding from diversity of partners<br>• Fund is driving discussion of what adaptation effectiveness looks like |
| Timing | 2017-2021 | 2021-2022 | 2023-2027 | 2030+ |

## Key findings from the MTR

***How has the MTS been designed and implemented?***

- The MTS is fully responsive to the Kyoto Protocol, the Paris Agreement, and decisions of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP/CMA).

3. Portfolio of activities refers to the expected results and associated activities that are organized under each of the strategic pillars

- Anticipating the ambition set by the Paris Agreement, the MTS both clarified and expanded the niche of the Fund into areas where it had demonstrated potential, and placed a strategic emphasis on quality, urgency, and vulnerability.
- The output-oriented IP does not fully harness the ambition and potential envisaged by the MTS.
- Resource mobilization amount and process continues to be a constraint to the predictability for programming and ambition of the Fund, the MTS, and its IP.

***What have been the achievements and challenges of the MTS implementation?***

- During the first half of the strategic period, all seven new funding windows were launched. This presented a significant expansion in the Fund's potential portfolio, but implementation has been uneven:
- The portfolio of concrete adaptation projects grew by 80 per cent since approval of the MTS, primarily driven by the increase in regional projects. Their quality has also improved through compliance with Environmental and Social Policy (ESP) and the GP.
- The project pipeline and approval under the new funding windows have been slower than foreseen in the IP. This has been due to lack of clarity on the concepts and intended purpose underpinning the innovation and learning grants as well as longer time than expected for preparation and set up of the windows, including guidelines. The review criteria for innovation grants do not demonstrate the expected risk that the innovation window should have allowed and incentivized. The secretariat continues to discuss the concept of innovation with the Board and other stakeholders and it is expected to clarify the risk appetite.
- There is no progress reporting to the Board in terms of the IP output indicator targets.

***How has the MTS been used?***

- The MTS has helped to clarify the Fund's niche, role, and positioning in the climate landscape.
- The MTS has not been used to direct, guide, or prioritize proposals or sectors. Country priorities continue to drive project selection and prioritization of funding, which is part of the DNA of the Fund. On the other hand, the MTS prioritizes innovation and knowledge management grants as new areas for projects.
- Use of the strategy is not optimized to support continuous learning from concrete projects or across pillars.

***Did the MTS support pivoting with the changing context?***

- There have been no changes to IP targets to achieve the longer-term goals, even when the external context (e.g. COVID-19) has changed significantly since the MTS was approved.
- The MTS is broad enough to have some latitude, but the funding available has inhibited flexibility.

## Recommendations

<u>For the current strategic period</u>

***To accelerate and enhance the quality of adaptation action:***

**1. Harness results to identify the wider impact of the Fund's adaptation projects.**

i. Identify and analyze wider impact additional to the direct impacts on resilience.
ii. Monitor, evaluate, and report the uptake of knowledge and learning.
iii. Contribute to global dialogue on tracking the effectiveness of adaptation projects.

**2. Demonstrate and incentivize work and interaction across MTS pillars**

i. Optimize feedback loop between action, innovation, and learning and sharing pillars.
ii. Track interaction between strategic pillars.
iii. Track outcomes across pillars.
iv. Identify whether the AF-TERG can provide evidence and validation.
v. Use IP to manage performance.

**3. Board to discuss feasibility of achieving IP targets by the end of the MTS period**

i. Determine realistic targets for outputs of MTS and resource mobilization at the Board level.[4]
ii. Identify factors constraining progress to pursue learning and course correction.

**4. Conduct further work on how to measure key concepts in the Fund, such as innovation, adaptation, and knowledge. Continue to explain these key concepts to newcomers to the Fund.**

i. Provide specific guidance to measure innovation and adaptation for newcomers to the Fund (building on achievements of the Innovation Task Force).
ii. Continue clarifying innovation in the context of adaptation.
iii. Further tap into potential of the learning and sharing pillar.

<u>For the next MTS:</u>

**5. Consolidate and optimize aspects that define the Fund's niche (even with resource uncertainty) as a Fund that**

i. Provides quick and direct financing.
ii. Creates new solutions built on what works.
iii. Supports innovative solutions with higher risk.
iv. Complements others through catalytic financing.
v. Brings needed new players into the climate change adaptation space.

While identifying, learning from, and building on what is working, the Fund will need to determine its position and niche within the changing and urgent climate finance landscape; it should review its "market position" through in-depth benchmarking analysis. This should also support managing for risk at the portfolio level to allow for higher risk investments. This will rely on Board follow-up on COP decisions to interpret implications of decisions extending from Article 6 negotiations.

**6. Build the MTS more consultatively by bringing people on board, retaining the flexibility and determining the capacity and resources required to implement the next strategy**

i. Develop the next MTS in consultation with multiple levels of stakeholders.
ii. Initiate a streamlined consultation process.
iii. Conduct explicit scenario planning to determine resource and capacity requirements for operationalizing the next MTS.

4. See Appendix I Supplementary background analysis and data for more information on progress against the Implementation Plan.

# Background

## Background

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

[…]

*a) To 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, March 2016)**

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 (AFB/B.28/7 and confidential addendum AFB/B.28/7/Add.1). At the twenty-eighth meeting, the aforementioned documents were presented to the Board that 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;*

**(Decision B.28/46, October 2016)**

Following Decision B.28/46, a task forced was elected in March 2019 (Decision B.29/1) and at the twenty-ninth meeting, 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 publish the draft medium-term strategy for public consultation purposes; and*
*iii. To present a new version of the draft medium-term strategy for consideration by the Board at its thirtieth meeting.*

**(Decision B.29/39, March 2017)**

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 (AFB/B.30/5/Rev.1) to the Board at the thirtieth meeting. 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, October 2017)**

With consideration to the Adaptation Fund Board decision to approve the option of re-establishing a long-term evaluation function for the Adaptation Fund through a Technical Evaluation Reference Group (Decision B.30/38), and to the draft implementation plan (IP) for the MTS (AFB/B.31/5/Rev.1), 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*

*(c) To request the Technical Evaluation Reference Group of the Adaptation Fund (AFTERG) 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, March 2018)**

## Introduction

1. Following the approval of the Strategy and Work Programme document (AFB/EFC.26.a-26.b/3) of the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) by the Board in June 2020 (Decision B.35.a-35.b/29), the AF-TERG recruited consultants in October 2020 to help carry out the Medium-Term Review (MTR) of the MTS, as part of its work programme.

2. The aim of the MTR is to assess progress and inform the development of a future strategy for 2023-2027. In line with the AF-TERG's principles of co-learning and co-creation, the MTR followed a consultative process, including discussions with Board members, Adaptation Fund Board secretariat, Implementing Entities (IEs), civil society organizations (CSO) representatives, and experts in the climate change adaptation and strategy fields.

3. The first phase of the MTR of the medium-term strategy concluded in March 2021 at the thirty-sixth Board meeting. The AF-TERG presented to the Board an informational document on emerging findings and areas for further focused investigation in the next phases of the MTR (AFB/EFC.27/Inf.2), including: (i) optimizing the Fund's impact; (ii) leveraging the value of the Fund's work and (iii) increasing the Fund's potential. It also included lessons from current good practice in the field of strategy, emerging findings and areas of recommendations for the Fund.

4. Between the thirty-sixth and the thirty-seventh meeting of the Board, the AF-TERG worked on deepening findings and recommendations for the EFC and Board meetings in October 2021. The MTR also took into account how changes in the external environment (e.g. COVID-19), the latest report from IPCC and key Board decisions on increasing the country cap, accreditation, etc. have and are expected to affect the Fund during the remainder of the MTS implementation period. The attached document is the output of this process.

5. **The MTR assesses progress in MTS implementation (as defined through the ambition of the MTS and the targets set in the implementation plan) and provides lessons and recommendations on how the Fund could step up**. To that end, it identifies improvements both for completion of the current MTS and for developing the next strategy. 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 COVID-19 pandemic.

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. The MTR includes the following sections:
   - The even greater relevance of the Fund and its MTS, in light of the urgent current crisis of climate change and the ongoing recovery from the COVID-19 pandemic
   - The design and implementation of the MTS with regards to the strategy's ambition, responsiveness to the UNFCCC, and implementation structures and opportunities
   - The achievements and challenges of the MTS implementation (through an analysis of the progress under the three pillars and cross-cutting issues of the strategy up to June 2021).
   - The MTS compared with and in reference to the good practices of strategies.

- The changing context and how it has affected the MTS and its implementation plan
- Two types of recommendations: (i) those that could strengthen the completion of the current MTS (through 2022); and (ii) those that could inform the development of future strategies.

## Findings

7. There is a "burning platform" with respect to the urgency of climate change adaptation, which makes the Adaptation Fund even more relevant than ever. This context and the ongoing recovery from the COVID-19 pandemic form the backdrop for this MTR.

8. The MTR concluded that the MTS is a good, fit-for-purpose strategy that was ambitious, forward-looking, and responsive to global processes and imperatives for climate change adaptation. The MTS reflects good practices in the field of strategy. It is fully responsive to the Kyoto Protocol, the Paris Agreement and decision of the CMP/CMA.

9. Progress during the first half of the MTS has been significant. It has launched seven new funding windows, including those associated with two new pillars of innovation and learning and sharing, and it has enabled the Fund to go beyond past achievements in concrete adaptation projects. Attention to quality and project compliance have increased. The funding windows have received significant response. The MTS has helped carve out the Fund's niche, which helped to further consolidate relationships with other funds.

10. While the MTS has been used to guide governance, management and other funding decisions to level impact for the Fund, it could be used more effectively. The output-oriented implementation plan does not fully harness the ambition and potential envisaged by the MTS. Nor has it been used for rapid response to the current external threats such as increased vulnerability of the Fund's target population due to the impact of the COVID pandemic and the urgency for climate action as documented by the latest IPCC report. The Fund, like other similar funds, has struggled to define concepts such as innovation. Setting the three pillars also created a siloed approach to implementation and does not optimize the potential synergies across them.

11. Some of the new funding windows have seen some challenges with implementation and the EFC and the Board should take note when monitoring the achievement of some of the implementation plan targets. There have been no changes to IP targets to achieve the longer-term goals, even though the external context (e.g. COVID-19) has changed significantly since the MTS was approved.

12. The AF-TERG validated the MTR through consultations with Adaptation Fund key stakeholders throughout the process.

## MTR Recommendations

13. Based on the above findings the MTR provides six recommendations regarding the completion of the current MTS and the development and implementation of the next one:

**For the current MTS period, the Fund should be able to accelerate and enhance the quality of adaptation actions** by doing the following:

(i) Identify and analyze impacts that go beyond the core results of improved resilience; and, promote monitoring, evaluating, and reporting on the uptake of knowledge and learning.

(ii) More concretely, the Fund should demonstrate and incentivize work and interaction across the MTS pillars by optimizing feedback loops between action, innovation and learning (pillars). The AF-TERG should participate in this feedback loops by providing evidence and validation of the interaction, results and learning across.

(iii) Furthermore, the Fund should explore how to measure some of the key concepts such as adaptation, innovation and knowledge. Through the new funding windows, in particular, the Fund should expect to attract new entities. These new entities could be crucial for climate change adaptation, particularly at the local level. They may not be familiar with the climate change language and the Fund should continue provide guidance and support to explain these concepts to them.

(iv) Given the short time until the end of the current MTS implementation period, the Board should discuss with the secretariat the feasibility of and options for achieving IP targets by the end of the IP period.

### For the next MTS

(v) **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.

vi) 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.

# Board decision after recommendation of the EFC

Having considered the recommendation of the Ethics and Finance Committee (EFC) regarding the report on the mid-term review of the Medium-term Strategy of the Adaptation Fund by the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG), as contained in document AFB/EFC.28/7, as well as the initial management response prepared by the secretariat, as contained in document AFB/EFC.28/6, the Adaptation Fund Board (the Board) decided:

(a) To take note of the key findings and recommendations of the mid-term review (MTR) of the Medium-term Strategy of the Adaptation Fund, including its annexes, and of the initial management response prepared by the Adaptation Fund Board secretariat;

(b) To request the Adaptation Fund Board secretariat to prepare an updated management response reflecting the views expressed by the Ethics and Finance Committee at it twenty-eighth meeting on the findings and recommendations set out in the MTR report, for approval by the Board during the intersessional period between the thirty-seventh and thirty-eighth meetings of the Board;

(c) To request the Adaptation Fund Board secretariat, in consultation with the AF-TERG, to prepare an action plan to respond to the recommendations arising from the MTR, reflecting the final management response, for approval by the Board during the intersessional period between the thirty-seventh and thirty-eighth meetings of the Board;

(d) To request the Adaptation Fund Board secretariat to report to the EFC, at its thirtieth meeting (October 2022), on the progress made in implementing the action plan.

**(Decision B.37/36)**

# I. INTRODUCTION

As of August 2021, the world was still riding the waves of the COVID-19 pandemic and was feeling the wide-reaching and varying impact on societies and economies demonstrating the vulnerability of all. The pandemic gives only a glimpse of what may come with the potential effects of climate change.[5] The urgency for rapid climate action has never been more apparent. At the time of writing, floods, fires, drought, climatic variability, and record-breaking temperatures are wreaking havoc and disrupting lives, livelihoods, and natural areas across the world.

In August 2021, the Intergovernmental Panel on Climate Change (IPCC) released its Sixth Assessment Report, which unequivocally states that "global surface temperature will continue to increase until at least the mid-century under all emissions scenarios." The sixteenth edition of the World Economic Forum's Global Risks Report, calls the failure of climate action "the most impactful threat for the next decade."

The current and forecasted threat of the effects of climate change, and the continued human-led damage on the environment, subsequent biodiversity loss, and competition for natural resources, are compounding, pulling the world into a collision course in the next decade (World Economic Forum, 2021). The Global Climate Risk Index shows "signs of escalating climate change which can no longer be ignored on any continent or in any region."

Unprecedented weather conditions, including 1,000-year rain events and extreme heat waves, have already brought significant environmental damage and loss of life in the first half of 2021. The Global Commission on Adaptation emphasizes that extreme weather events compounded the challenges of pandemic response, "proving that our health, economic, and climate emergencies are inextricably linked" (Global Center on Adaptation, 2020) and that "both risks and vulnerability are systemic and interconnected." (Germanwatch, 2021)

According to the Climate Action Tracker, as of May 2021, the warming estimate from Paris Agreement pledges and targets was 2.4°C. Even under the most optimistic assumptions, that is still well above the Paris Agreement's 1.5˚C temperature limit (Climate Action Tracker, 2021). The IPCC's latest report (2021) also reaffirms that even under the most ambitious emission reduction scenario, the world is now set to surpass 1.5˚C, illustrating the pressing need for adaptation action. The 2019 report of the Global Commission on Adaptation projects that food and water insecurity and poverty rates will increase by 2030 without climate change adaptation. Potential impacts will include decreased agricultural yields, extreme weather, and rising seas—and those people who are already vulnerable or living in fragile areas will be most affected (Global Commission on Adaptation, 2019).

5. For a few articles about the relationship between climate change and COVID-19 see:
- C-CHANGE (2021). Coronavirus, Climate Change, and the Environment
- Rodó, X., San-José, A. et al. (2021). Changing climate and the COVID-19 pandemic: more than just heads or tails
- Forster P. (2021, March 15). COVID-19 paused climate emissions – but they're rising again
- Gates B. (2020, August 4). COVID-19 is awful. Climate change could be worse.

With adoption of the Paris Agreement in 2015, the world restated the commitment established in 2010 in Cancun. As part of its ambitious action plan, the Agreement sought to mobilize $100 billion annually by 2020 for climate change adaptation and mitigation. Several reports have estimated this goal has not been achieved yet (Oxfam, 2020). International climate negotiations were delayed due to the COVID-19 pandemic, while the world got hotter and the most vulnerable countries became more vulnerable (Germanwatch, 2021).

The urgency for climate action is more obvious than ever. Communities uniquely affected by climate change are best placed to understand how to respond. Support from the international and national communities is urgently needed.[6] To achieve the pace and scale required for adaptation, more funding and a diversity of actors are needed to reduce climate risks.

**There is a "burning platform" with respect to the urgency of climate change adaptation, which makes the Adaptation Fund (the Fund) more relevant than ever.** Its Medium-Term Strategy 2018-2022 (MTS) was developed in response to the Kyoto Protocol, under which the Fund was established. This occurred in the context of the United Nations Framework Convention on Climate Change (UNFCCC) negotiations on how the Fund could also serve the Paris Agreement and respond to the needs of that time. The MTS was ambitious. It provided the Fund with strategic directions beyond its extensive experience in concrete actions to new areas of innovation and knowledge generation.

This context plus the yet-to-happen recovery from the COVID-19 pandemic form the backdrop for this Medium-Term Review (MTR) of the Fund's MTS. The MTR assesses progress in MTS implementation, and provides lessons and recommendations on how the Fund could step up. To that end, it identifies improvements both for completion of the current MTS and for developing the next one. Indeed, 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 recovery from the COVID-19 pandemic.

## 1.1 The Adaptation Fund

The Fund was established in 2001 to finance concrete adaptation projects and programmes under the Kyoto Protocol of the UNFCCC funded initially through a share of Clean Development Mechanism (CDM) proceeds. The Kyoto Protocol commits its Parties by setting internationally binding emission reduction targets. Following adoption of the Paris Agreement, which introduced ambitious efforts to combat climate change and adapt to its effects, it was decided the Fund shall serve the Paris Agreement.

The Agreement emphasizes the impact of climate change; the urgency of the climate threat; the vulnerabilities of both human and natural systems; and the need to protect, mitigate, and adapt for climate change. It also introduces promotion of human rights in addressing climate change. Once the share of proceeds becomes available under Article 6,

6. See for example, the World Resources Institute (2021). Principles for Locally Led Adaptation

paragraph 4, of the Agreement, the Fund shall no longer serve the Kyoto Protocol. The Fund was created to provide financial support for concrete adaptation. Other funds, such as the Global Environment Facility (GEF), were supposed to deal with the enabling environment of policies.

The Fund started its operation in 2008. Thereafter, institutional arrangements with the World Bank and the GEF were established to manage the Adaptation Fund Trust and host the Fund secretariat (the secretariat), respectively. The first adaptation projects were approved in 2010.[7]

## 1.2 The Adaptation Fund Medium-Term Strategy 2018-2022

At its thirtieth meeting (12-13 October 2017), the Fund Board (the Board) considered the draft MTS for the Fund prepared by the secretariat. The Board decided (Decision B.30/42) to approve the MTS as contained in Annex 1 of document AFB/B.30/5/Rev.1 (AF, 2017). Adoption of the MTS was intended to enhance and strengthen the Fund's focus "to better serve country Parties to the UNFCCC" and respond to the need for "urgent action" for those most vulnerable to climate change. The strategy responds to **the Kyoto Protocol** in its focus on capacity building and innovation. More broadly though, the strategy is aligned with **the Paris Agreement**, as it was drafted with the intention that the Fund would serve the Agreement. In particular, the MTS corresponds with Article 7, Paragraph 5[8] and is aligned with the **Cancun Adaptation Framework**. Other inputs to the Fund's MTS included Conference of the Parties (COP) decisions; the 2030 Agenda for Sustainable Development (UNGA, 2015); the Sendai Framework for Disaster Risk Reduction (UNISDR, 2015); the Busan Partnership for Effective Development Cooperation (OECD, 2011); the Addis Ababa Action Agenda from the Third International Conference on Financing for Development (UN, 2015); the Fund's Initial and Second Reviews (UNFCCC, 2012 and 2014); and the First Phase of the Fund's Independent Evaluation (TANGO International and ODI, 2015).

The implementation plan (IP) for the MTS, AFB/B.31/5/Rev.1 (AF, 2018), was approved at the thirty-first Board meeting (20-23 March 2018, Decision B.31/32). It builds on the MTS, outlining proposed activities over the five-year period for achieving its goals. It organizes activities primarily along the three strategic pillars of the MTS (and includes narratives for the four cross-cutting areas, which reflect consideration of those areas within each strategic focus area, Figure 1).

7. Report of The Conference of the Parties on its Seventh Session, held at Marrakesh from 29 October to 10 November 2001 Addendum Part Two: Action taken by the Conference of the Parties. FCCC/CP/2001/13/Add.1. 10/CP.7 7 AFB. 2008.

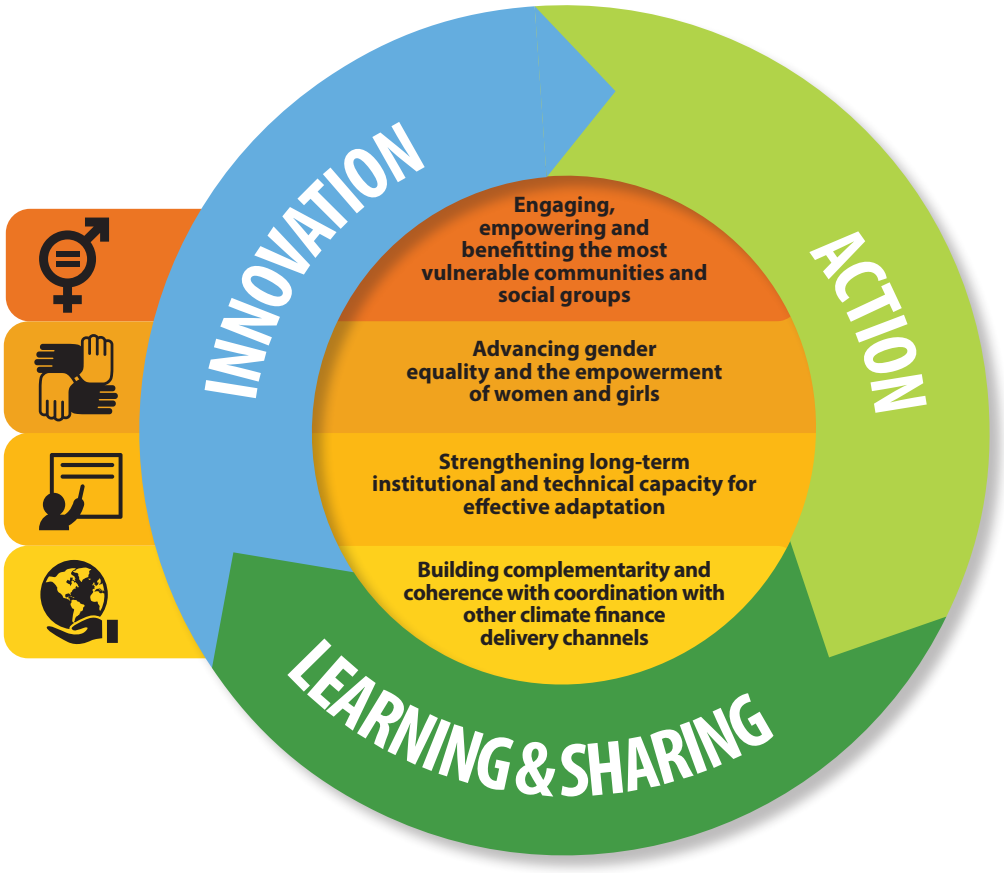
Report of the First Meeting of the Adaptation Fund Board. 19 June 2008. AFB/B.1/13 8 UNFCCC. 2009.

Report of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol on its fourth session, held in Poznan from 1 to 12 December 2008. 19 March 2009. FCCC/KP/CMP/2008/11; see Decision 1/CMP.4. Endorsed by the Parties to the Kyoto Protocol during CMP 5; FCCC/KP/CMP/2009/21/Add.1. UNFCCC. 2010.

Report of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol on its fifth session, held in Copenhagen from 7 to 19 December 2009. 30 March 2010. FCCC/KP/CMP/2009/21/Add.1.; see Decision 4/CMP.5; See Decision B.7-8/1 of AFB 11 AF. 2011. Act to establish legal capacity of the Adaptation Fund Board in Germany.

8. Article 7, paragraph 5: Parties acknowledge that adaptation action should follow a country-driven, gender-responsive, participatory and fully transparent approach, taking into consideration vulnerable groups, communities and ecosystems, and should be based on and guided by the best available science and, as appropriate, traditional knowledge, knowledge of indigenous peoples and local knowledge systems, with a view to integrating adaptation into relevant socioeconomic and environmental policies and actions, where appropriate.

**Figure 1. Pillars and cross-cutting areas of the Adaptation Fund Medium-Term Strategy 2018-2022**



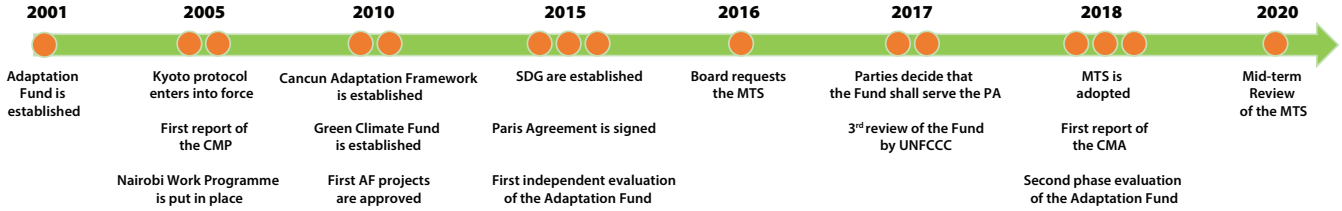

## 1.3 Anticipating and responding to the Paris Agreement

At the time of its development, the MTS was a way to clarify, and build upon, the Fund's strengths. It aimed to raise the ambition, and the potential, for impactful adaptation projects. In large part, the strategy was built to explain how the Fund would play its part in bridging a critical adaptation funding gap[9] by providing quick, quality, and prudent support to developing countries that are particularly vulnerable to the adverse effects of climate change (UNEP, 2014).

The COP serving as the meeting of the Parties to the Kyoto Protocol (CMP/CMA) decided in 2018 and 2019 that the Fund shall serve the Paris Agreement from 1 January 2019. The MTS development period, which started in 2016, anticipated this decision. It was already aligned with the Paris Agreement, providing a smooth and timely response to the decision, and preempting the demand for more adaptation finance.

9. UNFCCC's Standing Committee on Finance calculations referenced in MTS: Public climate finance flowing from developed to developing countries during 2013-2014 amounted to an annual average of $57 billion for which an estimated $9.7 billion was for adaptation. The cost, however, in developing countries was estimated to range from $140 billion to $300 billion per year by 2030. The UNFCCC urged the international community to meet the collective goal of mobilizing $100 billion a year in climate finance for developing countries by 2020. Half of this is meant for adaptation.

**Figure 2. MTS timeline alongside CMP/CMP/COP decisions**




## 1.4 Purpose and scope of the Mid-Term Review of the Medium-Term Strategy

This review assesses how well the MTS is guiding the Fund overall. As stated in its Terms of Reference (see Appendix III), the MTR aims to assess:

- the Fund's responsiveness to the UNFCCC CMP/CMA guidance and country and climate adaptation needs and to guiding the Fund's governance, management, and operations
- fit-for-purpose in the context of the Fund's mandate, the world, and climate financing
- implementation of the MTS, identifying progress and recommending to the Board possible course correction and suggestions for the next MTS.

This MTR covers about three-quarters of the implementation period, from 2018 to mid-2021, and reflects on the strategic development period preceding adoption.

## 1.5 Approach and methodology

The MTR is guided by a review matrix that establishes the criteria and areas of enquiry.[10] To pursue the areas of enquiry, the review team has zoomed in on the MTS Theory of Change. It has constructed a dynamic model that describes how the Fund's funding windows, and delivery models, are set up and used to pursue its objectives (see Appendix I). The review has employed a mixed-methods approach, applying a range of qualitative and quantitative data collection methods summarized below.[11]

10. The review matrix was developed by the TERG review team in consultation with Fund stakeholders during inception. It can be found in the Inception Report for the Mid-Term Review of the Medium Term Strategy (AF-TERG, 2021)

11. Please refer to the original Terms of Reference and the review matrix in the Inception Report for the Mid-Term Review of the Medium Term Strategy (AF-TERG, 2021)

**Table 1. Data collection methods of the MTR**

| Data collection method | Summary |
|---|---|
| Document/literature review | Fund documentation, organizational literature from climate change financing bodies, other funds, environmental NGOs, humanitarian orgs, and management literature. |
| Portfolio review | Projects reviewed to understand the role of the MTS in shaping the Fund's decisions, choices, and results (actuals and expected) to assess progress towards MTS's outcomes thus far. |
| Responsiveness analysis | Analysis of UNFCCC COP/CMP/CMA decisions/guidance and the Board reports to the CMP/CMA analyzing how, and to what extent, they have been integrated into Board decisions; analysis of Board decisions from 2008 to present. |
| Key informant interviews | Interviews with 30 stakeholders in total. Board members (2), secretariat staff (9), Implementing Entities (IEs) (13 from 9 IEs), and strategy experts (6). (see Appendix II). |
| Stakeholder survey | Survey responses from 57 of 276 possible respondents; response rate of 20 per cent from a survey of Board members (14), secretariat staff (6), and IEs (20), Designated Authorities (10), civil society (3), other (4). |
| Small-group discussions and webinars | Exchange of ideas and perspectives from the climate financing sector, humanitarian organizations, philanthropic organizations, and other disciplines to inform the MTR. |
| Comparative analysis | Analysis of Fund's niche, added value, and unique role within the climate financing architecture to operate, take risks, and use strategies differently; descriptive review of relevant organizational approaches to strategies through document review. |

## 1.6 Structure

The report is divided into five main sections, followed by conclusions and recommendations.

- **Section I** introduces the MTR, including the methodology used and context for development and approval.
- **Section II** sets out how the MTS responded to guidance from the COP, CMP/CMA, and how its operationalization was affected by its IP and resourcing. It also discusses achievements of the Fund in implementing the MTS, and hurdles faced during this process.
- **Section III** gives insights into comparative good practices from the field of strategy research. It explores questions such as what a strategy should and could do for an organization, and how a strategy can be used effectively.
- **Section IV** analyzes good practices for climate change strategy and elaborates on how stakeholders have used the MTS for decision making, and how the MTS has shaped perceptions of the Fund.
- **Section V** looks at the flexibility of the MTS, and how well it enables the Fund to adapt to changes. In this regard, it also looks at the Fund's experience during the COVID-19 pandemic, as well as in handling delay in implementation of the strategy.
- **Sections VI and VII** offer conclusions and recommendations for the MTS in the immediate term and for the next medium-term strategy.

# II. HOW HAS THE MTS BEEN DESIGNED AND IMPLEMENTED?

This section discusses the extent to which the MTS design responded to the Kyoto Protocol and CMP decisions to address climate change imperatives and how that supported a niche for the Fund. It also assesses MTS implementation in terms of structure and resourcing. Achievements and shortcomings related to implementation are presented in section III.

**Key messages**

- The MTS is fully responsive to the Kyoto Protocol, the Paris Agreement, and CMP/CMA decisions.
- Anticipating the ambition set by the Paris Agreement, the MTS both clarified and expanded the niche of the Fund into areas where it had demonstrated potential, and placed a strategic emphasis on quality, urgency, and vulnerability.
- The output-oriented IP does not fully harness the ambition and potential envisaged by the MTS.
- Resource mobilization amount and process continues to constrain predictability for programming and ambition of the Fund, the MTS, and its IP.

## 2.1 Responding to global negotiation and imperatives of climate change

The MTS is fully aligned with the Kyoto Protocol and Paris Agreement. It represents an interpretation of the Fund's mandate that follows UNFCCC (CMP/CMA) decisions and guidance. The parameters for the MTS are determined by a) what is needed to respond to the scale and urgency of climate change; b) what is mandated by global agreements and international conventions; and c) Board response to CMP/CMA mandates. The overall regulatory context for the MTS is the Fund's mandate to:

*Assist developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change in meeting the costs of adaptation; (b) Finance concrete adaptation projects and programmes that are country-driven and are based on the needs, views, and priorities of eligible Parties.*[12]

While the CMP was involved in orienting the strategic priorities, policies, and guidelines of the Fund, it did not develop the MTS. The Board developed the MTS to further clarify and strengthen the mandate set by the UNFCCC. It took ownership of the drafting of the MTS and is the custodian of the strategy.

The design of the MTS was not uniquely confined to the guidance related to the Fund's mandate. Several aspects relative to the UNFCCC and other international treaties were considered. These include guidance on coherence and complementarity with other Funds, and on capacity strengthening.

12. Decision 1/CMP.3 Adaptation Fund, paragraphs 1 and 2. FCCC/KP/CMP/2008/11/Add.2.

CMP took note of the Board's approval of the MTS and encouraged it to implement the strategy (Decision 1/CMP.13). As such, they recognized the Board's authority to oversee the MTS and its implementation.

## 2.2 Framing the Adaptation Fund's niche

The development of the MTS provided an opportunity to reflect upon the strengths of the Fund and its relative position, role, and purpose within the broader climate landscape. The Options paper preceding the MTS states that "to move forward, however, the Fund will need to declare and occupy a clearer niche within the evolving architecture of international climate finance."

That niche, as articulated in the strategy, is a focus on concrete action in developing country Parties, small-scale ("starter") projects/programmes, direct and enhanced direct access modalities; building capacities and track records of implementing entities (IEs) to access higher levels of adaptation finance; testing new practices, tools, and technologies for effective adaptation; and learning and sharing, especially through South-South collaboration.

The design of the strategy was an opportunity to sharpen the focus of the Fund and position it within the climate finance architecture based upon what it does and does well. With respect to the niche articulated in the MTS, this review finds the strategy positions the Fund **within the climate financing landscape as a 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.**

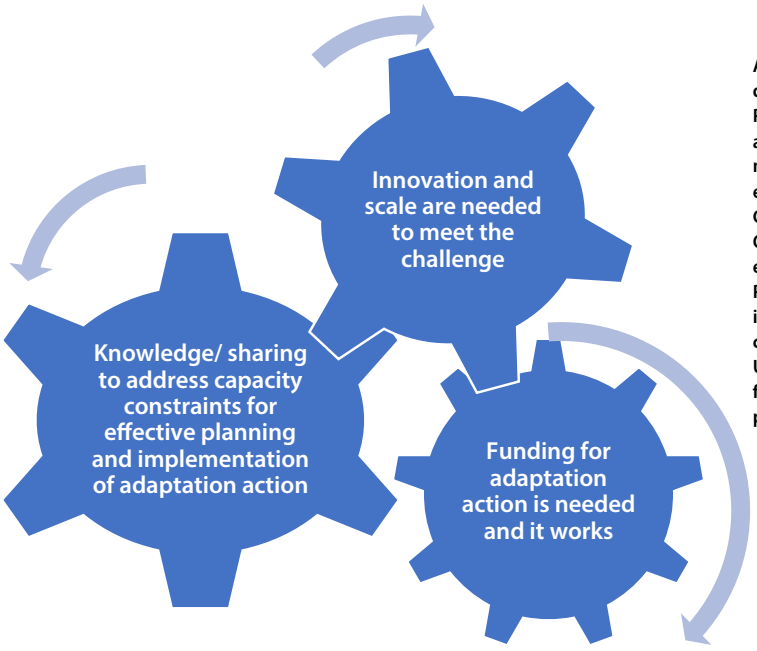
The MTS emphasizes the need for quality projects, designed and implemented in a time-efficient manner through provision of financial resources to address the most vulnerable. While wholly aligned to the Kyoto Protocol, the MTS goes further to echo and translate the imperatives of the Paris Agreement. The MTS is oriented to the Theory of Change posited in the Paris Agreement. As such, it emphasizes the urgency of the threat of climate change, the vulnerabilities of both human and natural systems, and the need to protect, mitigate, and adapt. It also emphasizes the need for enhanced mitigation, as well as substantial adaptation assistance.

## 2.3 Structure and implementation of the MTS

The IP of the MTS, while intended to operationalize the MTS, circumscribes its strategic potential, encouraging a siloed approach to implementation. The infrastructure supporting implementation of the MTS was based on two aspects: the three pillars and MTS operationalization through the IP.

In Figure 3, the strategic pillars are shown as interacting, mutually supportive aspects of the Fund's work. They feed one another, guided by and characterized by cross-cutting issues. The MTS is translated to the IP so it tracks outputs by pillar for monitoring and reporting. Taken together, there is potential for a feedback loop between the pillars.

**Figure 3. Potential interlinkages between strategic pillars as interpreted by the MTR**




The IP was drafted and approved in 2018. It organizes activities primarily along the three strategic foci (pillars) of the MTS. It includes narratives for the four cross-cutting areas that reflect consideration of those areas within each strategic focus area. In practice, the organization of the activities under each pillar, each with a separate indicative budget, helps clarify the expected results for each pillar. However, it also loses the interaction between the strategic pillars as enabled, if not explicitly envisaged by the strategy.

Strategy implementation is monitored and reported annually in the Annual Performance Reports (APRs). However, these reports focus on the growth of portfolios without explicit measurement against the IP targets. Since approval of the MTS, only Annex 4 of the Operational Policies and Guidelines (OPGs) has been amended[13]. The update to the Fund's GP and Gender Action Plan (GAP) (2021-2023) was approved intersessionally in March 2021, following the implementation period (2017-2019) of the Fund's initial GP, and in line with the MTS and its IP.[14]

According to the MTS and Board documents during its preparation, the MTS was not supposed to require revision during its lifetime of five years. Therefore, it does not deal with programme management issues or politically sensitive issues (e.g. the country cap). The IP of the MTS, however, is meant to be adaptive and flexible and respond to programmatic changes. Secretariat staff rely on the IP to guide annual workplans.

13. Adaptation Fund (2017). Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund.

14. MTS did not trigger revision of policies and guidelines. Following the decision of the Fund to serve the Paris Agreement, the CMP recommended in 2019 (CMP14/ CMA1) the OPG (Operational and Policy Guidelines) to stay in line with the Fund's Medium-Term Strategy (AFB/B.33/11) whereafter the Secretariat concluded the revision was not necessary. Therefore, the OPG and SPPG have not been updated since adoption of the MTS in 2018. The MTS has not established additional guidance, but since its adoption the project proposal template has been revised. It now includes Outcome 8 on Innovation, among others. As of 2021, the Gender Policy and Action Plan is being updated in line with international good practice.

**Discrete portfolios of planned activities** for each of the three strategic focus areas support annual workplans. However, this also produces a siloed approach to implementation of the three pillars of the strategy that 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, if it was applicable. Nor do they articulate a shared path to impact across outcome areas from the other pillars. Some action projects have resulted in innovative adaptation, which could offer experiences and lessons across the Fund portfolio and the innovation pillar.[15] The Strategic Results Framework integrates elements from each of the MTS pillars but not how they feed into each other.

It will be important to determine where value is maximized through differentiating the pillars. For example, the Innovation Task Force emphasized the value in differentiating proposals approved through the Innovation Facility from those that could be funded through the action pillar.[16] It will also be crucial to determine where the pillars usefully complement each other. This could mean, for example, packaging the knowledge gain from action projects to transfer knowledge by using the learning grants.

## 2.4 Implications of financial resources availability and uncertainty for the MTS

Resources are uncertain for the MTS, which makes planning difficult. The Fund is financed by government and private donors, as well as from a 2 per cent share of proceeds of Certified Emission Reductions (CERs) issued under the Protocol's CDM projects. Under the Kyoto Protocol, a levy was placed on the issuance of CER units under the CDM, and the resulting proceeds to replenish the Fund. This levy has not been a major contribution to Fund resources since the collapse of the carbon market. Since that time, the Fund has mostly relied on annual voluntary contributions.

Ongoing negotiation of Article 6 (which will continue into COP 26) of the Paris Agreement will have many implications. These include the share of proceeds available to replenish the Fund and therefore resourcing available to support implementation of the MTS. The Paris Agreement explicitly mentions continued support for adaptation under Article 6.4 but not

15. Examples of innovative elements of projects under the main adaptation pillar were cited in the Options paper for further defining innovation (2020). These include, for example, the pilot experience from the Honduras Water Management project, which aims to develop foundational activities and tools to ensure that climate risks are incorporated into planning and investment processes. The project will serve to capture and systematize lessons and practices. Another example is the Disaster Risk Reduction project in Pakistan, which has been deemed as "innovative" as NGOs and other institutions were not well established to respond to disasters. The project was the first of its kind to help local communities adapt to pressures of climatic change.

16. Task Force members stressed the importance of distinguishing between the "action pillar" and the "innovation pillar" of the MTS. Innovation funding through the Fund should be complementary to funding under the action and learning pillars, with a somewhat more specific focus. It was considered productive to articulate a vision for the innovation pillar based on the Fund's core competencies in innovation, while looking ahead to the desirable future that it could achieve.

under 6.2. For the latter, negotiations continue about a share of proceeds for the Fund.[17] In addition, in April 2021, the Board decided to "request the secretariat, in consultation with Resource Mobilization Task Force, to prepare a draft resource mobilization strategy for the period 2021-2024 and a draft resource mobilization action plan and present them to the Board for its consideration at its thirty-seventh meeting" (Decision B.36/36).

The MTS refers to the Fund's resource mobilization targets alongside ambitions for an enhanced share of proceeds under Article 6.4 and the potential to develop a finance model that meets Parties' evolving, and increasing, expectations. This is set alongside the annual demand for adaptation projects, which far exceeds the limits of the Fund's resource mobilization targets.

The MTS document states in its section 5.5 that it can be implemented with $100 million per year for the first three years. It also notes in section 6.6 that the resource mobilization target is expected to rise from $80 million during 2016-17 to $100 million for 2018-20. It acknowledges this is a lower limit, as annual demand for concrete adaptation under the action pillar alone could rise to $200 million, or even $300 million, annually by 2020.

The IP, approved a few months later, in March 2018, attached a "price-tag" to the MTS. It included projected budgeting and grant funding targets for the pillars, and most funding windows.[18] The IP's overall objective grant amount for the MTS over five years was nearly $800 million. To meet this funding target, the initial $100 million foreseen for resource mobilization for 2018-20 should be followed by a significant increase for 2021: it would require on average $160 million annually to meet the $800 million target grant funding.

To the Fund's credit, the resource mobilization target has been increased since the beginning of the MTS. The $80 million target for 2016-17 rose to $90 million for 2018-19. This was followed by a larger increase to $120 million for 2020 and 2021. Assuming that resources mobilized in a given year will be available for programming in the next calendar year, the potential resource mobilizing years are concluding in 2021.

From 2017 to 2021, the total resource mobilization target amounted to $500 million, which significantly falls short of the $800 million funding target of the IP. Even though resource mobilization produced higher yields in certain years,[19] the targeted amount is not sufficient to fund full implementation of the MTS.

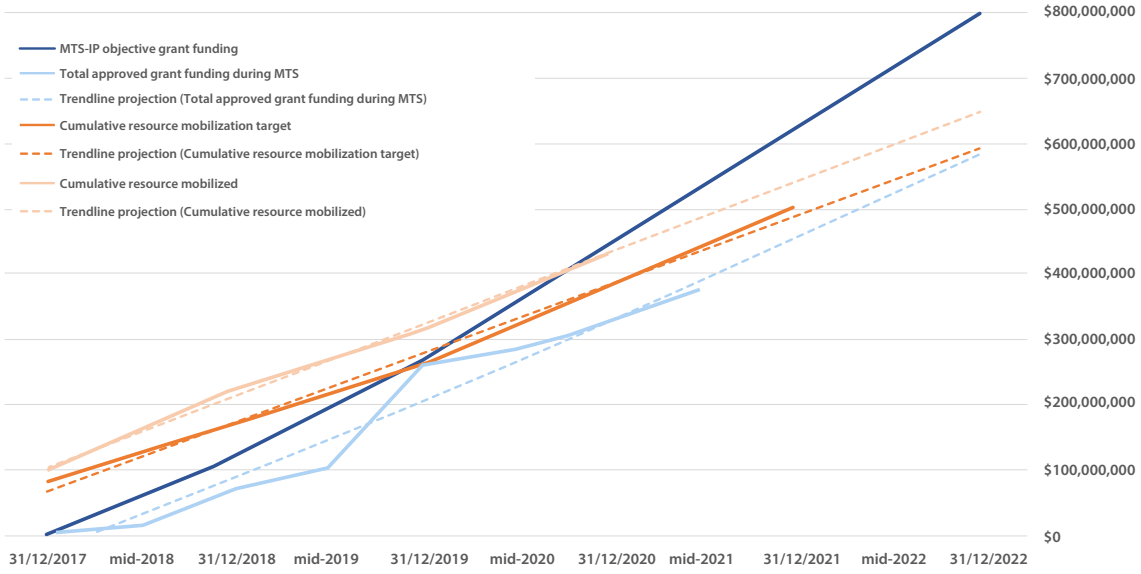
17. Article 6.2 provides an accounting framework for international cooperation, such as linking the emissions-trading schemes of two or more countries (e.g. linking the European Union cap-and-trade program with emissions-reduction transfers from Switzerland). It also allows for the international transfer of carbon credits between countries. Article 6.4 establishes a central UN mechanism to trade credits from emissions reductions generated through specific projects. For example, country A could pay for country B to build a wind farm instead of a coal plant. Emissions are reduced, country B benefits from the clean energy and country A gets credit for the reductions (WRI, 2019).

18. For more details on how these targets were met so far, please refer to Appendix I Supplementary background analysis and data.

19. The 2017 and 2018 resource mobilisation targets of $80 and $90 million were surpassed significantly, by mobilising $95.5 million and $129 million in those years, respectively.

By the end of 2021, the Fund is likely to mobilize resources in line with requirements for the concrete adaptation windows of the action pillar. However, this is below requirements for the new funding windows. Although the Fund has stayed ahead of its resource mobilization target, there is a gap of at least $200 million between requirements to achieve IP targets and the resources mobilized (Figure 4).

**Figure 4. The Fund's resource mobilization targets in light of approved funding and implementation plan objectives**




During the strategic period, the Fund's finances have been on a gradual upward trend.[20] However, unknown factors are competing with this rise. These include the financial capacity of contributing governments, competition for resources with other Funds, shocks to resource availability due to COVID-19 (WRI, 2021), and potentially new developments e.g. new contributions of developing countries.

The lack of predictability poses practical challenges. Without assurances, the Fund cannot commit to forward planning and programming in the same way as Funds with replenishment processes. This shapes the type and scale of finance activities available to the Fund. To allow the Fund to adjust its projected spending, the MTS IP follows a funding window-based approach based on funding availability and related uncertainties. The Fund can support small-scale, high-quality interventions positioned as "beacon" projects that demonstrate the value and potential for adaptation projects.

In a vote of confidence in the direction set by the MTS, the Board revised the funding cap per country established by Decision B.13/23 from $10 million to $20 million for all

20. Under the Resource Mobilisation Strategy of the Fund, the resource mobilization targets increased from $80 million per year target for 2016-17 (Decision B.27/36), to $90 million per year target for 2018-19 (Decision B.31/31), and further to $120 million per year target for 2020-21 (Decision B.35.b./22).

eligible developing country Parties. In this way, any eligible Party could access up to $20 million from the Fund either after the country had accessed funding of at least $8 million for a concrete single-country project or programme, or once four years had passed since approval of the first concrete single-country adaptation project(s)/(programme(s) by the Board (whichever occurred earlier).

This decision allows the Fund to essentially double its portfolio of activities, expanding from one to two national implementing entities (NIEs). It doubles the resources that a country can access for concrete adaptation projects or programmes. While not wholly related to the MTS, the decision is perceived as a sign of trust in the Fund's ability to continue channelling adaptation resources with the quality and efficiency anticipated by the MTS.

As a consequence, the pipeline of Fund projects will likely increase significantly. The Fund can expect funding proposals from countries that have already reached their cap. Meanwhile, countries are expected to submit new projects, or proposal extensions, and new entities accredited to the Fund will also submit new projects.

The secretariat, Project and Programme Review Committee (PPRC), and the Board will face significant near-future capacity constraints to process this expected influx of projects and accreditation applications. This is especially true as the Fund is working on scaling funding in its new funding windows at the same time, and given a more resource-scarce environment than foreseen by the IP.

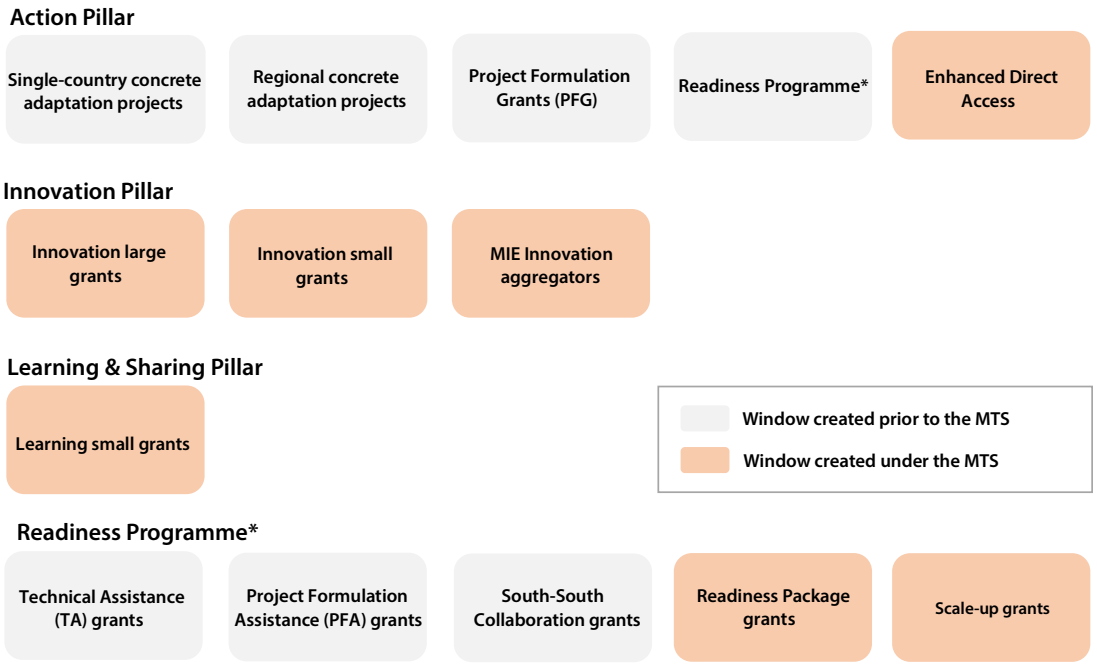
# III. WHAT HAVE BEEN THE ACHIEVEMENTS AND CHALLENGES OF THE MTS IMPLEMENTATION?

This section discusses progress achieved within the first half of the MTS's strategic period under the three strategic pillars (action, innovation, and learning and sharing). It also discusses progress achieved towards the MTS's cross-cutting issues: engaging and empowering the most vulnerable communities and social groups; advancing gender equality and the empowerment of women and girls; strengthening long-term institutional and technical capacity for effective adaptation; and building complementarity and coherence with other climate finance delivery channels.

## Key messages

- During the first half of the strategic period, all seven new funding windows were launched.  presenting a significant expansion in the Fund's potential portfolio. However, implementation has been uneven:
  - The portfolio of concrete adaptation projects grew by 80 per cent since approval of the MTS, primarily driven by the increase in regional projects. Their quality has also improved through compliance with Environmental and Social Policy (ESP) and the Gender Policy (GP).
  - The project pipeline and approval under the new funding windows have been slower than foreseen in the IP. This is due to lack of clarity on the concepts and intended purpose underpinning innovation and learning grants. The review criteria for innovation grants do not demonstrate the expected risk that the innovation window should have allowed and incentivized.
- There is no progress reporting to the Board in terms of the IP output indicator targets.

**Table 2. The new funding windows of the Adaptation Fund under the MTS**



## 3.1 Progress

The MTS implies a significant expansion in the diversity of funding modalities for the Fund through establishment of the new pillars and funding windows. The first half of the strategic period was dedicated to preparation of these windows. As of B.36, the funding windows have been launched. As of August 2021, 75 per cent of the strategic period for implementation of the MTS has passed. With only 25 per cent of the MTS period remaining (just over 1 year only 46 per cent of projected grant funding set out in the IP have been reached (See Table 3).

While implementation is not linear, there is time pressure to achieve the ambitions of the MTS. Despite progress on key activities in the IP, a number of targets are not likely to be achieved by the end of the strategic period (Table 3, further details in Appendix I). In particular, the new funding windows have taken significantly longer to set up and roll out than envisioned in the IP. Operationalizing the two largest new windows — the innovation large grants and the Enhanced Direct Access (EDA) window — took the first half of the strategic period rather than the one year envisioned in the IP. Meanwhile, windows successfully launched earlier have also been slow to generate a pipeline of new projects and get funding flowing through approvals. So far, there has only been one scale-up grant and two small learning grants approved, despite open windows for more than two years.

**Table 3. Approved and projected grant funding under the MTS**

| | Funding windows | Total grant amounts approved between January 1, 2018, and June 30, 2021. | Targets (Total projected grant funding over 5 years of MTS)[21] | Percentage of the total projected funding approved so far |
|---|---|---|---|---|
| | ***Windows existent prior to the MTS*** | | | |
| ◆ | Single-country concrete adaptation projects and programmes | $217,157,852 | $400,000,000 | 54 |
| ◆ | Regional concrete adaptation projects and programmes (excl. AFCIA) | $143,277,068 | $200,000,000 | 72 |
| ◆ | South-South Cooperation grants, TA grants | $401,930 | $2,500,000 | 16 |
| - | PF grants and PFA grants | $1,983,984 | no projection in IP | - |
| | Total (existent windows) | $362,820,834 | $602,500,000 | 60 |
| | ***New windows created under the MTS*** | | | |
| ◆ | Enhanced Direct Access window | $0 | $100,000,000 | 0 |
| ◆ | Innovation large grants | $ 0 | $90,000,000 | 0 |
| ◆ | Innovation small grants | $961,179 | $ 8,000,000 | 12 |
| - | Climate Innovation Accelerator (AFCIA) | $10,000,000 | no projection in IP | - |

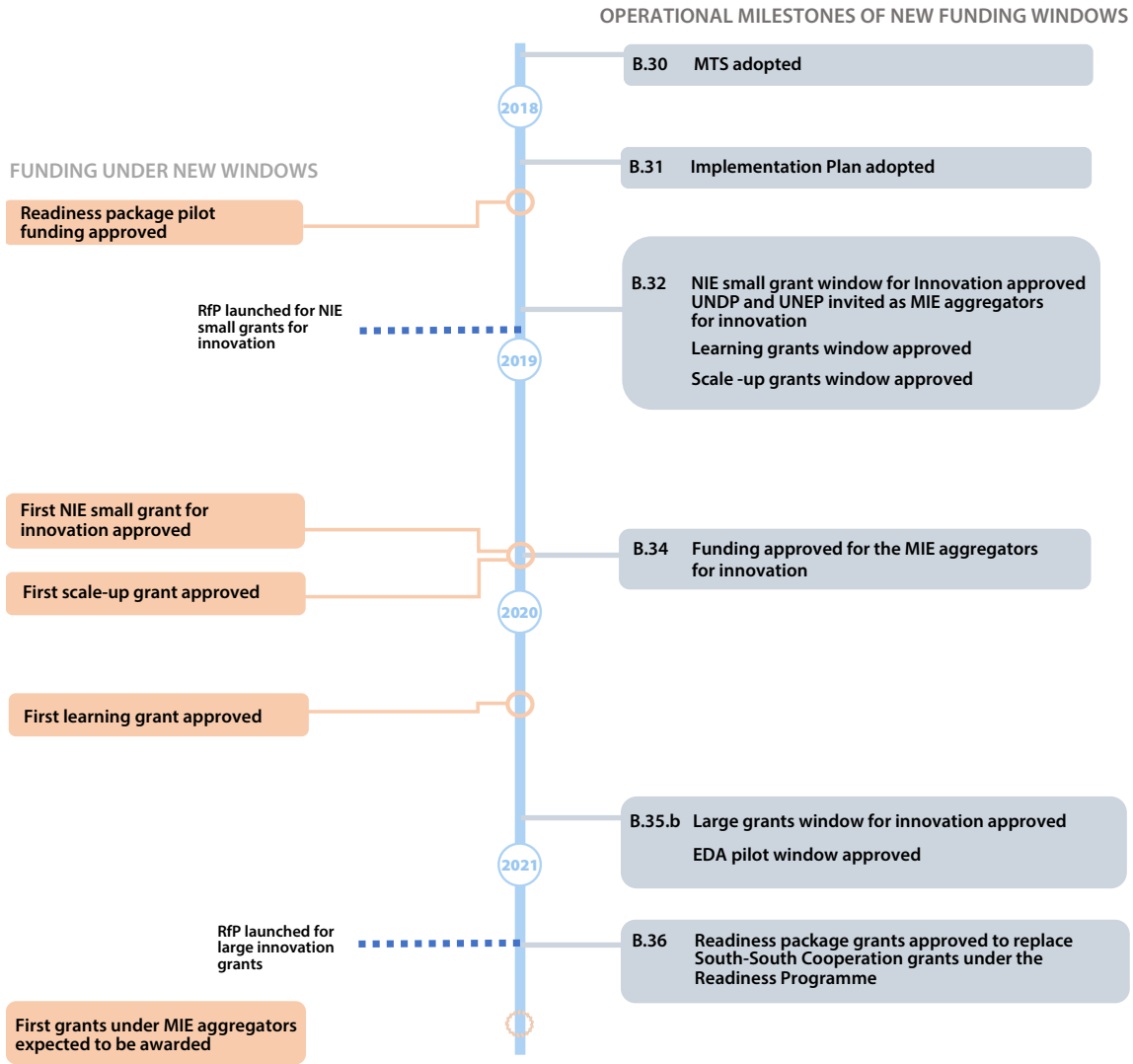
21. According to tentative budget lines in the Implementation Plan.

| | | | | |
|---|---|---|---|---|
| ◆ | Learning small grants | $288,393 | $2,000,000 | 14 |
| ◆ | Scale-up | $99,000 | $1,000,000 | 10 |
| ◆ | Readiness Package grant | $100,000 | $2,400,000 | 4 |
| | Total (new windows) | $11,448,572 | $203,400,000 | 6 |
| | **Total (all windows)** | **$374,269,409** | **$805,900,000** | **46** |
| ◆ **IP projected grant funding likely to be achieved** | | ◆ Achievement uncertain | | |

With significant delays in operationalizing the new windows, and the low volume of approvals compared to projections in the IP, it will be unlikely for the Fund to meet the projected grant funding targets under a number of new windows by the end of the MTS period. These comprise innovation large grants, the EDA window, learning small grants, and scale-up grants. Innovation small grants and Climate Innovation Accelerator grants are an exception as there is a significant pipeline by August 2021 indicated under both windows.

So far, financing under the new funding windows has yet to pick up the pace. The first half of the MTS implementation period has been dedicated to establishing and defining the new funding windows. Therefore, there are no results yet. Under the IP, the new funding windows were expected to expand the Fund's commitments through funding in the new windows by one-third: more than $200 million was foreseen under the new windows compared to over $600 million through the existing windows. By the end of June 2021, only 6 per cent of the IP's projected grant funding for the new windows had been committed.

**Figure 5. Operational and funding milestones of the new funding windows under the MTS**




To avoid rushing the policy process, it took time to launch the new windows for the Fund. Once launched, a bottleneck for operationalizing the new windows emerged: lack of understanding from potential IEs about what should be included in the proposals.

In terms of the innovation pillar, the innovation small grant (up to $250k) was launched earlier. However, the process of defining innovation for the Fund, and the lack of clarity and guidance for entities regarding key concepts, has affected the quality of proposals, and thus delayed funding.

Similarly, for the small learning grants, the secretariat has indicated IEs were confused about eligible activities. It has launched an e-learning course for both learning and innovation small grants in English, French, and Spanish to tackle these obstacles. While the course has reportedly led to quality improvements in submitted proposals, there has not been a significant increase in approvals to meet the IP's ambitious projections.

The secretariat has pursued several activities and reported to the Board in APRs to monitor advancement of the MTS. From 2018 onwards, the APR have been restructured around the MTS and its pillars and cross-cutting themes. Initially, they just gave an account of the portfolio development and performance. However, **the APRs do not aggregate information against the IP targets, which detracts from oversight on MTS achievements.**

## 3.2 MTS effect on the Fund's core business

The Board has been capitalizing on the Fund's ongoing activities and approved several new funding windows to support the other two pillars of the MTS. Readiness and direct access have been recently facilitated or encouraged, including for RIEs and for subnational institutions, with the multilateral IE aggregator. Since adoption of the MTS, the Fund has continued to support concrete adaptation projects (45 per cent of all funding for concrete projects approved through the Fund has been approved since 2018).

Concrete adaptation projects remain the Fund's core business, representing 95 per cent of grant funding. Therefore, the MTS has not significantly altered funding allocations under the concrete adaptation project window across the Fund's outcome areas. The action pillar continued to remain at the heart of what the Fund does: supporting and readying countries to undertake adaptation projects and programmes consistent with their needs and priorities to increase their resilience.[22, 23]

One significant shift from the Fund's past patterns has been the increase of regional projects in its portfolio. The regional funding window pilot was created prior to the MTS, with the first approvals taking place in 2017. The IP has embraced this funding window and made the modality a significant part of the Fund portfolio under its action pillar, outside of the country cap.

The expected funding of single-country concrete adaptation projects was set at $400 million over the MTS period. Regional projects were expected to make up an additional $200 million. The growth of these windows during the MTS has been in line with the projected funding, and they are likely to meet IP funding targets.

## 3.3 MTS influence on the quality of concrete adaptation projects

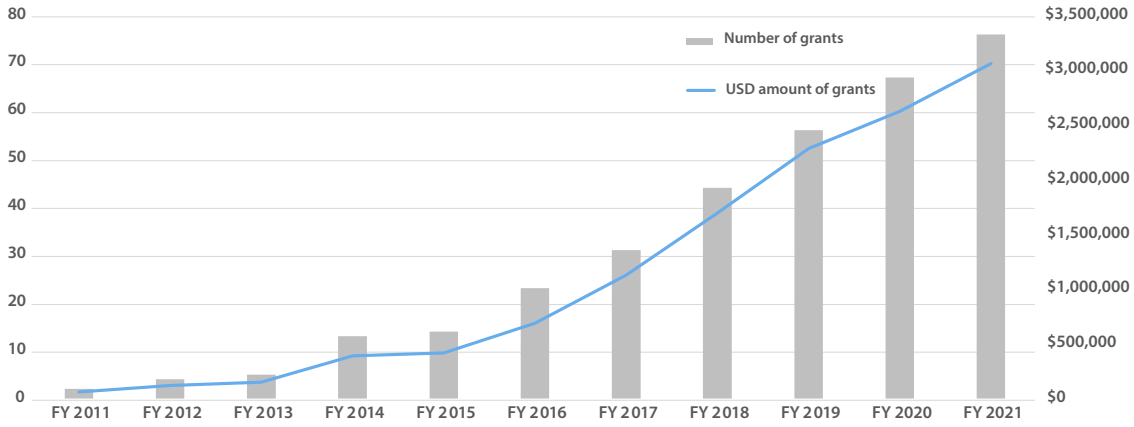
The quality of concrete adaptation projects has increased over the MTS period, demonstrated by enhanced compliance with the ESP and GP. The emphasis on quality of adaptation projects is demonstrated by two factors. First, project formulation grants have increased over the MTS period. Second, during the MTS period, the Board decisions on projects that did not gain approval at the given Board meeting very often indicate the

22. Specifically, this entails promoting country-driven processes: strengthening local institutions, improving the quality of adaptation projects, emphasizing local participation, bringing a gender lens to adaptation initiatives, sharpening environmental social safeguards, showcasing successful approaches and practices, identifying opportunities for scaling up successful projects.

23. While the MTS does not speak to sector prioritization, distribution of funding from concrete adaptation projects has increased in disaster risk reduction and food security during the MTS period.

need for increased attention to the application of the ESP and GP as recommended areas of improvement for those proposals.

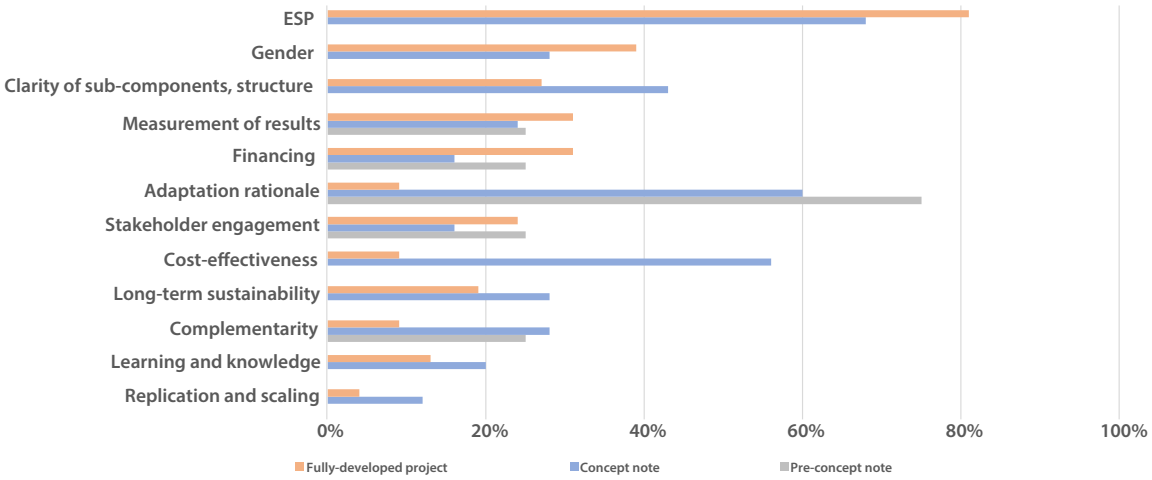
**Figure 6. Cumulative approvals of Project Formulation Grants over time**




The OPGs, together with the Fund's ESP and GP, inform the technical assistance provided to IEs. Board decisions following the PPRC review cycle recommend how to strengthen the proposal, especially when a project or concept is not approved or endorsed. While the MTS has not provided an explicit definition for "high quality," a review of these non-approvals by the Fund since October 2017 provides insights into how it implicitly defines high-quality proposals.

Areas of improvement in projects or concepts not receiving approval at a given meeting are most often related to the ESP and GP. This enhanced focus on ESP and GP compliance, coupled with workshops and dedicated trainings on them under the Readiness Programme, contributes to cross-cutting aims of supporting the most vulnerable and advancing gender equality and empowerment.

**Figure 7. Areas that needed improvement for projects and project concepts that were not approved, as suggested in respective Board decisions between 2018 and 2020.**




## 3.4 Progress on the three pillars of the MTS

### a. Progress under the action pillar

Through the MTS, the Fund intends to support vulnerable communities to meet their urgent and immediate needs through enabling actions to deal with climate change as a way to accelerate long-term adaptation. The MTS states "the need for action is especially urgent" in the countries served by the Fund.

During the strategic period, the timeliness of the Fund's response has remained a strength of its action pillar. IEs consistently highlighted the Fund's speed of response compared with other climate financing bodies. This was especially true regarding average response time to review submissions and in average time from first submission to approval for one-step (and two-step) projects.[24] The level of urgency and risks arising from delay of projects is intended to motivate prompt funding decisions for the Fund's projects. This echoes the drive for urgent action to combat climate change set out in the 2030 Agenda for Sustainable Development and the Paris Agreement.

The timely and large volume of approvals under the single-country and regional concrete adaptation project and programme windows are expected to be complemented with efforts under the EDA window. The EDA window only opened in 2020, two years late compared to the indicative general timeline of the IP. While a large volume of funding has not yet been successfully channelled through this window during the MTS period, the opening of the window underscored the Fund's emphasis on small-scale, locally led adaptation.

24. The Fund's effectiveness and efficiency results framework, reported in Annual Performance Reports, measures the Fund's performance against targets to continue improving upon speed and efficiency of response. The average time from first submission to approval for one-step projects has remained under the nine-month target between FY18 and FY20. However, the same timeframe for two-step projects (a concept note followed by a fully developed proposal), averaged above 25 months, which is well above the 18-month target previously set by the Fund.

### b. Progress under the learning and sharing pillar

The knowledge and sharing pillar reinforces the Fund's prior efforts to support country exchanges, harness learning, and bring lessons from projects and programmes into its processes and activities, as well as those of its partners. The Board has approved learning grants and started encouraging the drawing of lessons in other institutions. Most learning work, however, has been implemented by the secretariat through publications and knowledge-sharing events; the Board has been informed of implemented activities.

The Knowledge Management Strategy and Action Plan[25] aim to position the MTS as a knowledge facilitator and broker, and a purveyor of knowledge from adaptation and climate change action. Through the learning and sharing pillar, the MTS takes the Knowledge Management Strategy a step further. To that end, it provides learning grants to extract knowledge from funded projects to invest in and disseminate knowledge gained. Neither the MTS nor the Knowledge Management Strategy explicitly draw upon the AF-TERG to support the analysis, evaluation, or use of lessons. This provides an opportunity for the Fund to explore.

There has been some interest in the learning grants established under the MTS. However, due to a range of factors common to climate funds, many of which are noted in evaluations of the Global Environment Facility (GEF) and Green Climate Fund (GCF) programmes, this interest has not yet been matched by fundable projects. The factors include lack of clarity over eligible activities, capacity constraints (within the countries/IEs), failure to submit endorsement letters from Designated Authorities, and approving projects only at Board meetings (which take place only twice a year,[26] creating an additional bottleneck). Training in the form of e-courses has been developed in three languages to help broker understanding about what the learning grants can be used for, what represents learning under the learning grants, and what can be funded.

### c. Progress under the innovation pillar

The innovation pillar is new to the Fund. This pillar recognized that new solutions are required to respond to the increasingly entrenched challenges of climate change and to build on the Fund's innovative practices, as highlighted in the independent evaluation (TANGO, 2015). The pillar is envisaged to provide opportunity to encourage innovation, roll out successful innovations from one country or region to another, scale up pilot projects, and generate evidence of what works. The Board has approved a series of new small-scale grants for innovation. Recently, it has started implementing large grant mechanisms. It also put an innovation working group in place and established the definition and working vision of innovation in the context of adaptation.

The innovation pillar offers potential for the Fund to support projects with a higher risk of failure than "conventional" projects. It gives the Board discretion to adjust the specific level

25. Adaptation Fund (2016). Knowledge Management Strategy & Action Plan.

26. This arrangement is also applied to other new types of grants to facilitate learning and providing guidance at the Board level.

of acceptable risk when setting the objectives and review criteria for projects. In Decision B.32/4, the Board approved the review criteria for the innovation small grants through the direct access modality, while Decision B.36/24 approved the review criteria template for the innovation large grants. The review criteria for innovation small and large grants are substantially similar[27] to those for concrete adaptation action projects under the action pillar. This means that possibility for risk (and potentially for higher reward projects) has not yet been pursued in full.

For the three types of grants funded under the innovation pillar (innovation large grants, innovation small grants, and the innovation aggregator), early proposals did not sufficiently show clarity in innovation, particularly those related to innovation small grants. Anticipating and responding to this challenge, at its thirty-sixth meeting, the Board adopted a vision and definition of innovation, as well as the innovation review criteria (AFB/B.36/8) that recognized the process of defining innovation will be iterative.[28] The Board highlighted the need to clearly define the value added of the Fund to the general landscape of innovation finance; how innovation could be incorporated into project proposals and operationalized; and the importance of ensuring compliance with the Fund's environmental and social guidelines and of understanding the risks in that regard and the need to consider the full cost of adaptation reasoning.

Defining innovation has been challenging at strategic and operational levels. In the absence of a definition or guidance from the Paris Agreement or clarification in the MTS, all those working on climate finance recognize the gap in definition needs to be filled to lever the full benefits of innovation to climate change.[29] While the need to be innovative is widely recognized, it has been challenging to articulate what is "innovative." A Board task force was established to develop a vision, definition, and programmatic direction (e.g. review criteria, risk appetite etc.) to guide the Fund's work on innovation. Internal trainings for secretariat staff and external workshops for IEs were held, leaning on expert services from Climate-KIC and others. New guidance and innovation review criteria were proposed. These would add to the criteria in the Fund's process for project and programme review.[30]

Despite initial difficulties, there have been some early signs of interest in the small grants funded under the innovation window. From the recent launch of the innovation large grants, there is no estimate of pipeline available yet. The third innovation mechanism — the innovation aggregators in partnership with UNDP, UNEP and CTCN — has generated

27. The review criteria are defined for each type of project in separate documents. The innovation large grant review criteria include an additional question on whether the project helps spread innovative tools or approaches from one country to another, or scales up an innovative technology that has prior demonstrated viability at a smaller scale; the small grant review criteria include two questions about encouraging or developing innovative practices, and generating evidence for scaling up innovative approaches. The remaining review criteria are substantially identical to the review criteria of concrete adaptation projects and programmes under the action pillar.

28. Adaptation Fund (2021). Report of the Thirty-Sixth Meeting of the Adaptation Fund Board.

29. Adaptation Fund (2020). Options for further defining innovation in adaptation projects and programmes.

30. Adaptation Fund (2021). Further Clarification of Vision and definition of innovation under the Adaptation Fund: Analysis of relevant elements and guidance of review criteria.

significant interest from new types of actors at local levels. The UNEP/CTCN grant aggregator focuses on assisting innovation in adaptation technologies, while the UNDP grant funding supports innovation through a broader concept of innovation.[31] The roll-out of the innovation aggregator has been constrained by lack of clarity in how to define adaptation and innovation. Defining adaptation is particularly for global grassroots NGOs/CSOs experienced in development work but not necessarily familiar with climate change adaptation. The aggregator is a useful modality for engaging with a broader range of actors, but guidelines are not accessible to newcomers to the climate change arena.

## 3.5 MTS influence on cross-cutting issues

The four cross-cutting areas set out in the MTS are principles intended to be embedded in the design and implementation of all Fund activities and offer recognizable characteristics of Fund projects and programmes. The emphasis on vulnerable communities and social groups is embedded in the Fund's delivery modalities and operating principles. Advancing gender equality and empowerment of women and girls is systematically integrated through the Fund's ESP, GP Policy, and GAP. Strengthening long-term institutional and technical capacity for effective adaptation is systematically integrated through the Fund's readiness and accreditation activities. Finally, building complementarity and coherence with other climate finance delivery channels is central to how the Fund articulates its niche and added value.

### a. Vulnerable communities and ecosystems

The Board approved several decisions (grants) that help increase direct access for entities. In light of the COVID-19 pandemic, the Board also approved temporary changes to allow continuation of the Fund's projects/programmes. The country cap was also lifted to $20 million in 2021, and countries are allowed two accredited NIEs. The strategic emphasis on vulnerability is clear. The MTS emphasizes preference and prioritization of vulnerable groups. Mapping of projects reflects a strong community/local emphasis demonstrated by strong compliance with ESS and gender policies. In many contexts, the Fund is "first on the ground" in addressing adaptation needs.

The MTS focuses on those countries (people and ecosystems) that are "particularly vulnerable to the adverse effects of climate change." The strategy is oriented to better serve the most vulnerable. The Fund does this by focusing on country ownership throughout the project cycle and incentivizing the active participation of communities in project design and implementation. Through the Fund's readiness and accreditation programmes, the Fund focuses on building national capacity and increasing countries' readiness to receive climate finance.

All project proposals are required to demonstrate how, and to what extent, they have empowered and benefited the most vulnerable communities and social groups. The need for compliance with the ESP is the main reason for non-approval of projects. Approved

31. Adaptation Fund Climate Innovation Accelerator (AFCIA)

projects clearly identify how they will deliver benefits to the most vulnerable. In addition, Outcome area 6 of the Fund focuses on the diversified and strengthened livelihoods and sources of income for vulnerable people in targeted areas. In the portfolio of single-country and regional concrete adaptation projects prior to the MTS, 47 per cent of projects were allocated funding under this outcome, while during the MTS this proportion has risen to 75 percent.

The EDA modality is expected to help further strengthen the capacity and meet the needs of the most vulnerable. However, as of June 2021, no EDA projects had been approved under the recently launched window. Furthermore, the IP's envisioned scale of $100 million approved funding for EDA projects had not yet materialized.

### b. Integration of gender into adaptation projects

Advancement of gender equality and the empowerment of women and girls is a cross-cutting issue within the MTS. During the first part of the strategic period, compliance with the GP has increased. As per its recent update (2021), the GP and GAP now refer explicitly to the MTS in the rationale for the policy.[32] The Fund has invested in supporting gender mainstreaming in policy and planning and supporting IEs to consider links between gender quality and adaptation programming. There has been an increase in project formulation grants over the MTS period and attention to the need to strengthen alignment with the ESP and GP.

The Fund published the study, *Assessing Progress: Integrating Gender in Adaptation Fund Projects and Programmes* in 2020 to highlight achievements, innovative approaches, and lessons from the Fund's programming. It covered activities before the Fund GP and GAP. The report draws from concrete adaptation projects to showcase achievements and lessons learned, and to highlight challenges and opportunities for gender mainstreaming in future projects. In 2019, the Fund also published an *Assessment Report on the Progress in the Implementation of the Fund's Gender Policy and Gender Action Plan* covering the 2017-19 period, which provided learning for the next implementation phase.

### c. Contributions to institutional capacity building

The MTS reinforces the Fund's position as a springboard, amplifier, and "first on the ground" for countries and IEs to access finance. The MTS emphasizes the importance of building country readiness for accessing funding and building capacity for locally led action. Since adoption of the MTS, there has been enhanced appreciation for the readiness activities and accreditation from the Fund. This is true for both fast-track access to the GCF and for the inherent value of the accreditation (and reaccreditation) process for NIEs.[33] More than two-

32. Paragraph 5 of the updated Gender Policy and Gender Action Plan (2021). *"The Fund's MTS updates and refines the Fund's mandate to better serve the evolving needs of Parties to the UNFCCC. It articulates the Fund's own Theory of Change including the vision, goal, impact, mission, strategic foci, and cross-cutting themes. The Fund's gender policy and its mandates are an integral part of the Fund's strategic focus and underlying Theory of Change. Without a commitment to gender equality, the Fund's vision, goal, and desired impact cannot be realized."*

33. Adaptation Fund (2020). Study on Readiness and Capacity Building for Direct Access to Adaptation Finance

thirds of NIEs reaccredited during the MTS period have done so even when their access to the Fund was limited since their countries of operations had reached their cap.

The Board has approved project scale-up grants as part of readiness grants. The overall goal of project scale-up grants is to increase the readiness of accredited NIEs to expand or replicate quality projects based on country needs, views, and priorities. This, in turn, helps them reach more people and/or broaden project/programme effectiveness to help vulnerable communities in developing countries adapt to the adverse effects of climate change. A new readiness grant was also approved in 2021 through the Readiness Package and replaces the South-South cooperation grants.

### d. Support to the Fund's coherence and complementarity with other Funds

The Board has been focusing on the coherence and complementarity with the GCF and worked on approving a fast-track accreditation and collaborative activities with the Fund. It also approved scale-up grants.

The Fund's position vis-à-vis other climate finance delivery channels, and opportunities for complementarity, are built into the MTS. As of August 2021, the Fund has used fast-track re/accreditation to accredit 11 entities, 5 of which were NIEs. Three of the NIEs, prior to their fast-track AF reaccreditation, were also accredited on a fast-track by the GCF due to their earlier Fund accreditation status. This mutual alignment of the fast-track accreditation processes of the Fund and the GCF is a great example of complementarity and coherence among funds. It provides benefits in terms of reduced transaction costs, among others, and increased and simplified access to climate finance for NIEs.[34] The relatively swift project review cycle and accreditation process, and support to NIEs are comparative advantages for the Fund.

The Fund's accreditation process is one of its assets. Accreditation is highly valued for fast-tracked access to the GCF, and accreditation (and reaccreditation) for NIEs in building capacity to access other sources of climate finance.[35] IEs point to the importance of the accreditation process for building their organizational capacity. Accreditation – anecdotally and based upon the number of entities that have gone through the process – has been helpful for supporting readiness for funding, both from the Fund and other national and multilateral funding sources. This includes 18 NIEs that have received accreditation to the GCF and 8 that have also received GCF project funding.

Since 2014 (B.24), the Board has discussed potential linkages with the GCF. The GCF has been instructed by the COP to develop a framework for complementarity and coherence

34. The following entities were fast-tracked for accreditation because of the Fund accreditation process: Department of Environment, Antigua and Barbuda; Fonds National pour l'Environnement et le Climat (FNEC), Benin; National Environment Management Authority (Kenya)

35. While accreditation to the GCF is the most commonly cited co-benefit of being accredited with the AF, it is not the only one. Accreditation with the AF has helped NIEs leverage also other sources of funding, e.g. NABARD in India was selected as the implementing entity of the Indian National Adaptation Fund (with resources that are much higher than those that NABARD was able to access from the AF), Fundecooperacion from Costa Rica was able to use the same programmatic approach they had developed for the AF programme, to channel resources from various domestic sources. In both cases, accreditation with the AF was a "stamp of quality" that helped build trust domestically.

with other climate finance delivery channels. In 2017, during the development of the MTS, the Board asked the secretariat to send an official letter to the GCF conveying willingness to explore concrete steps for collaboration. Under the MTS, these discussions have been maintained as a recurring item at each Board meeting. The secretariat suggested and explored options for joint financing and decision-making processes, and joint management of funding envelopes. The GCF has also sought independent legal advice on the possibility of potential agreements between the two funds for the transfer of financial resources from the GCF to the Fund. The conclusion of that legal advice was positive. However, neither Board has followed up on the legal arrangements.

In the absence of more formal collaboration, the two secretariats (GCF, Fund) have been jointly supporting the Community of Practice for Direct Access Entities. This functions as a knowledge exchange and peer support platform. The two secretariats also collaborate in facilitating respective fast-track accreditations. In addition, a scaling-up approach pilot has also been forming between the two funds, which sets out a structured modality for collaboration. This approach, still under discussion, aims to create a process for identification of Fund projects that can be scaled-up through GCF and Fund resources.

# IV. HOW HAS THE MTS BEEN USED?

This section orients the MTS within the context of good practices for strategies and assesses how, and to what extent, the MTS has been used as a tool for positioning the role, niche, and priorities of the Fund. The assessment is based upon a framework developed for this review that draws upon literature from the field.

### Key messages

- The MTS has helped clarify the Fund's niche, role, and positioning in the climate landscape.
- The MTS has not been used to direct, guide, or prioritize proposals or sectors. Country priorities continue to drive project selection and prioritization of funding, which is part of the DNA of the Fund. On the other hand, the MTS prioritizes innovation and knowledge management grants as new areas for projects.
- Use of the strategy is not optimized to support continuous learning from concrete projects or across pillars.

The review assesses the MTS on its own merits, and also takes a broader view and applies a wider lens to understand what a good strategy can do if used and implemented effectively. The review aims to explain how the MTS supported the Fund's mandate and niche, and how it can be optimized to respond to the increasing demand for quick, country-driven adaptation finance. Effectiveness of the MTS is largely monitored in monetary terms (i.e. how much has the Fund approved for its partners, and how much has reached the ground for vulnerable communities). There is lack of consensus on global climate change adaptation goals and therefore how they can be measured (UNEP, 2021). This makes it difficult to assess the contribution of the Fund to risk reduction and to resilience, as these are key components of adaptation. This, in turn, makes it difficult to know whether the MTS is generating the intended impact, and if medium-term gains towards longer-term objectives can be demonstrated beyond providing adaptation finance.

The MTR engaged strategy experts to provide input on effective practices and lessons for designing and implementing strategies. These drew on diverse sector experience, and specifically strategy within the context of resilience and climate programming. In short, expert input was sought on "How is a good strategy developed and how can it be applied to move an organization towards its goals?" The consultation with experts raised the importance of key issues for development of climate change strategies. These aspects are threads for the assessment of the MTS and provide a basis for the recommendations:

- **Co-creation as central to the design of strategy** to bring people on board and develop a shared and transparent agenda
- **Strategic objectives used to identify, refine, or change** organizational value, position, role, and objectives
- **Active consideration of the political context and the enabling environment** in which a strategy is operating
- **Systematic and continuous adjustment for learning and fit-for-purpose** within the changing environment, using monitoring and evaluation as an active tool for learning, planning, and design
- **Balancing short-term projected IP and resource mobilization targets and long-term goals** to showcase immediate successes, while considering how to achieve objectives over the longer term and under changing circumstances.

As a starting point, the review considered how a strategy can support an organizational vision and mission and how the Fund can use the MTS purposefully to achieve its objectives. Review of good practices emerging from strategy literature and consultation with experts highlights the importance of a strategy and provides an indicative traffic light assessment[36] of how well the MTS serves this function:

**Clarify identity:**
Determine role, niche, purpose.

**Communicate a vision:**
Set out goals that orient activities.

**Assess and position within the landscape:**
Build on comparative advantages.

**Create partnerships:**
Figure out who you need to work with, why, and how.

**Determine and flex to emerging priorities, threats, and opportunities:**
Establish how the strategy will respond to changing external or internal conditions.

**Enable choice:** The strategy should provide a basis for how the organization determines direction and/or investments.

**Bring people on board:** The strategy is a calling card and an engagement tool for internal and external stakeholders.

■ **The team concludes the MTS has been supportive as a tool for clarifying the Fund's role, contribution, and niche:** The MTS was designed to enhance the Fund focus, build on its strengths, and serve the most vulnerable by clarifying its identity and position alongside

36. The traffic light rating green, amber, red is applied. Green indicates that the MTS is being used effectively for this purpose, Amber indicates that this use has not been fully demonstrated through the MTR.

other climate funds. The strategic objectives have helped orient the Fund within the climate financing landscape as a potentially strategic contributor, one 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 through the three strategic pillars.

■ **The strategy has helped characterize and define the Fund's position vis-à-vis other Funds.** The relatively smaller number of projects and volume of resources are recognized in the strategy and helps to characterize the Fund. Potential benefits of the Fund include its speed, flexibility, accessibility, and innovative components. The Fund's extensive repository of climate change adaptation projects and experiences is also a unique advantage it brings to the space through the learning and sharing pillar. Given the variable quality of adaptation projects across the world, and lack of consensus on what effective adaptation looks like, the Fund's experience, and its investment in learning and sharing, provides fertile ground for refining global goals on adaptation.

■ **The MTS has been used effectively as a vehicle to broaden the space in which the Fund can operate, although implementation of new areas remains a work-in-progress:** The strategic direction articulated in the MTS has provided the basis for new funding windows that focus the Fund's work in 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. Board members indicate they use the MTS to provide guidance on the Fund's operational policies and processes, review Fund performance, and consider and review submitted projects and programmes.

■ **The MTS has provided the basis for some partnerships through the strategic pillars, but there is scope for expansion:** Since the launch of the strategy, the Fund has accredited seven new NIEs.[37] Learning activities have included engagement with IEs, civil society organizations (CSOs), think tanks, thematic networks, gender-related organizations, and other climate funds. By expanding its work into new spaces, the Fund offers greater potential benefit to its partners, including those country partners that have already reached the country cap.

Additionally, the partnerships created through the innovation accelerator launched under the MTS with UNDP, UNEP, and CTCN have expanded the reach of the Fund. This is especially true as the Fund has engaged with those that would otherwise have been outside of the climate finance arena (e.g. national and regional CSOs/NGOs); they would not have had access to adaptation finance otherwise.[38]

The challenge of engaging "new" actors has been noted in early reporting on the Innovation Accelerator where central concepts are not commonly understood beyond the "usual suspects." The MTS is not accompanied by a partnership engagement strategy or

37. Please refer to Appendix I Supplementary background analysis and data for more information.

38. 384 applications for the first RFP were received to UNDP; for UNEP-CTCN, 71 applications (technology concepts) received for the first RFP and for the second RFP 134 applications were received.

have concrete aspirations on that front. The substantial thrust on locally led adaptation under the learning and sharing pillar resulted in the publication on the topic. It also led to active partnership with the community of practice under the Global Commission on Adaptation with the World Resources Institute.

■ **When this framework is used, the team concludes the MTS has been used to guide the Fund's strategic orientation. However, the MTS has not been used to direct guide or prioritize proposals or sectors and other funding decisions that lever impact for the Fund.** This is particularly the case as the MTS has enabled the Fund to continue working in areas where it has demonstrated strengths and has focused the Fund's work through new funding windows. While the MTS has pushed to improve the quality of proposals and enhance access to funding, it could be used more effectively to guide NIEs in identifying projects and ensuring that Fund investments are driven by each country's adaptation needs, delivered efficiently, and have potential for wider impact.

■ **Project selection is strongly based on the principle of country-drivenness (combined with review criteria) and the MTS does not comment on which sectors countries should prioritize to avoid encroaching on country ownership.** Considering the MTS is rooted in the mandate and operating principles and investment criteria for the Fund, the principle of country-drivenness is particularly salient for understanding how the strategy is used for funding decisions. Country-drivenness, referring to the importance of adhering to national strategies and plans in the design of projects to be implemented in a given country, is one of the overarching principles of the Fund. This requires that the Designated Authority of the country endorses projects. With this, the MTS and country ownership will be supported through providing countries with the tools and capacity support needed to develop nationally led projects. In a scenario of resource abundance or scarcity, this will support strategic identification of needs.[39]

The MTS is deliberately silent on sector priorities and is not intended to guide country decision making. Nor does the MTS have criteria to guide project development or project choice. The PPRC does not use the MTS to decide which projects to approve. The Fund's policies and guidance provide the basis for how projects are designed and implemented, and the MTS has enhanced emphasis on quality. Quality translates to compliance with the ESS and gender policies in practice.

39. Other factors that contribute to the selection and prioritization of projects include:

(a) Limited and predictable funding, as well as the funding country caps that could reduce the scope of proposals as well as the selection of priorities and does not allow some countries to present their priorities because they have reached the country cap. The increase of the country cap to $20 million, the Board's response to increasing demand for climate finance, could signify an influx of project proposals from countries.

(b) The Fund does not have an active pipeline of proposals in the event more funding is available.

(c) Availability of IEs, particularly when it comes to ensuring a balance in the number of projects implemented by MIEs and NIEs.

(d) Capacity of the countries to identify priorities under National Action Plans and Nationally Determined Contributions.

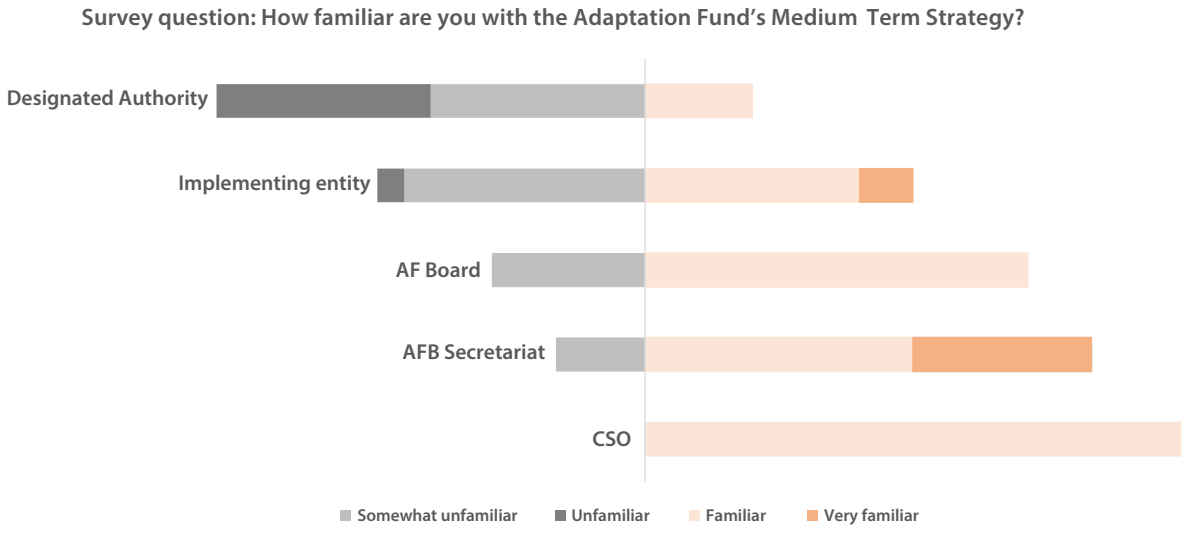
(e) Clarity on the mandates of the different climate funds vis-à-vis niche, complementarity, and what each of them are able to fund.

(f) Capacity and timeline required for review and feedback from the secretariat to improve quality of proposals.

(g) Approval processes by the Board only twice a year.

■ **The MTS has not been used to its full potential to engage stakeholders in the vision and objectives of the Fund:** The MTS was developed through a streamlined consultation that did not foster strong engagement from stakeholders; this is demonstrated by the limited knowledge or use of the MTS across IEs. Although the MTS is not widely known or used by the Fund's IEs, 45 per cent of survey respondents view the focus on innovation and learning and sharing, which are selected in the MTS, as an important advantage to the Fund.

**Figure 8. Familiarity of survey respondents with the MTS**



# V. DID THE MTS SUPPORT PIVOTING WITH THE CHANGING CONTEXT?

This section assesses the extent to which the MTS has supported change and flexibility during the first half of the strategic period.

### Key messages

- There have been no changes to the IP targets to achieve the longer-term goals, even when the external context (e.g. in light of COVID-19) has changed significantly since the MTS was approved.
- The MTS is broad enough for some latitude, but the available funding has inhibited flexibility.

## 5.1 MTS flexibility in response to current and future risks and shocks

The Fund's mandate and long-term vision remain more important than ever. Nevertheless, there is a pressing need to adapt the MTS IP, and respond quickly to significant fluctuations in the external political, environmental, and societal ambit. While the mandate, leadership, and overall governance dynamics are consistent, the world is changing rapidly (Table 4).

The Board has not reflected on whether the strategy for reaching IP goals needs to pivot in light of the pace achieved to date and the demonstrated urgency of climate change adaptation. The pace must accelerate in the context of a changing world. Since the MTS was developed, there is new learning about what works, and where performance should be bolstered. The context for the MTS requires more impactful, faster action that harnesses what works, and comes up with many new ideas from new actors to develop new solutions to worsening problems facing vulnerable people and countries.

**Table 4. Triggers or levers for organizational and strategic change during the strategic period**

| Internal | External |
|---|---|
| New learning based on concrete adaptation experience | Shocks, stressors, and crises (human and natural) |
| Limited performance of 5 of 7 new funding windows | Resource scarcity or availability |
| Steady performance of national and regional concrete adaptation portfolio | Competition – new funds entering the space |
| | Laws and regulatory changes (e.g. UNFCCC decisions) |

Secretariat staff and Fund stakeholders perceive the MTS has broadened the space in which the Fund can operate. While the MTS is perceived as enabling rather than constricting, the MTS still fully responds to the Fund's mandate. It does not propose a new direction for the Fund.

The MTS was designed so it would not need revision during its lifetime. For its part, IP of the

MTS is meant to be adaptive and flexible, and respond to programmatic changes. During the development of the MTS, it may not have been anticipated that the world would have changed so much, or so obviously. For example, when the MTS was developed, it might not have foreseen the dramatic changes presented by the COVID-19 pandemic, or the significantly more dire reports from scientists on climate change.

The Board adopted a dynamic rather than a static strategy. It employed strategic choices rather than a log frame model and proposed an IP that could be revised (AF, 2016a and 2016b). However, implementation has not taken advantage of that dynamism and the IP has not easily supported this flexibility for revision.

The development of the strategy is based upon the need to flex and adapt to an external context that is "volatile, uncertain, complex, and ambiguous" which necessitates a "dynamic approach to strategy" to enable it to change, pivot, and respond to the changing external environment and the "evolving architecture of international climate finance."[40]

The Options paper[41] that preceded development of the MTS points to a growing recognition of the Fund that "an innovation-oriented organizational culture, (characterized by a relatively flat hierarchy and an emphasis on experimentation, risk taking and collaboration versus competition) is the only way they can absorb, learn from and respond" to a changing context, and communication of information and learning. Options for a dynamic strategy require "empowered teams thinking outside the box to do more, learn sooner, and do better…" and "shared responsibility for testing, monitoring, and adapting strategy on an ongoing basis" rather than decision-making hierarchies.

## 5.2 Accommodation of the Fund's response to COVID through the MTS

COVID-19 tested the resilience of the MTS and the Fund's ability to adapt appropriately. It provides a test-case for how well the Fund can respond to similar disruptions. The Fund's agile response to COVID-19 compares favourably against other climate financing bodies (no-cost extension of 12 months as compared with 6 months).

The flexible application of "material change" for reallocation of up to 20 per cent of total project budget to cover COVID-19 related measures is a significant move by the Fund; before, a change of this magnitude had to be taken to the Board. The Fund also participated in the joint statement by climate funds to work together to support a climate-resilient recovery from COVID-19, articulating its efforts to address climate urgency and build broader resilience against other risks.[42] The COP has not taken place since the COVID-19 pandemic transformed the landscape, and the CMP/CMA has yet to a encourage specific response from the Fund on COVID-19.

40. Adaptation Fund (2016). Options for a Medium-Term Strategy.

41. Ibid.

42. Joint Statement by the Adaptation Fund, Climate Investment Funds, Green Climate Fund, Global Environment Facility, LDCF, SCCF (July 2021)

The Fund is positioned to continue supporting more flexible programming through encouraging countries to integrate a broader resilience lens. Just recently, the climate funds issued a joint statement on their role in stimulating climate action to accelerate post-COVID recovery by deploying innovative and scaled finance that can unlock economic resilience, improve health and create the next generation of green jobs.[43] Here, the Fund's support for innovation, project scale up grants, and EDA are highlighted as mechanisms for response to "address the climate urgency and build broader resilience against other risks and promoting the pandemic." The Fund does not explicitly not provide guidance on funding opportunities to influence and align the financial support to the recovery from the pandemic to climate change adaptation, but has a number of mechanisms which are considered to be designed to build broader resilience. The Fund's mandate to support countries to build resilience and adapt to climate change has encompassed a broad interpretation of climate resilience and sustainable development.

**Table 5. Measures taken by climate funds in response to the pandemic**

| | Project extension | Programmatic flex |
|---|---|---|
| Adaptation Fund | 12 month no-cost extension | Reference to support for innovation to climate change adaptation and broader resilience to compound risks due to COVID-19<br><br>20 per cent material change |
| Green Climate Fund | 6 month no-cost extension | |
| Global Environment Facility | 6 month no-cost extension | White Paper for GEF Medium-Term and Long-Term response to COVID-19 |

The Fund has a mandate to support countries in adapting to climate change and building resilience to climate change. Supported by the MTS, and the outcomes detailed in the results framework, the Fund has the latitude to encompass a broad range of actions towards adaptation funding. Due to this broad approach, many activities in support of concrete adaptation projects have employed innovative approaches. They may have had broad benefits on resilience (e.g. impacts on health or livelihoods) that have not yet been fully analyzed to understand the Fund's contribution or to clarify the concept of resilience. The Fund has not yet assessed the changing needs of those entities that requested project extensions in the context of the recovery from the pandemic. However, it has surveyed IEs to find out about the changing needs that informed the short-term adaptation measures offered by the Fund (Global Center on Adaptation, 2021). Still, adaptation, within the context of COVID, presents additional challenges to member states that will affect the needs of affected communities.

43. Joint Statement by the Adaptation Fund, Climate Investment Funds, Green Climate Fund, Global Environment Facility, LDCF, SCCF (July 2021)

## 5.3 Flexibility of funding through the MTS

The MTS and its IP are silent on the issue of the $10 million country cap, and the funding windows developed in response to the MTS sit outside of the country cap. Following development of the MTS, eight NIEs, whose home country had reached the country cap, gained reaccreditation or accreditation through the Fund. The additional windows enable those countries to apply for more funding, demonstrating the value added through the MTS. At its thirty-sixth meeting, the Board doubled the country cap under the MTS. This could be interpreted as a signal of confidence in the Fund, and a nod to the urgency and demand for adaptation finance.

The MTS accommodates this increase. However, it does not speak to the specific constraints and potential of the country cap or the issue of resourcing as it relates to the ambition of the MTS. The cap increase has significant implications for the volume of funding proposals submitted in the next strategic period.

# VI. CONCLUSIONS

The Fund was created to serve the Kyoto Protocol and now also the Paris Agreement. Given the ongoing climate crises, the urgent need to adapt and the Fund's contributions to date, there is now a strong rationale for the Fund's existence. When the MTS was approved, it was a good strategy, which offered an example of good practice among other climate funds.

The MTS was developed as fully responsive to the Kyoto Protocol and anticipated the needs of the Paris Agreement. Indeed, the CMP/CMA have asked the Fund to be part of its financial options. At that time, the Fund went beyond its usual business of supporting concrete adaptation projects. It leveraged the demonstrated strengths and areas of comparative advantage by adding strategic pillars on innovation, and learning and sharing. The MTS both clarified and expanded its identity and niche alongside the other climate funds. The MTS also placed a strategic emphasis on quality, urgency, and vulnerability.

On the other hand, the IP set out the Fund's activities rather than what the strategy aimed to achieve. It did not predict and was not used to adjust to changes in the internal or external environment. The internal context, for example, included an increase in country cap and more direct access entities. The external context included more vulnerability of the Fund's main target population due to the COVID-19 pandemic and greater urgency for responses to climate impacts.

Although the MTS is usefully broad, allowing latitude, the structure of the IP has not been used to support that flexibility. The Fund has yet to fully demonstrate impact or establish its role in complementarity with other actors (e.g. other climate funds). Building on its strengths, the Fund could offer a testing ground for riskier/potentially high return ideas; offer a space for newcomers to climate finance; and further share lessons both from scaling good ideas and from failures.

During the strategic period, the Fund, and thus the MTS, has been tested within a dynamic and demand-driven environment. During the first half, the urgency for climate finance increased; vulnerable people became even more vulnerable; the need for complementarity and coherence, and harmonization of processes between funds became more apparent; and the importance of country ownership, direct access, and locally based solutions remained a priority.

The Fund has achieved resource mobilization targets and sometimes exceeded them. However, they did not live up to the resource needs foreseen in the IP. Meanwhile, adaptation needs of countries remain immense. Mobilizing resources through primarily voluntary funding constrains the Fund in terms of predictability for programming and ambition.

The MTS provided the Fund with the authority to go beyond its business as usual. During the first half of the MTS period, all seven new funding windows were launched. They significantly expanded the Fund's potential portfolio, but implementation across these areas has been uneven.

While the concrete adaptation project portfolios grew by 80 per cent, the current portfolio of projects does not represent the intended ambitions of the MTS: 97 per cent of its funding is still within the concrete action portfolios under the action pillar whereas the IP envisioned 75 per cent.[44] Furthermore, the new windows and the other two pillars have not generated the pipeline on time that would have been expected to meet the IP targets.

One key constraint has been lack of clarity on the concepts and intended purpose underpinning the new windows. This has limited development of proposals by countries after the early launch of the innovation and learning small grant windows. There has been some improvement on this in the last few months and the pipelines have started to grow. However, there is only one more year of implementation for the MTS. Many funding targets may not be achieved, particularly in those areas that the Board gave the Fund space to explore.  On the other hand, the quality of projects has improved through improved compliance with ESP and GP.

Implementation of the MTS has not been fully leveraged to direct, guide, or prioritize proposals or sectors. Country-drivenness seems to be the key driver for proposals. This is good practice and responds to one of the essential aspects of the Fund's approach. However, the Fund is guided by other aspects not explicitly considered in the MTS. These include limited and unpredictable funding and country caps; limited number of NIEs; capacity building for countries to identify priorities; and complementarity with other climate funds.

Another shortcoming of the IP is lack of flexibility. There have been no adjustments to short-term targets to achieve the longer-term goals, even when the external context has changed significantly since the MTS was approved.

There is increased demand for adaptation financing, but the Fund faces multi-year budget uncertainty and omnipresent financial limitations. The Board decision to lift the country cap and increase the number of entities per country responds to the call for additional adaptation finance. The change in the country cap will provide a significant positive change for some countries. However, for some other counties, it will cover only a small fraction of their adaptation needs.

44. See Table 3 Approved and projected grant funding under the MTS.

# VII. RECOMMENDATIONS: MOVING FORWARD, EXPLORING OPTIONS TO USE THE MTS BETTER

**There is infinite need, infinite choice, and finite resources for climate adaptation.** With this context in mind, in the short term, there are several areas in which the Board and secretariat could improve use of the MTS without modifying it or the IP. These recommendations are intended to accelerate and enhance the quality of adaptation action, and to optimize the current design of the MTS and IP.

### a. Within the current strategic period

The Fund can take the following steps to leverage the value of its work, increase its potential, and optimize its impact, even within the year left in the MTS period.

| | Recommendation | Specific actions | Why? | Trigger for change | Level of effort | Who takes action |
|---|---|---|---|---|---|---|
| Current strategic period | **To use the MTS better:** | | | | | |
| | 1. Harness results to identify the wider impact of the Fund's adaptation projects. | • Identify and analyze wider impact additional to the direct impacts on resilience.<br>• Monitor, evaluate, and report the uptake of knowledge and learning.<br>• Contribute to global dialogue on tracking the effectiveness of adaptation projects. | To assess and position within the market.<br><br>Create partnerships; assess and position within the market. | Shocks, stressors, crises, changing national and regional priorities.<br><br>New incentives, new learning. | Moderate | **AFB secretariat**<br><br>AF-TERG |
| | 2. Demonstrate and incentivize work and interaction across MTS pillars. | • Demonstrate feedback loop.<br>• Track interaction between strategic pillars.<br>• Track outcomes across pillars.<br>• Identify where AF-TERG can provide evidence and validation.<br>• Use IP to manage performance. | To assess and position within the market. | New incentives, new learning; Performance. | Moderate | **AFB secretariat**<br><br>AF-TERG |
| | 3. Board to discuss feasibility of achieving IP targets by the end of the MTS period | • Review targets to determine realistic targets for outputs of MTS and resource mobilization.[45]<br>• In pursuit of learning and course correction, identify factors constraining progress. | Determine and flex to emerging priorities, threats, and opportunities: Establish what the strategy will do in response to changing external or internal conditions. | Limited/exemplary performance | Moderate | **AF Board**<br><br>**AFB secretariat**<br><br>AF-TERG |
| | **To improve the MTS:** | | | | | |
| | 4. Conduct further work on how to measure key concepts in the Fund, such as innovation, adaptation, and knowledge. Continue to explain these key concepts to newcomers to the Fund. | • Provide guidance to measure innovation and adaptation for newcomers to the Fund.<br>• Continue clarifying innovation in the context of adaptation.<br>• Further tap into potential of the learning and sharing pillar. | To bring people on board, particularly new/ local and outside CC actors through innovation and KM windows; create partnerships; communicate a vision; enable choice. | Shocks, stressors, and crises | Moderate | **AFB secretariat**<br><br>AF-TERG |

45. See Appendix I Supplementary background analysis and data for more information on progress against the Implementation Plan.

### 1. Harness results to identify wider impact of Fund's concrete adaptation projects:

*Identify and analyze wider impact and broader approach to resilience.* Based upon the experiences of countries, there is an opportunity to understand more broadly how the Fund's adaptation projects are making an impact. Beyond what the Fund tracks about its contribution to risk reduction and support for community resilience, there is scope to understand its wider benefits to society and nature by evaluating overall impact. These wider benefits include creation of jobs, improvements in natural systems environmental conditions, women's empowerment, data and information on weather for short-term use, infrastructure improvements, and capacity building. The Fund can analyze how its projects are being transformative. It is likely the Fund is having a wider impact, beyond what it is accounting for, which is not being fully assessed or understood. The Fund can draw upon early learning being developed by the AF-TERG as part of ex-post evaluation piloting. This would be a start to understand its approach to resilience; eventually, it could integrate these lessons. The AF-TERG should also facilitate learning towards this end.

*Monitor, evaluate, and report the uptake of learning and sharing.* Optimize the expected results of the learning and sharing pillar, and the knowledge management strategy. To that end, expand monitoring and evaluation of learning and sharing to include uptake of knowledge project and measures of progress towards capacity strengthening. The strategy highlights the Fund's extensive experiences in funding concrete adaptation projects globally. The Fund's learning and sharing pillar, supported by its Knowledge Management Strategy and Action Plan, offers a springboard to reach the Fund's cross-cutting strategic goal of strengthening long-term institutional and technical capacity for effective adaptation.

The learning and sharing pillar in the MTS positions the Fund as a knowledge provider on adaptation and as a knowledge broker. To increase the use and sharing of knowledge, the Fund can monitor contributions in its results framework to outcomes related to capacity building, institutional strengthening, and uptake of knowledge for enhancing the quality of adaptation projects.

### 2. Demonstrate and incentivize work across strategic pillars

The MTS has helped the Fund enhance and strengthen its focus. The strategic pillars were built upon what the Fund does and does well. Implementation of the strategy would be strengthened if it set a clearer direction for stakeholders about how the different pillars interact and support each other. In addition, implementation of the strategy could be strengthened by using the IP to measure performance and incentivize synergies between and across the pillars.

For example, building upon the analysis for AFB/PPRC.26.b/17, examples of innovative elements of projects under the main adaptation pillar should be routinely tracked and shared. This should demonstrate innovative adaptation action and support learning, and clarify how the pillars work together. In addition, the knowledge and learning products and processes offer the basis to develop quality adaptation projects.

*Specific steps:*

- Demonstrate examples where the MTS pillars support the knowledge and learning feedback loop to respond to changes.
- Develop indicators that track interaction between the strategic pillars.
- Seek opportunities where the AF-TERG can provide independent validation and evidence to support monitoring and learning from across the Fund's interventions.
- Expand the tools to support and incentivize support for higher risk projects.

### 3. Board to discuss feasibility of achieving IP targets by the end of the MTS period

Only one year remains in the current strategic period. Five of seven targets set by the IP are not likely to be achieved, including expected grant funding approved through the new funding windows. The Fund needs to be transparent and realistic about its expectations for the remaining time. In pursuit of learning, and to set the fund up for optimum impact, the secretariat and Board need to determine focus for the next year. To achieve longer-term objectives, short-term activities can be adjusted based on emerging priorities and building on what does and what does not work.

## To improve the MTS

### 4. Conduct further work on how to measure key concepts in the Fund, such as innovation, adaptation, and knowledge. Continue to explain key concepts to newcomers to the Fund

Some areas of the current MTS be more explicit in their concepts and measurements. Guidance from the Fund, where available (e.g. GP), has improved the quality of proposals (e.g. to the new windows on innovation, and learning and sharing). New funding windows were a practical way for the Fund to operationalize the MTS. However, the MTS did not offer operational definitions for "innovation" or "learning and sharing." This would have helped clarify and roll out these windows more efficiently. Furthermore, it has produced confusion about what is intended (e.g. the innovation rationale), and has been a barrier to entry and engagement for newcomers to the Fund. This has been a factor slowing the roll-out of the new funding windows. The Fund would also benefit from better ways to measure these concepts. Better measurement could also contribute to global dialogue on tracking effectiveness of adaptation projects (e.g. gender-responsiveness, local participation, capacity strengthening, and adaptive management).

Funding windows should be accompanied by clear guidance in the form of concept notes, webinars, e-learning, and cross-country exchange. The Board can emphasize certain areas by requesting development of policy and guidance. Guidelines, examples, and capacity building can help the MTS support eligible Parties to design and implement high-quality adaptation projects and programmes, based upon country-driven priorities, that showcase appropriate best practices.

To ensure the Fund is responding to the most critical areas, it would be useful to analyze capacity gaps and bottlenecks in the proposal process to determine needs for additional

guidance. This could draw on the Fund's concrete adaptation projects to help define and clarify concepts, and provide examples of good ("best") practice. The AF-TERG could play a role in helping the Fund identify evaluative evidence that can further support definitions and guidelines, and learning.

Through its Readiness Programme, the Fund works closely with IEs to understand Fund policies, processes, and key concepts. However, a key target group of this recommendation is potential newcomers to the Fund. These groups work at the local level on innovation, learning and sharing, but have not been involved or participated in climate change financing institutions. They are not even familiar with climate change language.

**b. For the next Medium-Term Strategy**

The Fund can move the strategy further. It can build on the performance of the current MTS. Further, it can take stock of the shocks and stressors in the external environment, and the opportunity to learn from the performance of the current strategy.

| | Recommendation | Specific actions | Why? | Trigger for change | Level of effort | Who takes action |
|---|---|---|---|---|---|---|
| Next MTS | **Given the urgency to adapt in response to climate change, the next MTS should be used to:** | | | | | |
| | 5. Consolidate and optimize the aspects that define the Fund's niche (even with resource uncertainty) as a Fund that:<br>• provides quick and direct financing<br>• creates new solutions built on what works<br>• supports innovative solutions with higher risk<br>• works in complementarity with others by providing catalytic financing<br>• brings new players necessary for the climate change adaptation space. | • Determine the Fund's position and niche within the changing, new, and urgent climate finance landscape.<br>• Review the Fund's "market position."<br>• Identify, learn from, and build on what is working.<br>• Manage for risk at the portfolio level to allow for higher risk investments.<br>• Perform in-depth benchmarking analysis.<br>• Interpret implications of decisions extending from Article 6 negotiations.<br>• Follow-up of Board on COP decisions.<br>• Develop models for Fund's impact with higher or low levels of resources.<br>• Use the next strategy to manage potential resource need and resource mobilization. | To clarify identity; assess and position within the market.<br><br>To determine opportunities; enable choice. | Competition – new funds entering the space<br><br>Resource availability/ scarcity | **High** | **COP**<br><br>**AF Board** |
| | **To improve the next MTS and build a new MTS that is more ambitious, more consultative, and more flexible:** | | | | | |
| | 6. Build the MTS more consultatively by bringing people on board, retaining flexibility and determining the capacity and resources required to implement the next strategy. | • Develop the next MTS in consultation with multiple levels of stakeholders.<br>• Initiate streamlined consultation process.<br>• Explicit scenario planning to determine resource and capacity requirements for operationalizing the next MTS. | To flex to emerging priorities; bring people on board. | Shocks, stressors, crises; resource availability; changing priorities. Resource scarcity/ availability; enable choice. | **Moderate** | **AFB secretariat** |

5. **Consolidate and optimize aspects that define the Fund's niche (even with resource uncertainty) as a Fund that:**
   *i. provides quick and direct financing*
   *ii. creates new solutions built on what works*
   *iii. supports innovative solutions with higher risk*
   *iv. works in complementarity with others by providing catalytic financing*
   *v. brings new players necessary for the climate change adaptation space.*

*Understand the position of the Fund***.** With the changing and evolving landscape for climate finance, the Fund should better understand and articulate its position for the next strategy vis-à-vis the other Funds and its added value to other partners. The next MTS can help the Fund to hone in on its niche and comparative advantage: quick, easier, direct, locally focused adaptation financing. In preparation, it will be critical to conduct a revised assessment of the Fund's external context. This is especially needed in light of current, emerging, and possible scenarios facing the human and natural environment, best available science, and the likelihood of increased shocks, stressors, and crises in the next strategic period. This will help determine the Fund's position and niche within the changing, new, and urgent climate finance landscape.

It will be useful to track progress (or assess active projects) on the interactions of individual projects with other climate funds to understand the Fund's strategic contribution and to understand its niche. The Independent Evaluation Unit of the GCF has developed categories that are useful to understanding complementarity and synergy with other Funds: (i) scale up; (ii) synergy; (iii) lessons learned; and (iv) co-finance.

While the small innovation windows have taken more time to launch, there has been considerable increase in the volume of regional projects. The Fund can assess how and to what extent it can focus on what is working, and how these areas are triggering the desired impact and desired direction. The regional funding windows may, for example, offer a practical and effective modality to advance the objectives of the Fund.

*Manage predictability of funding.* Adding to the urgency to respond to climate change is the uncertainty about available resources for the Fund. The next strategy needs to provide an envelope of needs and expected results that could be achieved at different levels of resource mobilization. The strategy should be used to proactively manage resource uncertainty: absorbing high levels of resources and managing with low levels of resources. A key area of uncertainty is the level of funding coming from the Fund support to the Paris Agreement within Article 6. This should be clarified in the next few months, before the new strategy. While the details of Article 6 are decided at the COP-level, the MTS should speak to the various possible outcomes of the negotiations and potential implications for the next strategic period.

The next strategy needs to manage funding uncertainty and support resource mobilization. The ambition of the MTS needs to be gauged explicitly against resource availability and limitations. In this way, the next strategy will need to be built to proactively absorb high levels of resources and manage with low levels of resources.

The next MTS will need to update and adapt to the evolving regulatory environment to ensure the Fund's strategic direction is responding to UNFCCC decisions and maximizing the potential for impact therein. Further, it needs to clarify how the Fund will serve the Paris Agreement in the context of completed negotiations of Article 6.

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. Not having a replenishment process creates uncertainty over when resources are raised and how much can be programmed. The next MTS could help raise the ambitions for the Fund to pursue multi-year funding.

### 6. To improve the next MTS, build it more consultatively by bringing all Fund stakeholders on board, retaining flexibility, and determining the capacity and resources required to implement the next strategy

The next MTS must use the lessons from implementing the current strategy to ensure the Fund's organizations (e.g. Board, secretariat, AF-TERG, Accreditation Panel, IEs and CSOs) have the capacity and flexibility to respond.

The IP of the MTS refers to the difficulty of accurate budget planning and provides for indicative levels of resourcing that depend on the funding windows. While the next MTS will also need to be built to accommodate funding uncertainty, it should more clearly describe the technical expertise and capacity required to meet the demands of the next strategic period. Potentially, the Fund should be prepared to process high levels of resourcing and/or to be selective and impactful where resources are constrained.

*Retain flexibility.* Build upon the successful experience of designing the current MTS for the design of the forthcoming MTS by i) maintaining a strategy rather than a strategic plan; and ii) expanding the consultation process for development of the strategy.

*Bring stakeholders on board.* The current MTS was designed though a streamlined process engaging a narrow group of stakeholders and decision makers and selected consultation. The resulting strategy is "good" but is not deeply known by stakeholders, particularly implementers or those beyond the Board and secretariat. The next MTS can bring additional stakeholder groups on board through a targeted consultation process.

### c. Implications for the upcoming Overall Evaluation of the Fund

Based upon the recommendations for the MTS, several areas of enquiry can be explored in greater depth in the forthcoming Evaluation of the Fund.

| Recommendation | Implications for Evaluation of Fund |
|---|---|
| 1. Assess wider impact of Fund's activities:<br>i. Identify and analyze wider co-benefit and broader approach to resilience.<br>ii. Monitor and report the uptake of knowledge and learning. | Assess impact of Fund projects beyond climate change adaptation to understand sectoral impact including climate and security, interlinkages with biological diversity, and benefits at multiple levels (cities, regions), and for different groups, for health, food, livelihoods, and for specific natural areas.<br><br>Analyze contribution and impact of the Fund's knowledge and learning work. |
| 2. Demonstrate and incentivize work and interaction across MTS pillars. | Assess how the structure of the secretariat supports these pillars. |
| 3. Board to discuss feasibility of achieving IP targets by the end of the MTS period. | Draw on lessons of what is feasible in the current MTS. |
| 4. Conduct further work on how to measure key concepts in the Fund, such as innovation, adaptation, and knowledge. Continue to explain these key concepts to newcomers to the Fund. | Explore experiences from other organizations, particularly when bringing new players into the Fund. |
| 5. Consolidate and optimize the aspects that define the Fund's niche (even with resource uncertainty) as a Fund that:<br>i. provide quick and direct financing<br>ii. create new solutions built on what works<br>iii. support innovative solutions with higher risk<br>iv. work in complementarity with others by providing catalytic financing<br>v. bring new players necessary for the climate change adaptation space. | Assess comparative advantage and niche of Fund (complementarity/ coherence).<br><br>Consider the trade-offs and implications of the COP26 negotiations for the Fund, particularly on envelopes of available funding. |
| 6. To improve the next MTS, build it more consultatively by bringing all Fund stakeholders on board, retaining flexibility, and determining the capacity and resources required to implement the next strategy. | Assess capacity and resources to support current and future portfolio.<br><br>Assess how the IP can be used to drive performance. |

# Appendices

# Appendix I. INITIAL MANAGEMENT RESPONSE TO MTR OF THE MTS OF THE ADAPTATION FUND

ADAPTATION FUND

# DRAFT INITIAL MANAGEMENT RESPONSE TO MID-TERM REVIEW OF THE MEDIUM-TERM STRATEGY OF THE ADAPTATION FUND

# Background

At its thirtieth meeting, the Adaptation Fund Board (the Board) considered and approved through decision B.30/42 the medium-term strategy (MTS) for the Adaptation Fund (the Fund) prepared by the Adaptation Fund Board Secretariat (the secretariat) as contained in Annex 1 of document AFB/B.30/5/Rev.1.

At its thirty-first meeting, the Board considered and approved through Decision B.31/32 the MTS Implementation Plan (IP) as contained in Annex 1 of the document AFB/B.31/5/Rev.1.

As part of decision B.31/32, the Board also requested the Adaptation Fund Technical Evaluation Reference Group (AF-TERG) to undertake a midterm review (MTR) of the MTS and the IP and report to the Board at its 36th meeting.

The draft report of the Mid-Term Review of the MTS (Document AFB/EFC.27/Inf.2) was taken note by the EFC at its twenty-seventh meeting (October 2021).

In response to the MTR, the secretariat prepared this document as an initial management response to the findings and recommendations of the AF-TERG.

This report provides an initial management response, identifying to what extent the Secretariat agrees or disagrees with the report, provides an update on actions already being undertaken to address some of the recommendations, and includes an annex with specific responses to the findings.

### Overall management response and reflections on recommendations

1. The secretariat welcomes the MTR report, its findings and recommendations which highlight the positive achievement of the Fund over the first half of the MTS period, as stated by the MTR that the Fund's MTS "is a good, fit-for-purpose strategy which was ambitious, forward-looking, and responsive to global negotiations and imperatives for climate change adaptation when it was adopted".

2. Overall, the secretariat agrees with the MTR recommendations which provide an opportunity for the Fund to expedite and improve the implementation of the MTS over the remaining period. In addition, these recommendations constitute a base for the preparation of the Fund's possible next medium-term strategy.

3. The MTR clearly recognized the strong achievement by the Fund stating that "the MTS has achieved significant strides during the first half of the MTS period" and "the Strategy has enabled the Fund to go beyond what it had done before in concrete adaptation projects by introducing innovation, and learning and sharing through established pillars (action, innovation, learning and sharing) and backed by new funding windows".

4. While the secretariat agrees with many of the findings in the MTR and proposed recommendations, it is important to provide some clarifications and relevant context for some of the findings for the Board's consideration including, among others, on issues related to reasons for slow implementation of new windows, change in MTS

implementation targets to achieve long term impact, lack of interaction between MTS pillars and the Fund's ability to respond to external threats and triggers like the COVID-19 pandemic.

5. The secretariat has engaged with the AF-TERG team during the preparation of the MTR and remains committed to implement the MTR recommendations as approved by the Board. Some of the recommendations are part of an ongoing effort by the secretariat to accelerate and improve the MTS implementation plan including among others: (i) the recent launch of the new windows; (ii) the clarification and guidance to entities on issues related to innovation and, (iii) the improved quality of proposals submitted for Board approval and alignment with the Fund's Environmental and Social Policy and Gender Policy.

**Overall response on proposed recommendations**

6. This document presents only an initial management response prepared by the secretariat on the MTR of the MTS as well as on the proposed recommendations. Further details will be developed as part of the comprehensive response.

### a. Recommendation 1 - Harness results to identify the wider impact of the Fund's adaptation projects

7. Overall, the secretariat welcomes this recommendation which calls for greater role of the Fund on tracking and assessing the Fund's impact beyond the current results tracker as part of the strategic results framework, while recognizing that some such areas of wider impacts as outlined by the MTR extend outside the Fund's core mandate and should be considered clearly separate of the impacts that are used to justify funding decisions. It is important to highlight the ongoing efforts by the Fund to aggregate quantitative indicators for a portfolio that is, by nature, diverse, through the five core indicators, as well as to assess relevant reports submitted by the Implementing Entities as part of their project monitoring requirements (inception, mid-term, and terminal evaluation reports). In addition, the Fund has been engaged with multiple partners to generate and disseminate lessons learnt and knowledge products based on its current portfolio under implementation. As referred by the MTR, the Fund has produced several knowledge products including the Local Leadership in Adaptation Finance; Assessing Progress: Integrating Gender in Adaptation Fund Projects and Programmes; Bridging the Gaps in Accreditation or Lessons Learned and Successful Approaches captured from Portfolio Monitoring Missions.

### b. Recommendation 2 - Demonstrate and incentivize work and interaction across MTS pillars

8. While the secretariat recognizes there is room to improve the integration among MTS pillars and explore ways to enhance Fund's overall support to countries, the report does not fully acknowledge the ongoing efforts by the Fund to serve countries in an integrated manner. All three new windows have been implemented in parallel and with the objective to offer countries access all funding opportunities in an integrated manner. Building linkages between pillars at the practical level also entails the risk of increasing complexity, and it may be preferable to introduce such requirements in

a gradual manner, to avoid overwhelming countries and implementing entities. As highlighted during the launch of each of the MTS windows, the secretariat provides dedicated support to countries and entities on how to better access and use each of the funding windows to address identified adaptation issues and any possible integration of the existing windows in a single proposal is welcomed and encouraged. In relation to MTS implementation plan outcomes tracking across pillars, it is perhaps premature to expect such reporting when most of new windows have just started implementation.

### c. Recommendation 3 - Board to discuss the feasibility of achieving implementation plan targets by the end of the MTS period

9. Overall, the secretariat agrees with the proposed recommendation and remains available to implement any guidance from the Board on addressing it. The fact that it has taken longer than initially expected for the Fund to launch the new funding windows and for countries and implementing entities to submit proposals, is an important lesson learned. However, the Fund has undertaken various measures to increase implementing entities' capacity to prepare proposals, including through seminars and e-learning courses. It might be complicated to try and accelerate the process through "determining and flexing to emerging priorities, threats, and opportunities", as such priority changes at this point, despite good intentions, might create more confusion among implementing entities. In terms of resource mobilization, it is important to note that the Fund's Resource Mobilization Task Force has always discussed this issue as part of the review of the Fund's resource mobilization target. In addition, and as mandated by the Board (Decision B.36/36), the secretariat in consultation with Resource Mobilization Task Force is currently preparing a draft resource mobilization strategy for the period 2021– 2024 and a draft resource mobilization action plan for consideration by the Board at its thirty-seventh meeting. Such strategy and action plan will certainly address many of the issues highlighted in the proposed recommendation.

### d. Recommendation 4 - Conduct further work on how to measure key concepts in the Fund, such as innovation, adaptation, and knowledge. Continue to work on explaining key concepts to newcomers to the Fund

10. The secretariat welcomes the proposed recommendation and partly agrees that there is value in further clarifying and defining relevant concepts under the MTS, especially those that are new such as innovation in adaptation, and in continuing to provide related guidance to the Fund's existing and new stakeholders. However, it is unclear what is meant with "measuring key concepts" and what is the need for clarifying the concepts such as "knowledge" and "adaptation". Although the AF-TERG team has further clarified that their focus is on further understanding what works and what doesn't work regarding those concepts, the secretariat is yet to better understand the rationale for this recommendation and the issue being raised.. Since its establishment and until recently with the launch of new windows, there is a global recognition of the quality and efficiency of the Fund in addressing adaptation issues. Neither the implementing entities nor countries or the AF NGO network have highlighted any issue related to adaptation reasoning in projects approved by the Board. The Fund's experience with and use of concepts related to adaptation

in project development, including climate adaptation reasoning and full cost of adaptation, is one of the Fund's core areas of expertise and strengths.

11. In relation to the concept of innovation and as mandated by the Board (Decision B.35.b/9), the secretariat recognizes the need for further clarifying the innovation concept and is committed to provide more guidance to implementing entities on accessing the MTS innovation windows. Under the guidance of the Board, an Innovation Task Force was established and after consultation with the Fund's partners, the secretariat has presented at the thirty-sixth meeting of the Board, an initial assessment contained in document AFB/B.36/8 "Further clarification of vision and definition of innovation under the adaptation fund: analysis of relevant elements and guidance on review criteria". The secretariat has received guidance and feedback from the Board and a further assessment is currently being conducted. For both concepts, of innovation and knowledge, to the extent that there is value in further defining them, it may be beneficial to do so, not through a quick "academic" exercise but rather through an iterative process that takes into account the Fund's clients' real-life needs and priorities.

**e. Recommendation 5 - Consolidate and optimize the aspects that define the Fund's niche (even with resource uncertainty) as a Fund that (i) provides quick and direct financing; (ii) creates new solutions built on what works; (iii) supports innovative solutions with higher risk; (iv) works in complementarity with others by providing catalytic financing and (v) brings new players necessary to come into climate change adaptation.**

The recommendation 5 highlights the need to explore further the Fund's niches and ability to serve better its eligible countries and its current engagement with other partners including climate funds. The secretariat endorses this recommendation and would implement any guidance from the Board in the preparation of the next MTR. In addition, as it has been widely recognized by the adaptation community, the Fund continues to play a catalytic role in supporting countries access climate finance beyond its own resources, as evidenced by the number of entities which have been fast-tracked accredited to the GCF through AF or the large number of AF funded projects scaled up by other partners.

However, while recognizing the important role of innovative solutions in addressing resilience and given the nature of sectors and only-grant instrument deployed by the Fund, the Board might need to consider defining the level of risk the Fund might take in addressing adaptation issues.

**f. Recommendation 6 - To improve the next MTS, build it more consultatively by bringing all Fund stakeholders on board, retaining the flexibility and determining the capacity and resources required to implement the next strategy**

The Fund promotes wider stakeholder engagement and consultations in all its operations

including during development of policies, projects design, portfolio monitoring and all other related activities. The current MTS has been developed following a comprehensive consultation of all stakeholders and such process will be applied for the next strategy. As evidenced by its flexibility during COVID19, the Fund will adapt its working modality to conduct stakeholder consultation in an equitable and comprehensive ways should the current pandemic continues to impact the normal operating modalities.

On the resources required for the implementation of the next strategy, the secretariat will follow the guidance by the Board and any lessons learned from the ongoing MTS implementation plan.

**Conclusion and next steps**

12. The proposed management response is provided as initial feedback from the secretariat on the MTR of the MTS and is not intended to be considered as a full management response.

13. The proposed recommendations if approved by the Board will be implemented by the secretariat in accordance with the proposed timeline to be included in the full management response and action plan.

14. The secretariat will continue its collaboration with the AF-TERG to integrate lessons learnt described in the MTR of the MTS and any further guidance from the Board as part of the approved recommendations.

## Annex I: Initial response to key findings of the Mid-Term review of the Fund's Medium-Term Strategy

| | Overall finding | Secretariat position | Management response |
|---|---|---|---|
| 1 | **How has the MTS been designed and implemented?** | | |
| 1.1 | The MTS is fully responsive to the Kyoto protocol, the Paris Agreement, and CMP/CMA decisions. | Agreed | NA |
| 1.2 | Anticipating the ambition set by the Paris Agreement, the MTS both clarified and expanded the niche of the Adaptation Fund into areas where the Fund had demonstrated potential, and placed a strategic emphasis on quality, urgency, and vulnerability. | Agreed | NA |
| 1.3 | The output-oriented-Implementation-Plan for the MTS, does not fully harness the ambition and potential envisaged by the MTS. | Agreed | The secretariat under the guidance of the Board will take into consideration this finding when developing the next Fund's strategy. |
| 1.4 | Resource mobilization continues to be a constraint to the predictability for programming and ambition of the Fund, the MTS and its Implementation Plan. | Agreed | Although the finding is addressed to the Board, the secretariat is committed to explore further avenues for stable and predictable resource mobilization for the Fund. The development of the next resource mobilization strategy will integrate this finding and assess a potential solution within the mandate given by the Board. |
| 2 | **What have been the achievements and challenges of the MTS implementation?** | | |
| 2.1 | During the first half of the strategic period, all seven of the new funding windows were launched presenting a significant expansion in the Fund's potential portfolio but implementation of the implementation plan has been uneven. | Partially agreed | While the secretariat recognizes the slow implementation of some of the new windows, it is important to acknowledge, as recognized by the MTR, the effort deployed during early-stage work and launch of the new windows for which guidance, preparatory work and awareness raising was needed. |
| 2.2 | The portfolio of concrete adaptation projects grew by 80% since the approval of the MTS, primarily driven by the increase in regional projects. Their quality has also improved through the compliance with Environmental and Social Policy (ESP) and the Gender Policy (GP). | Partially agreed | The secretariat agrees with the portfolio quality improvement and the important role played by the Fund policies on gender and ESP. The increase referred to in the MTR corresponds to the MTS period. However, when the entire portfolio of the Fund is considered, , the regional projects (total of 17 projects excluding the 2 AFCIA grants totalling 10 million) amount to USD 181 Million while the total project/programme funding amounts to 847 million with USD 656 million for single country projects/programmes. |

| | Overall finding | Secretariat position | Management response |
|---|---|---|---|
| 2.3 | The project pipeline and approval under the new funding windows have been slower than foreseen in the IP due to lack of clarity on the concepts and intended purpose underpinning the innovation, and learning grants. The review criteria for innovation grants do not demonstrate the expected risk that the innovation window should have allowed and incentivized. | Partially agreed | While the secretariat agrees with the slow implementation of new funding windows as explained above, further clarification on the reason expressed in the findings is welcomed. As highlighted in the previous comments, slow implementation is also and mainly due to preparation and setup of the windows including guidelines. |
| 2.4 | There is no progress reporting to the Board in terms of the Implementation Plan's output indicator targets. | Disagree | The secretariat welcomes the finding and suggests having it as a recommendation in lieu of an evaluation result, since there is no such requirement in the current MTS. |
| 3 | **How has the MTS been used?** | | |
| 3.1 | The MTS has helped to clarify the Fund's niche, role, and positioning in the climate landscape. | Agreed | NA |
| 3.2 | The MTS has not been used to direct, guide, or prioritize proposals or sectors. Country drivenness and priorities continue to drive project selection and prioritization of funding which is part of the DNA of the Fund. On the other hand, the MTS prioritizes innovation and knowledge management grants as new areas for projects. | Partially agreed | The secretariat agrees with the factual statement but not with the implied premise on which it is made. As highlighted by the report, unlike other climate funds, the Adaptation Fund does not prescribe any prioritization or sector allocation of funding and works on a basis of country drivenness. The MTS pillars have been proposed and approved by the Board after consultation with countries and do not constitute a prioritization by the Fund or its Board. |
| 3.3 | Use of the strategy is not optimized to support continuous learning from concrete projects or across pillars. | Partially agreed | The Fund's knowledge management strategy and its MTS emphasise a strong focus on learning and sharing. As evidenced by the Fund's generation and dissemination of many KM products, the Fund is continuously supporting learning from its active portfolio. As noted above, work on learning between pillars is ongoing and is expected to be enhanced. |

| | Overall finding | Secretariat position | Management response |
|---|---|---|---|
| 4 | **Did the MTS support pivoting with the changing context?** | | |
| 4.1 | There have been no changes to the implementation plan targets to achieve the longer-term goals, even when the external context (e.g. in light of COVID) has changed significantly since the Strategy was approved. | Disagree | The Adaptation Fund was one of the first climate funds to provide guidance and adjust its operating modality to support countries and implementing entities addressing the immediate challenges created by the COVID-19 pandemic. Therefore, the secretariat believes this finding, while perhaps technically not incorrect, is effectively misleading, since the Fund's response to the COVID-19 pandemic included adaptive measures to mitigate its impact on the Fund's portfolio, which speaks for the MTS flexibility and rapid response ability.<br><br>As mentioned by the MTR, a survey conducted by the secretariat among implementing entities in the early phase of the pandemic also confirmed the continued and even increased relevance of the Strategy and its short-term milestones, including the launch of and guidance on the innovation grants, learning grants, scale up grants, as well as e-learning and knowledge exchange activities. There was no evidence of a need for adjustments. |
| 4.2 | The MTS is broad enough which allows it to have some latitude, but the funding available has been a factor that has inhibited flexibility. | Agreed | NA |

# Appendix II. MTS AND IP IMPLEMENTATION DATA AND ANALYSIS

This appendix provides supplementary analysis to the main report. It is structured along the chapters of the main report, and it provides some relevant data points and analysis that complement the report.

## 1.0 Introduction

The following model maps how the strategic pillars and associated actions, envisaged by the Medium-Term Strategy (MTS), would lead to desired results. The model (Figure 1), created by the Mid-Term Review (MTR) team, sets out propositions about how the strategic pillars, cross-cutting issues, and operational issues interact to support objectives of the Adaptation Fund (the Fund). The model draws upon methods to develop a theory of action that links plans with anticipated achievements. The links that are mapped out demonstrate how the MTS would work if all the underlying assumptions are borne out and how they contribute to the overall goals envisaged by the MTS. The MTR process tested these assumptions and provided an assessment on this basis.

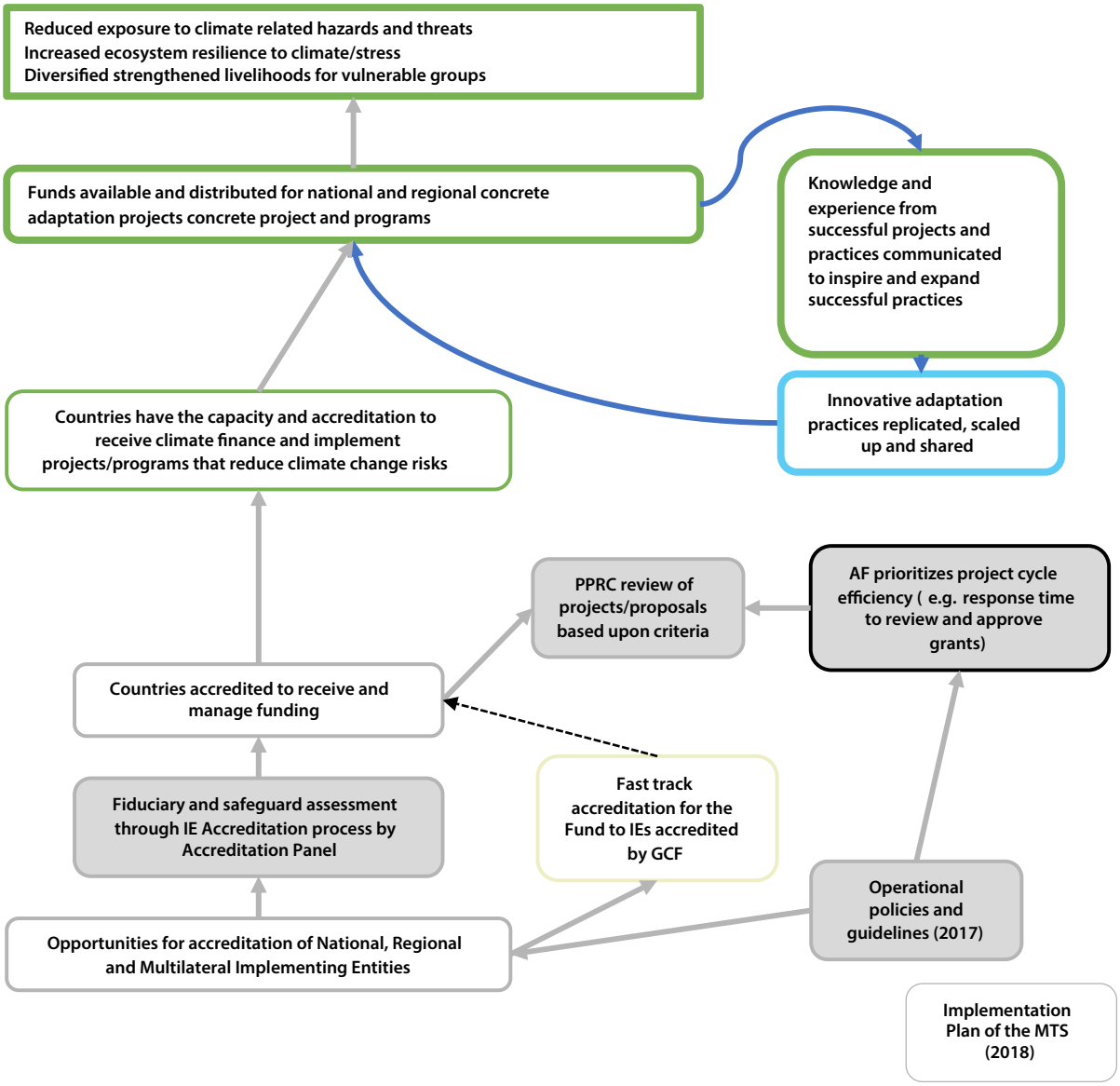
**Link between action, innovation, and learning: Driving propositions**

- Funding for adaptation action is needed, and it works Mostly addressing
- As per the MTS, Action, innovation and knowledge are integrated into the Fund's processes given the need to develop, share, and scale multiple solutions to the diverse challenges presented by climate change. Partially addressing
- The implementation plan helps guide decision making and flexing to external changes on a day-to-day basis Partially addressing
- Fund processes put vulnerable communities and ecosystems at the centre of its work Mostly addressing
- Fund processes are designed to respond to the urgency of climate change Partially addressing
- Country readiness (capacity building) is prioritized to access the Fund or other Funds. Mostly addressing
- Funds are finite and needs are extensive, the processes in place support strategic decision making Partially addressing
- AF provides support to enhance country capacity and project quality Partially addressing
- There is a clear and active feedback loop to support learning from projects to improve quality, disseminate innovation and achieve scale Partially addressing, need more information
- Processes are designed to respond to and pivot toward emerging priorities and challenges Partially addressing

**Underlying processes and policies required to support this:**

- Processes to guide project selection criteria are in place
- Processes to support the development of "good" concrete adaptation projects assessment of gender/social/environmental policy is clear, other processes.
- The Fund has a clear understanding of innovation.
- The Fund has well-embedded monitoring, evaluation, and learning processes; knowledge processes are in place.

**Figure 1. Link between action, innovation, and knowledge/learning (prepared by the MTR team)**

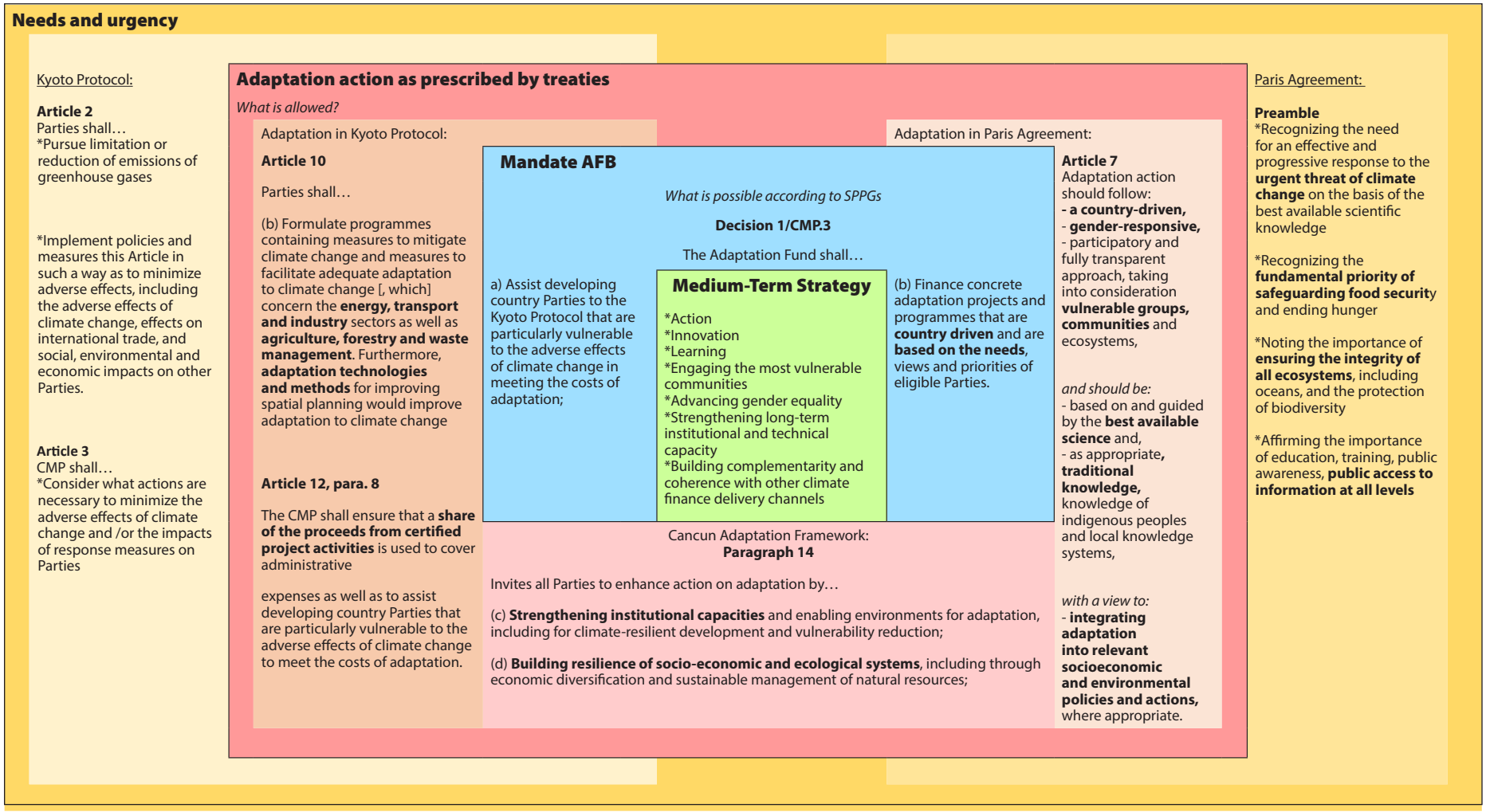



## 1.1 How has the MTS been designed?

The Medium-Term Strategy (MTS) places a strategic emphasis on quality, urgency, and vulnerability. The MTS reflects the imperatives of the Paris Agreement effectively. It 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. The Kyoto Protocol, Paris Agreement, and Cancun Adaptation Framework articulate the threat of climate change and the adaptation actions that are required in response. In doing so, they 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 align with the prescriptions of the treaties and the United Nations Framework

Convention on Climate Change (UNFCCC) and other frameworks in light of the needs and urgency of climate change. This is shown below in a representation of these nested imperatives (See Figure 2).

**Figure 2. Nested alignment of the MTS to the Kyoto Protocol, Cancun Framework, Paris Agreement and CMP**



## 1.2 What have been the achievements and challenges of the MTS implementation?

The MTS outlined the broad direction for the Fund for the 2018-22 period. After approval of the MTS at the end of 2017, the Adaptation Fund Board approved the IP in March 2018. This included specific activities, indicative timelines, and projected budget and grant funding for implementing the MTS over the available five-year period. The role and intended use of the IP is best described by its following paragraph:

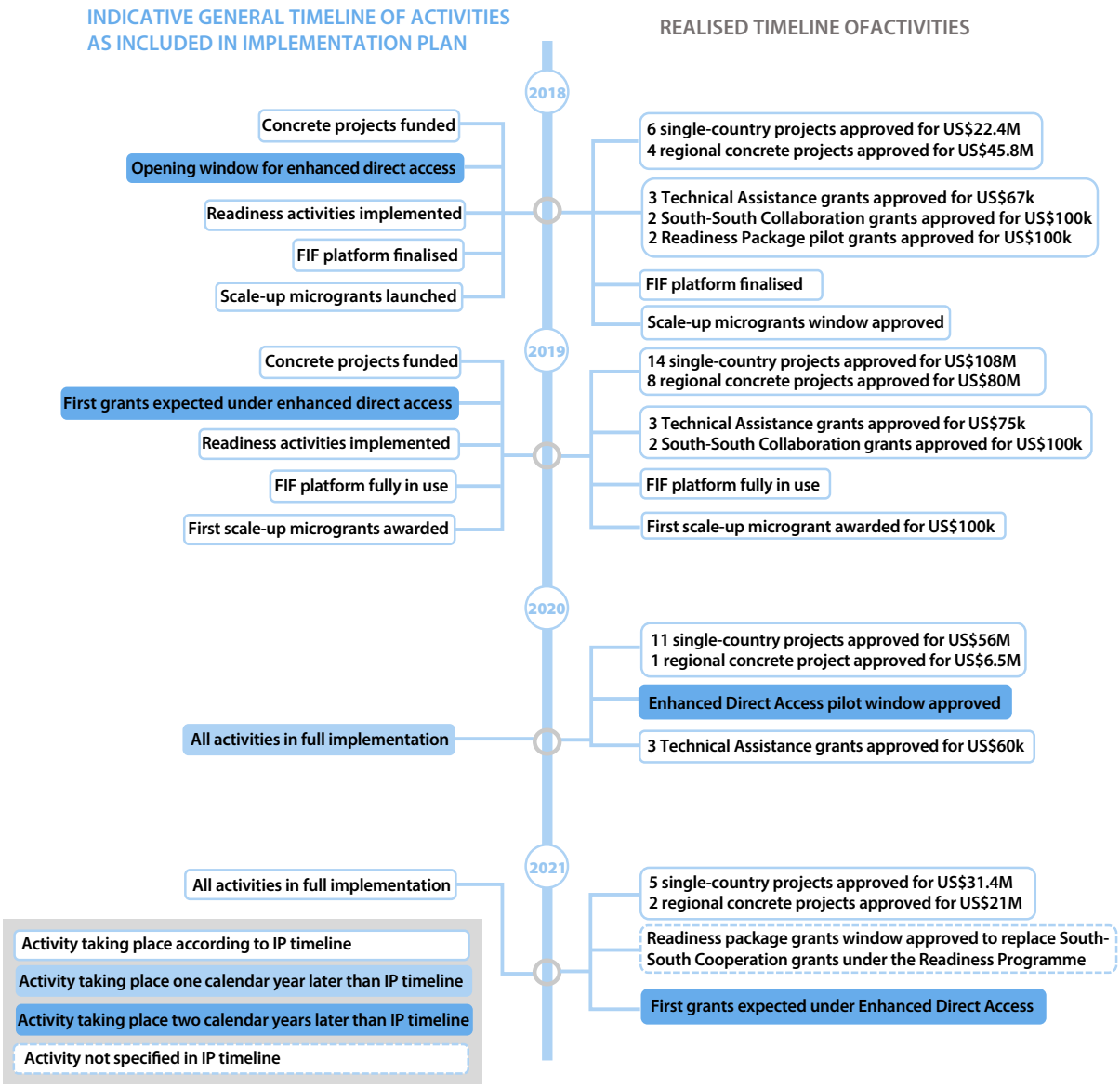
"*While the MTS is meant to be a document that does not require revision during its lifetime of five years, the IP is meant to be adaptive and flexible. The introduction of new areas of work and new activities represents opportunities and risks that will only be fully understood during the implementation of the MTS. There are also factors outside the Fund's control that may influence the operating environment of the Fund, both relating to the Fund itself, such as the process of the Fund coming to fully serve the Paris Agreement, and relating to other actors. Therefore, the implementation of the MTS will necessarily be an adaptive process, where the Board regularly assesses the progress made, and corrects the course as needed. This is reflected in the IP being more specific for the first two years of implementation and more general thereafter [..]).*"[46]

### a. Action Pillar

The objective of the Action Pillar is to *"support eligible countries to undertake high-quality adaptation projects and programmes consistent with their priority needs, goals, and strategies."* The Action Pillar of the MTS incorporated most of the previous work of the Fund, and all existing funding windows were included under this pillar. In addition to these windows, the MTS also created new ones under this pillar. This included the Enhanced Direct Access (EDA) Window, building on prior experiments of the Fund, and the scale-up microgrants.

46. Adaptation Fund (2018). Implementation Plan for the Medium-Term Strategy.

**Figure 3. Indicative and realised timeline of activities under the Action Pillar**




Overall, progress under the pillar has been steady, largely due to the well-established funding windows, and processes of the Fund prior to the MTS. Seven of the 12 output indicators (58 per cent) are likely to be met by the end of the MTS period, while the achievement of three are uncertain (25 per cent) (See Figure 9).

The **nationally determined concrete adaptation projects** constitute the bulk of the MTS portfolio's funding, both envisioned and realized. The projected total grant funding under this window was planned to be US$400 million until the end of the MTS period, at the end of 2022. With current approval trends, it is likely this goal will be met (See Figure 4).

Figure 4 also shows that, considering approval trends prior to the MTS, the growth of this sub-portfolio follows a near linear trend over the life of the Fund. This also means the approval target set for the MTS did not represent a particularly different scenario from its previous growth trend. This window is the only one subject to the Fund's country cap, initially set at US$10 million per country, and doubled in 2021 to US$20 million. The effect of the raised country cap on the approval trend is yet to be seen. However, without this revision, the MTS's set target of US$400 million funding was already likely to be closely met through the existing pipeline and given resource availability.

The **regionally determined concrete adaptation projects** make up the second largest sub-portfolio of the Action Pillar and the Fund. The window was created prior to the MTS, but there were only three regional projects before the strategic period started in 2018. The MTS and the IP set the ambition high for this sub-portfolio with US$200 million in expected grant funding. While the ambition was high, the demand and delivery were higher. With current approval trends, the funding is likely to surpass the set target (See Figure 5). Two of the regional projects were funding for the multilateral implementing entity (MIE) innovation aggregator under the MTS's Innovation Pillar. The remaining 13 projects approved are shared 40 and 60 per cent between regional implementing entities (RIEs) and MIEs, respectively.

The substantial growth of these two sub-portfolios (single-country and regional) of the Fund also led to changes in the funded **sectors and Outcome areas** (see Figure 6 and Figure 7, e.g. decrease in Water Management; slight increase in regional disaster risk management and early warning systems) of the Fund. Prior to the MTS, the most-funded sectors were Agriculture and Water Management, with still relatively little funding through regional projects, and mostly contributing to Outcome area 4: Increased adaptive capacity within relevant development sector services and infrastructure assets (See Figure 6). With approval of the MTS, regional projects became more prominent, and a new Outcome area (Innovation) was added in light of the new Innovation Pillar.

The MTS portfolio looks substantially different from the Fund's earlier portfolio (See Figure 7). The Fund's main funding stream during the MTS is now going to regional projects, funding Disaster Risk Reduction and Early Warning Systems to contribute to the increased adaptive capacity within development services and infrastructure assets. Nationally determined projects also shifted in sectoral positioning towards Food Security, while Water Management decreased. Meanwhile, funding has not yet been substantially allocated within these concrete adaptation projects towards the new Outcome area of Innovation, lowering the potential of synergies across pillars. For more on Outcome areas, see *d. Complementarity and coherence*.

**Figure 4.** **Projected grant funding by the end of the MTS period for nationally determined concrete adaptation projects**

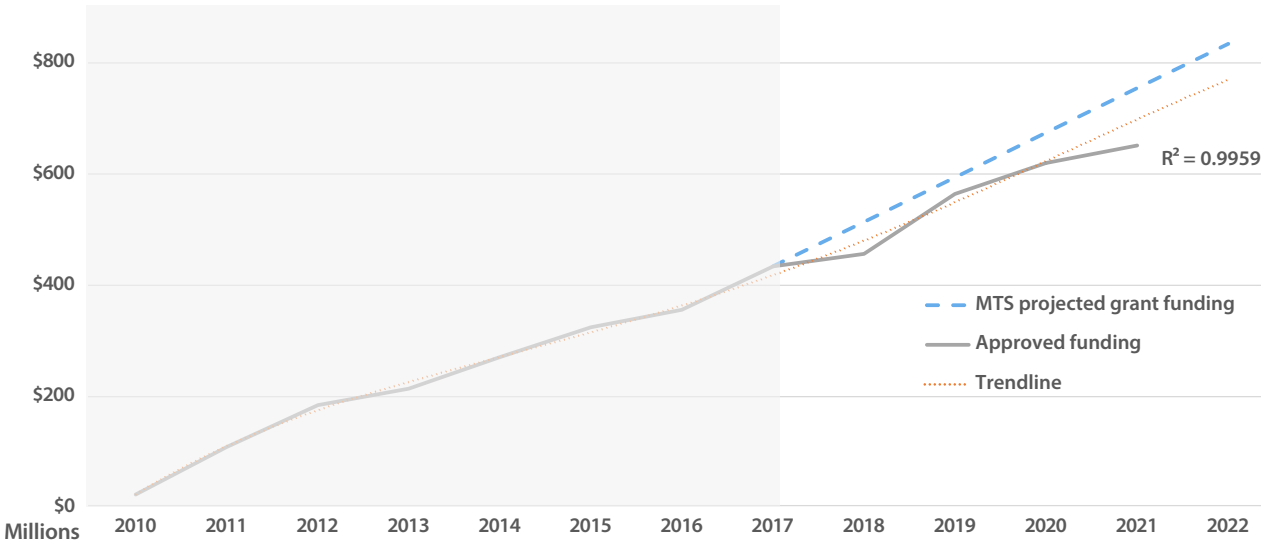



**Figure 5.** **Projected grant funding by the end of the MTS period for regionally determined concrete adaptation projects**

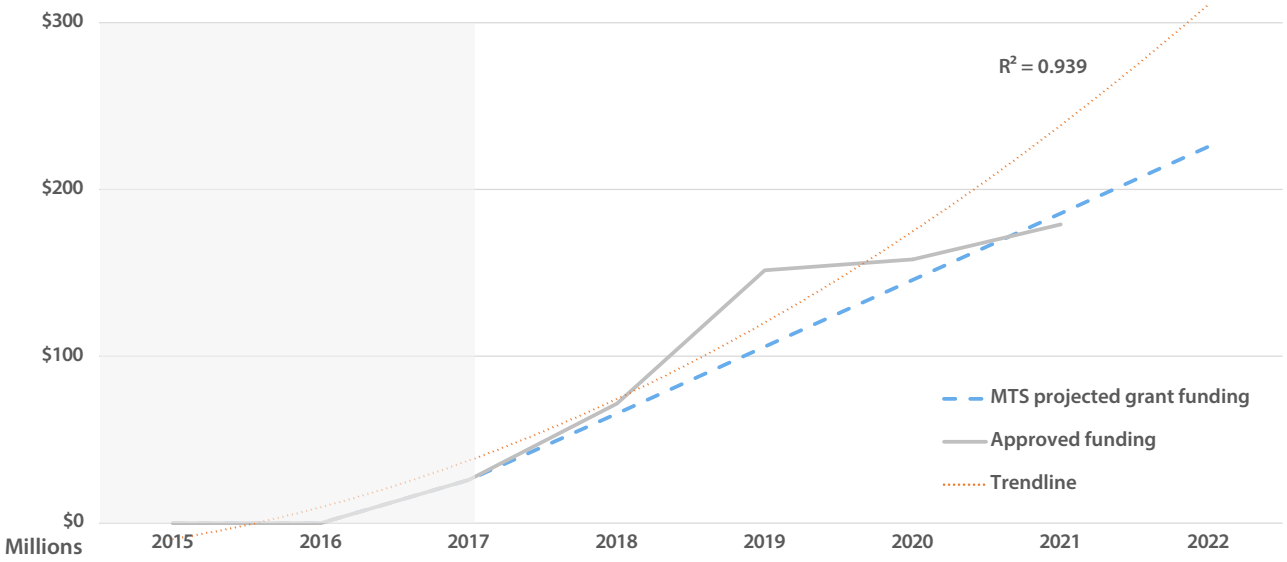


**Figure 6.** **Distribution of funding from concrete adaptation projects to Fund outcome areas BEFORE the MTS, by sector**

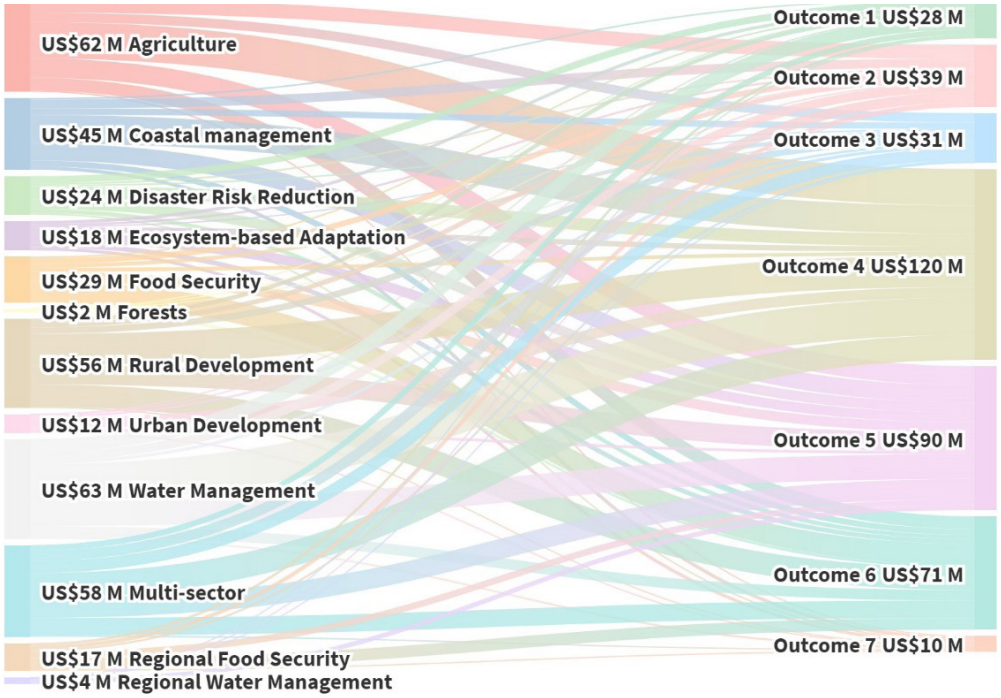
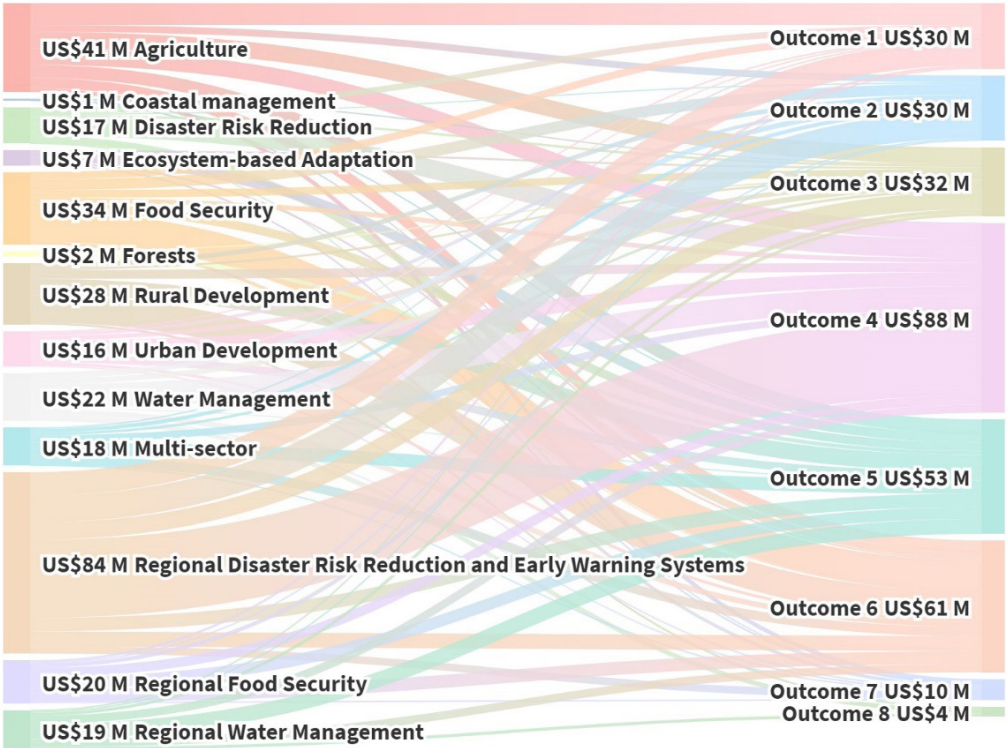



**Figure 7.** **Distribution of funding from concrete adaptation projects to Fund outcome areas AFTER the MTS, by sector**



The **EDA** window was one of the new windows created by the MTS. It was envisioned to be a large sub-portfolio, with US$100 million expected grant funding by the end of the MTS period. While the launch was planned for as early as 2018, with funding flowing by 2019, operationalizing of the window took place significantly later. The EDA window was only considered by the Board and approved at the same time at B.35b, in October 2020. The Board decision, or its report, pointed to no apparent bottleneck for the timing of the window launch. The first proposals were submitted in August 2021. There has been no EDA proposal funded yet under this window, which makes the IP's ambitious funding target unlikely to be met in full.

The **Readiness Programme** of the Fund was also positioned under the Action Pillar. A number of grant types already existed under this programme and the IP set an ambitious target for many of them. Prior to the MTS, total approved funding under the programme amounted to just over US$1 million. The IP set the projected grant funding for South-South Cooperation grants and Technical Assistance grants at the range of US$400,000-600,000 a year. A similarly ambitious US$600,000 annual target was set for the Readiness Package grants, piloted subsequently in 2018. The Board also replaced the South-South Cooperation (S-S) grants with the Readiness Package grants (2021). However, this was not foreseen by the IP. Consequently, the foreseen grant funding volume for S-S has not been reallocated to other windows through Board decisions either. Figure 8 shows the Readiness Programme was not able to channel grant funding at the IP's projected scale, as it would have required a significant step change in the approval trend. At this time, it is unlikely the IP's expected grant funding targets will be met.

**Scale-up grants** were another new grant type in the Action Pillar.[47] The window was operationalized in line with the IP's timeline and the first grant was also approved on time (2018). The successful roll out of the scale-up grant window, however, was not followed by continued demand. Since the first approval, there were no new scale-up grants approved. This makes it unlikely that the IP's envisioned scale and expected funding target (of US$800 million) will be met by the end of the MTS period.

47. Scale-Up Grants provide readiness funding to NIEs to support planning, design, and development of scale-up activities. The overall goal of Project Scale-Up Grants is to increase the readiness of accredited national implementing entities (NIEs) to expand or replicate quality projects that are based on country needs, views, and priorities to reach more people and/or broaden project/programme effectiveness to help vulnerable communities in developing countries adapt to the adverse effects of climate change.

**Figure 8. Projected grant funding by the end of the MTS period for readiness grants[48]**

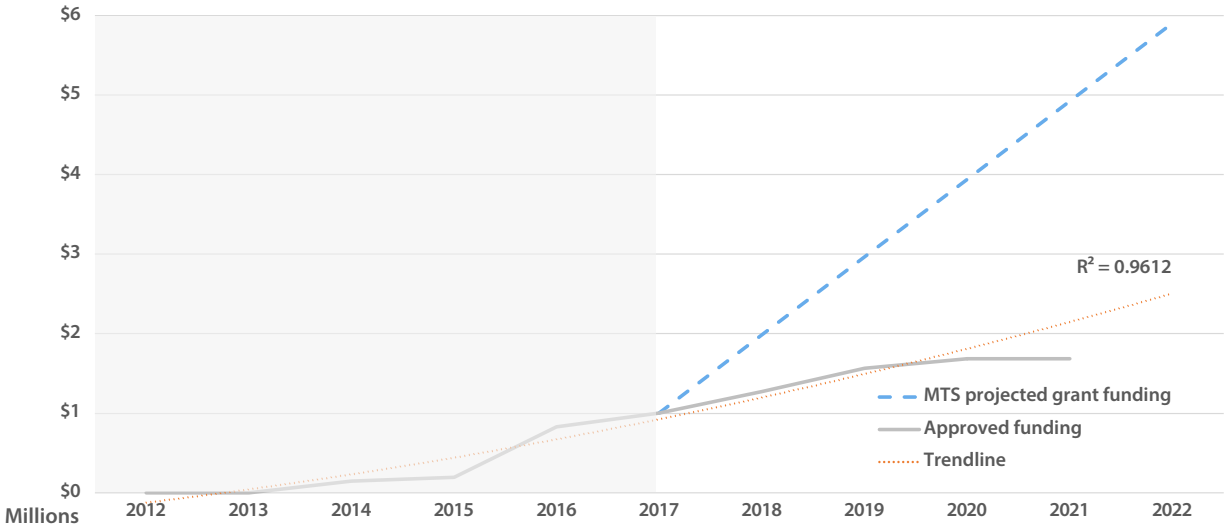



**Figure 9. Progress against the IP's output indicators in the Action Pillar**

| # | Output indicators, as presented in the IP | Progress until 30 June 2021 |
|---|---|---|
| Likely met by end of MTS period | Unlikely to be met by end of MTS period | Indicator lacks clarity |
| 1 | At least US$400 million of funding approved by the Board, for at least 40 nationally determined concrete adaptation projects and programmes, including for LDCs and SIDS, benefiting the most vulnerable groups and including gender considerations. | US$217,157,852 of funding was approved for 36 projects. |
| 2 | At least US$200 million of funding approved by the Board, for at least 15 regionally determined concrete adaptation projects and programmes, including LDCs and SIDS, benefiting the most vulnerable groups and including gender considerations. | US$153,277,068 of funding was approved for 15 projects, including US$10,000,000 funding for the two MIE innovation aggregators, which were approved as global projects. |
| 3 | Number of funded high-quality "Enhanced Direct Access" projects and programmes: at least 10. | There are no EDA projects approved yet under the window launched in 2020. There were, however, two proposals submitted on 9 August 2021. |
| 4 | Number and quality of guidelines, communication publications, exchange visits, readiness events: at least six in total. | There were 19 readiness events alone between 2018 and the end of June 2021, including exchange visits. |
| 5 | Number of readiness projects implemented: at least 40. | There have been 15 readiness grants (S-S, TA, RP) and five PFA grants approved since 2018. |
| 6 | Number of partnerships established: at least five. | There is lack of clarity around the definition of partnerships for the purpose of this indicator. |
| 7 | Number of readiness/capacity building events successfully delivered: at least 10. | Indicator #4 already counts readiness events, which amount to 19. |
| 8 | Number of readiness/capacity building events held: at least 10. | Indicators #4 and #8 already count readiness events, which amount to 19. |

48. The cumulative approved funding took into consideration Technical Assistance (TA) grants, South-South Collaboration (S-S) grants, Readiness Package (RP) grants, and Project Formulation Assistance (PFA) grants. The combined projected grant funding is calculated at a total of US$4.9M over five years (US$2.5M projected for TA and S-S; and US$2.4M projected for the RP), with equal distribution of US$980,000 annually, and a baseline of US$1,004,794 approved until the end of 2017.

| | | |
|---|---|---|
| 9 | Quality and quantity of improved reports produced with the help of the FIF platform: at least 10 reports a year. | There is no registry of reports produced with the FIF platform. However, the APRs refer to the use of the FIF platform for reporting purposes, and the AF-TERG also regularly uses the platform, including for the purpose of this MTR. |
| 10 | Number of microgrants provided to projects to support scaling-up actions: at least 10. | There was only one scale-up grant approved in 2019. There has been no new grant approved since. |
| 11 | Number of projects funded by the Fund and other financing institutions building on successful Fund projects: at least five. | Three GCF projects (FP068, FP073, FP084) were approved in 2018 that build on successful Adaptation Fund projects. |
| 12 | Number of partnerships and collaborations for project scaling-up established: at least five. | The definition of partnership and collaboration for project scaling is insufficient for this indicator. |

**Figure 10. Output indicator progress mapped to corresponding Expected Results under the Action Pillar**

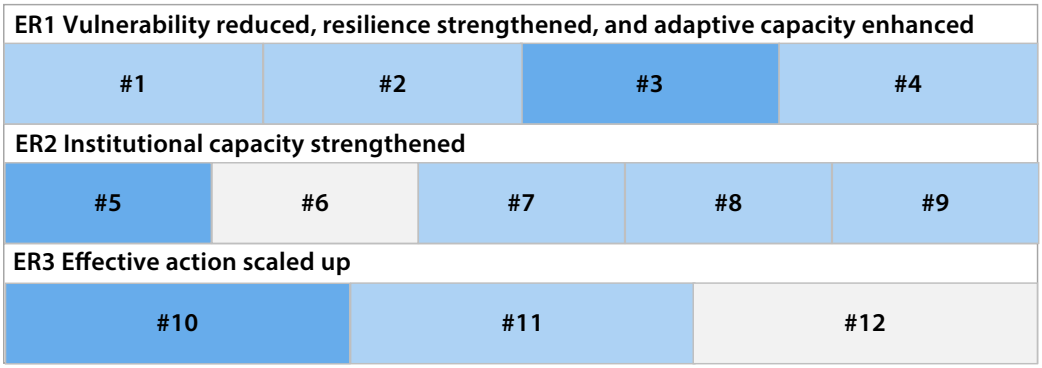
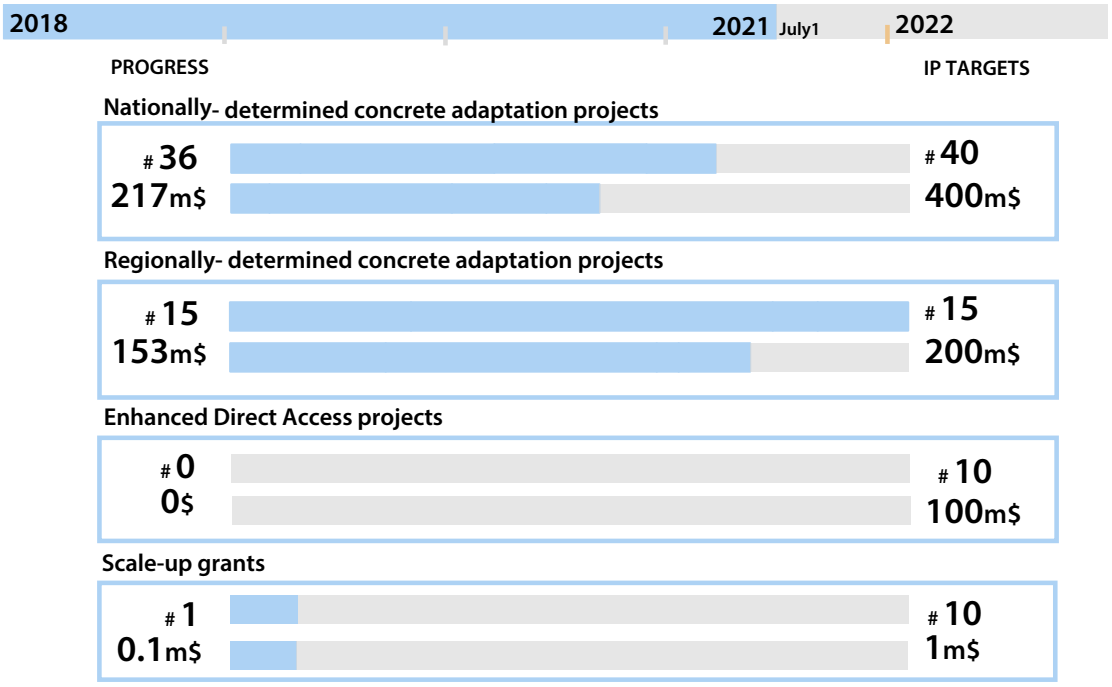



**Figure 11. Progress through approved funding against expected grant funding targets of the implementation plan – Action Pillar, as of 30 June 2021**



### b. Innovation Pillar

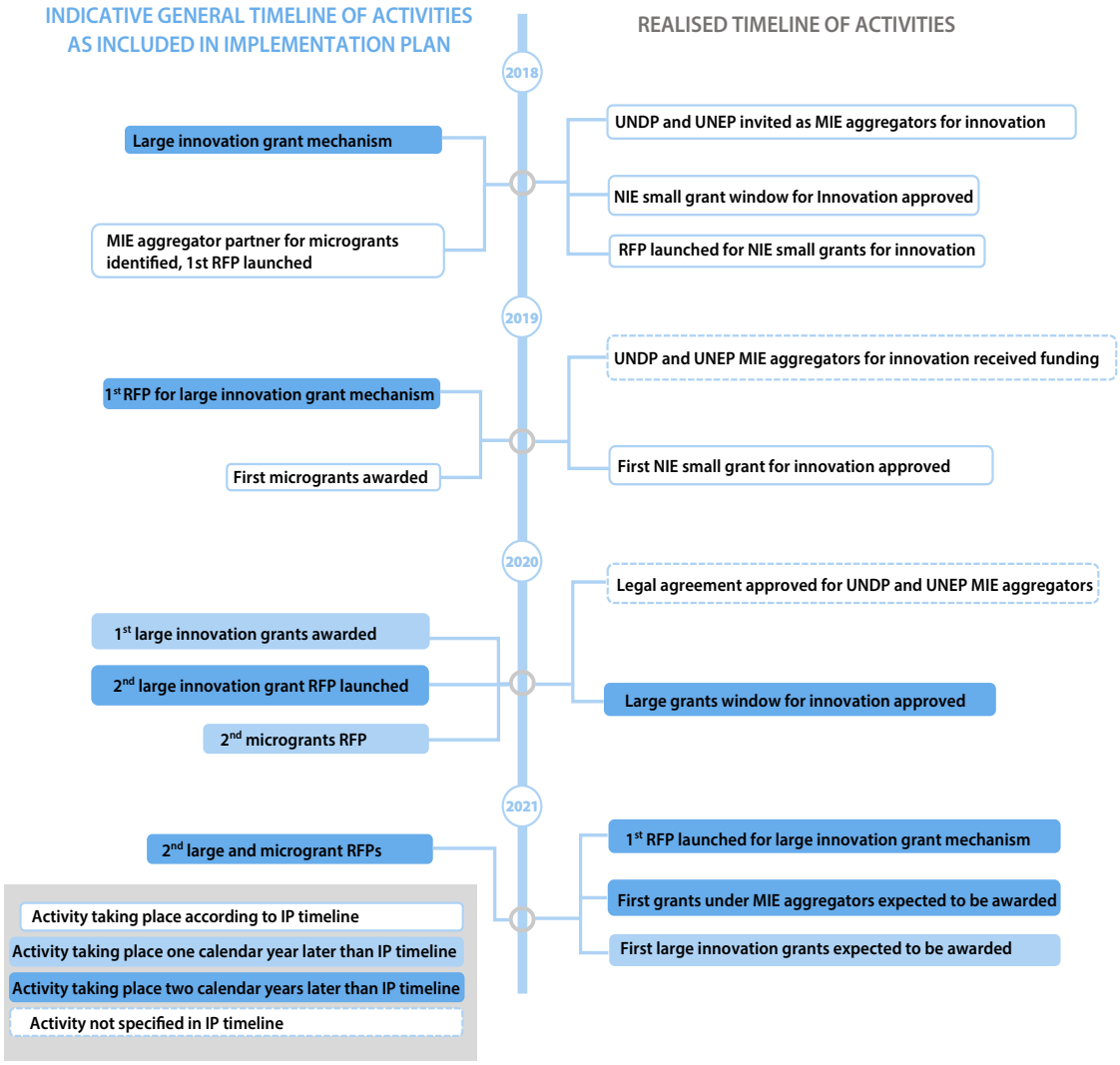
The objective of the Innovation Pillar was to *"support the development and diffusion of innovative adaptation practices, tools, and technologies."* The IP laid out the specific activities envisioned that would contribute to the four expected results of the pillar.[49] The IP also planned for a "*one-year start-up period spanning March 2018 to February 2019, followed by an initial Request for Proposals in March 2019, and a second Request for Proposals in March 2020.*"

The timeline for operationalizing the new funding windows under a new strategic focus was ambitious. It required the simultaneous roll out of multiple types of grants: larger grants and smaller grants, both through the Fund, and through new MIE partners. Originally, four different grant windows under the pillar were foreseen,[50] with details to be left to be decided during that critical first year of implementation.

49. ER1 – Successful innovations rolled out. Innovative adaptation practices, tools, and technologies that have demonstrated success in one country spread to new countries/regions.
• ER2 – Viable innovations scaled up. Innovative adaptation practices, tools, and technologies that have demonstrated viability at a small scale piloted at larger scales.
• ER3 – New innovations encouraged and accelerated. Development of innovative adaptation practices, tools, and technologies encouraged and accelerated.
• ER4 – Evidence base generated. Evidence of effective, efficient adaptation practices, products, and technologies generated as a basis for IEs and other funds to assess scaling up.

50. Report of the Thirty-First Meeting of the Adaptation Fund Board, AFB/B.31/8, para.79.

**Figure 12. Indicative and realised timeline of activities under the Innovation Pillar**

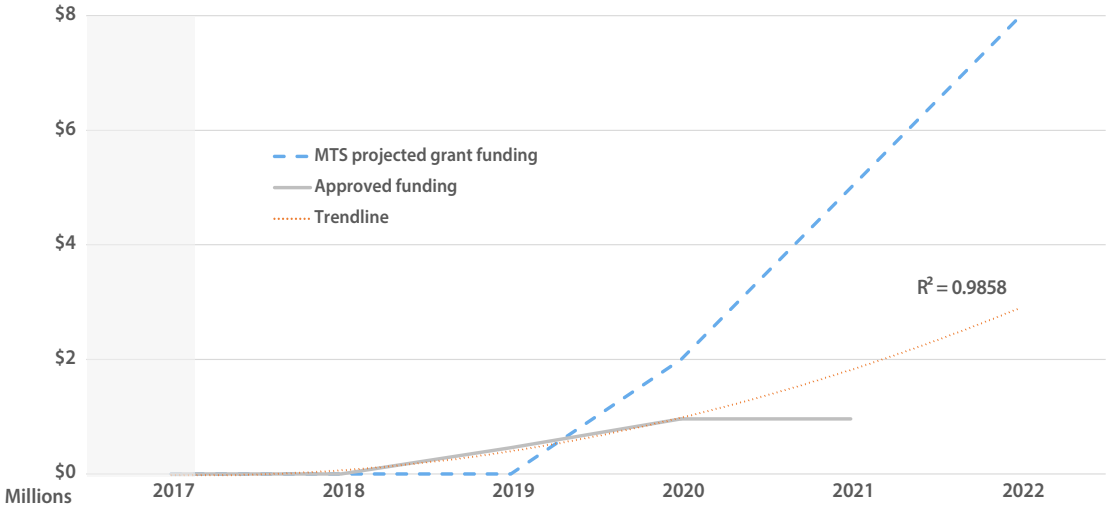



By B.32., the structure for the funding windows began crystallizing. The secretariat and the Project/ Programme Review Committee (PPRC) jointly developed the outlines of two of the windows: a directly accessible window for National Implementing Entities (NIEs) and another window through two MIE aggregators. Despite the IP's envisioned timeline, the Board did not consider the large grant window until B.35 at the end of 2020. By 30 June 2021, all three innovation windows were set up and accepting proposal submissions.

The **Small Grant window for NIEs** through the Direct Access modality was the first innovation grant to be rolled out. In 2018, in line with the indicative general timeline of the IP, the window was approved, and the first Request for Proposals (RFP) was launched for US$2 million. In 2019, the first proposal was approved for funding. The IP also foresaw the second RFP launched in 2019. However, in 2021, two years later, half of the funds from the first RFP are yet to be allocated. In addition to the four approved projects, an additional six proposals were in the pipeline as of August 2021.

The approval rate needs to increase to achieve the target set by the IP (at least 14 proposals funded), and commit funds not only under the first RFP, but potentially some under a second as well. So far, the Board has approved two proposals every year. Now with a more significant pipeline, there is a potential for an increased pace of approvals under this window. However, if the pace of approvals does not shift in the remaining period, only one-third of the expected grant funding will be disbursed by the end of the MTS period.

**Figure 13. Projected grant funding by the end of the MTS period for NIE small grants for innovation**




The set-up of the MIE innovation aggregators, later named **the Adaptation Fund Climate Innovation Accelerator (AFCIA)**, also launched in the first year of the MTS, as foreseen by the IP. UNDP and UNEP were invited to serve as the MIEs' aggregators for innovation small grants. At B.34, in late 2019, US$10 million funding was approved for UNDP and UNEP in conjunction with CTCN to create the AFCIA. Grants can be awarded under by the AFCIA of up to US$250,000 each, the same size as the Fund's own NIE small grant window. The PPRC "*had recommended the selection of two MIE aggregators to give countries greater flexibility when applying for such a grant.*"[51] This also manifests in the differences between grant types: while UNEP-CTC provides technical assistance, UNDP provides grant funding, together they aim to cover capacity building and technical support to incubate innovative ideas.

The **UNEP-CTCN**, as of June 2021, has launched two RFPs and received more than 200 applications. Around half of these applicants were reported to be in good shape for both RFPs. However, only five were selected for the first RFP to move forward for concept note development, while submissions under the second RFP were still under consideration. No entities had received funding as of June 2021.

**UNDP** received almost twice as many applications for its single RFP launched to date; it expects to launch the second RFP in early 2022. Of the 384 applications submitted, UNDP estimated that around 60 per cent were in good shape, but only 20 percent are adaptation-

51. Adaptation Fund (2018). Report of the Thirty-Second Meeting of the Adaptation Fund Board.

oriented with a focus on innovation. A grant selection committee was expected to award around 20-25 grants by July 2021.

The large volume of applications submitted to the AFCIA (see above) clearly demonstrates demand for funding innovative ideas. It can be considered an early sign of success for the Fund to support innovation for climate adaptation. However, to match the demand with funding flowing to these innovation projects, the Fund must consider barriers to entry.

Both UNEP-CTCN and UNDP have faced a similar challenge with submitted applications. They both noted that applications often lack innovative elements, or even sufficient link between climate and adaptation. This provides a twofold lesson for the Fund. First, the AFCIA is reaching new actors at a large scale that are yet to be brought into the climate-adaptation-innovation nexus. The urgency and the scale of the adaptation challenge will require the involvement of these new actors. Second, increased clarity is needed in guidance to these new actors. Given their lack of capacity to develop and implement innovative ideas in the climate and adaptation field, and the barrier-to-entry for them is still high.

The third access modality for innovation funding is through the **large grants for innovation**. The window, approved in late 2020, two years later than the IP's timeline, finally received its first three proposal submissions in August 2021. These represent a pipeline of close to US$15 million. The IP initially envisioned a first RFP for large grants for a combined US$30 million, and then a second for US$60 million. The Fund reaffirmed the size of the RFPs and the ambition for this window by launching the first RFP in 2021 and foreseeing the RFP launch for the additional US$60 million in 2022.

Three more AFB meetings are likely during the remaining MTS period. Therefore, unless the Board approves up to US$30 million on average at each Board meeting for large innovation grants, the expected grant funding target of the IP is unlikely to be met by the end of the MTS period.

While lessons from the NIE innovation proposal development and the AFCIA will prove crucial in improving quality of incoming proposals, the large innovation grants contribute to different expected outcomes of the pillar. While the small grants focus on piloting new ideas and generate learning, the large grants are used for scaling already proven innovations to new geographies or scales. Hence, the development and approval process for this type of grant will likely bring new challenges for the Fund to learn from and address.

A key expected result of the Innovation Pillar is that viable innovations are scaled up. The established windows offer innovative ideas and proven practices to either be tested or implemented at various scales. However, there is no official and structured pathway established yet for this scaling. The AFB secretariat has, however, been developing an approach to establish a structured pathway, in collaboration with the Green Climate Fund. It aims to enable adaptation solutions to be scaled in a complementary way across climate finance channels.

This **scaling initiative** is still **under development** and has not been approved or endorsed by the Board in any way. However, it does fit into the goal of both the Innovation Pillar and the cross-cutting MTS priority of building complementarity and coherence with other climate finance delivery channels. As with the AFCIA, this mechanism could serve to increase the effectiveness of the Fund in achieving its strategic objectives. For more on this scaling approach, see also *d. Complementarity and coherence*.

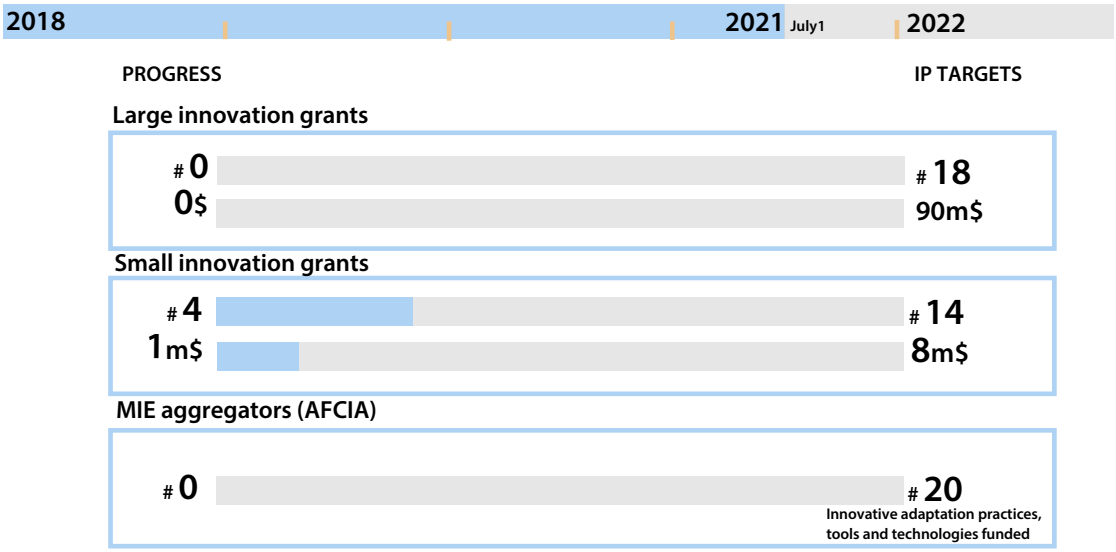
**Figure 14. Progress against the IP's output indicators in the Innovation Pillar**

| # | Output indicators, as presented in the IP | Progress until 30 June 2021 |
|---|---|---|
| Likely met by end of MTS period | Likely not met by end of MTS period | Indicator lacks clarity |
| 1 | Number of proposals funded under RFPs (large grant for rolling out proven solutions): at least nine. | There have been no large grants funded yet. |
| 2 | Quantity and quality of key findings on possibilities and challenges in rolling out financing for innovative action (large grant for rolling out proven solutions): at least five reports. | Since the first proposals were only submitted in August 2021, there has been no report on the challenges and possibilities of this large grant window yet. |
| 3 | Number of monitoring reports outlining lessons learned (large grant for rolling out proven solutions): at least 18. | There have been no large grants funded yet. |
| 4 | Number of funded proposals under RFPs (large grant to scale up innovations): at least nine. | There have been no large grants funded yet. |
| 5 | Quantity and quality of key findings on possibilities and challenges in scaling up financing for innovative action (large grant to scale up innovations): at least five reports. | Since the first proposals were only submitted in August 2021, there has been no report on the challenges and possibilities of this large grant window yet. |
| 6 | Number of monitoring reports outlining lessons learned (large grant to scale up innovation): at least 18. | There have been no large grants funded yet. |
| 7 | Number of proposals funded under direct access RFPs: at least 14. | There have been four proposals funded under the NIE modality, and there are six more in the pipeline. |
| 8 | Number of innovative adaptation practices, tools, and technologies funded through MIE partner: at least 20. | There has been no funding awarded under the MIE aggregators as of the end of June 2021. However, there has been overwhelming demand through proposals, and more than 20 grants are expected to be awarded before the end of 2021. |
| 9 | Quantity and quality of key findings on effective, efficient adaptation practices, products, and technologies generated through direct access: at least 14 proposals. | In total, 10 proposals have been submitted under the NIE modality since 2019. Of the four approved projects, two have generated inception reports. |
| 10 | Quantity and quality of key findings on effective, efficient adaptation practices, products, and technologies generated through MIE partner: at least 20 proposals. | There has been no funding awarded under the MIE aggregators as of the end of June 2021. However, approvals are expected to take place in 2021, which leaves sufficient time for developing key lessons and findings on innovative practices. |

**Figure 15.** **Output indicator progress mapped to corresponding Expected Results under the Innovation Pillar**

| | | |
|---|---|---|
| ER1 Successful innovations rolled out | | |
| #1 | #2 | #3 |
| ER2 Viable innovations scaled up | | |
| #4 | #5 | #6 |
| ER3 New innovations encouraged and accelerated | | |
| #7 | #8 | |
| ER4 Evidence base generated | | |
| #9 | #10 | |

**Figure 16.** **Progress through approved funding against expected grant funding targets of the implementation plan – Innovation Pillar, as of June 30, 2021**



### c. Learning and sharing Pillar

The third pillar of the Fund's MTS is the strategic focus on Learning and Sharing. This pillar builds extensively on the Fund's Knowledge Management (KM) Strategy, adopted prior to the MTS, in October 2016. The IP foresaw the update of the KM Action Plan in the first year of the MTS, as the initial Action Plan covered 2016-17. Ultimately, the relevant sections of the MTS IP were used for work planning, as it already contained detailed activities outlined for the KM function of the Fund. The activities of the pillar are twofold: creating tools, studies, resources, organizing events to encourage learning and sharing; and creating a new funding window for microgrants that facilitate South-South learning and the sharing of information, good practices, and lessons learned from both failures and successes.

Overall, progress under this pillar, similarly to the Action Pillar, has been uneven. The standard KM activities, like producing and disseminating studies, organizing workshops and events, and developing tools for learning, have been going at a steady pace. Regular activities and outputs have produced broadly in line with planned timelines. However, the operationalization of a new funding window and achieving the expected grant funding are facing hurdles.

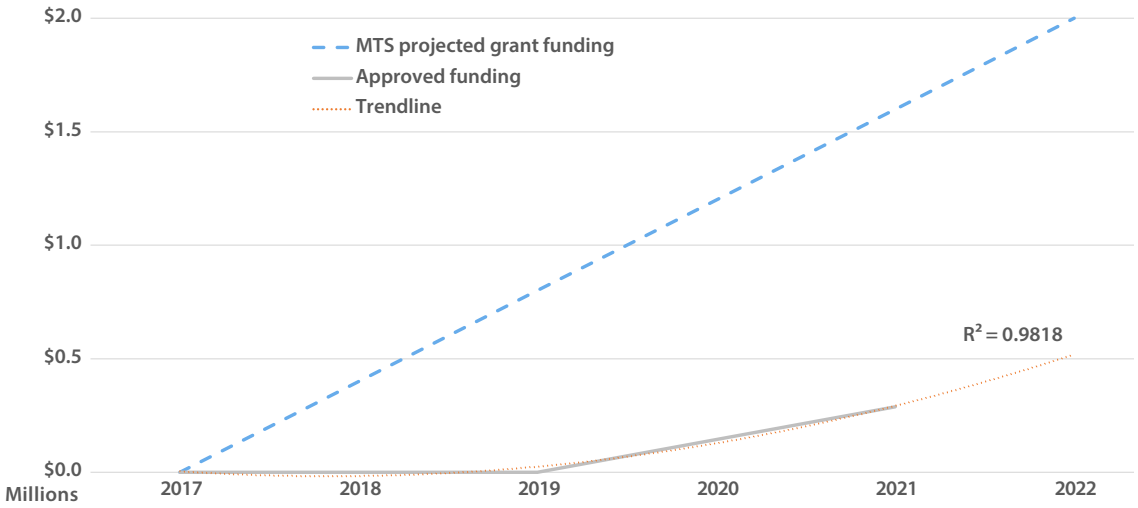
The **Learning Grant** was envisioned by the MTS to a) transfer knowledge from one NIE to another; b) transfer knowledge from NIEs to the wider climate finance adaptation community; and c) develop knowledge/guidelines through partnerships. The microgrants are up to US$150,000 each, and the IP projected US$400,000 grant funding per year over the MTS's five years, with at least 10 microgrants funded.

Despite the ambition and the timely opening of the window in 2018, the first grant was only approved a year later, in the second half of 2020. Since then, there has been one additional grant approved in 2021. A third one was submitted for consideration at B.37 in October 2021.

The secretariat has noted insufficient understanding by the NIEs regarding eligibility under this window. It has required additional time and support to achieve fundable proposals. The secretariat has produced an e-learning course in three languages, for both the learning and the innovation small grant to improve proposal development.

The consideration of two learning grants for funding this year signals the pace of funding might pick up. However, given the small pipeline, it remains unlikely the ambitious goal of awarding US$2 million by the end of 2022 will be met.

**Figure 17. Projected grant funding by the end of the MTS period for learning grants**




For ease of summary, and due to the numerous activities in the IP that took place during the MTS period, Figure 18 presents progress on expected outputs rather than output indicators.

**Figure 18. Progress against the IP's expected outputs in the Learning and Sharing Pillar**

| # | Expected outputs | Progress until 30 June 2021 |
|---|---|---|
| 1 | Technical support to project-level learning processes enhanced, especially through knowledge-institutions in recipient countries. | An e-learning course on environment and social policy, and gender, and studies on gender, locally led adaptation, and readiness for direct access were completed. A summary of lessons from 13 Portfolio Monitoring Missions was also produced. |
| 2 | Microgrants (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 successes. | Two learning grants were funded so far of the projected 10. Lessons learned from grants are yet to be seen. An e-learning course was developed to facilitate proposal development. |
| 3 | Collaboration with other climate funds to triangulate lessons and consolidate messages, as feasible. | There is alignment between AF and GCF fast-track accreditation and sharing of lessons and exchange of information to facilitate the processes. AF and GCF also jointly support the Community of Practice for Direct Access Entities (CPDAE). There is also collaboration towards establishing pathways to scale-up adaptation action. |
| 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. Lessons are also regularly shared during knowledge and readiness events. |
| 5 | Development of a body of knowledge related to key concepts of adaptation (thematic, sectoral, etc.). | Studies on gender, lessons learned by NIEs in agriculture and water, locally led adaptation, and readiness for direct access were developed. |

| | | |
|---|---|---|
| 6 | Strategic partnerships with international knowledge-institutions and for a/networks established and maintained. | The AF partnered with CTCN, and Climate-KIC to increase the knowledge and capacity of the AF network on innovation. In addition, the Fund also collaborated with WMO to produce a report on the State of Climate Services in 2020. The AF became a member of the Alliance for Hydromet Development. It also co-hosted events or participated in conferences with other specialized and thematic institutions, such as the International Centre for Climate Change and Development at the Gobeshone Global annual conference. |
| 7 | 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. It also hosted another country exchange with Senegal. A Global NIE seminar was held in 2020 and 2021, as well as other regional readiness events. NIEs also regularly share their experiences at readiness workshops and seminars. |

### d. Cross-cutting areas

In addition to the three main pillars of the MTS, four cross-cutting areas were also selected. These are "*principles that are reflected in the design and implementation of activities within the three strategic foci that have relevance also for the positioning, processes, and partnerships of the Fund beyond those activities.*"[52] While the MTS and the IP do not contain specific expected results, outcomes, or indicators for the measurement of progress in these cross-cutting areas, several observations can be made.

#### 1) Benefiting the most vulnerable communities and social groups

According to the MTS IP, the Fund's Environmental and Social Policy (ESP) and Gender Policy (GP) will be applied consistently to benefit the most vulnerable. Projects will be supported to implement robust measures to avoid and mitigate risks to vulnerable populations. Opportunities to directly support the most vulnerable will also be considered.

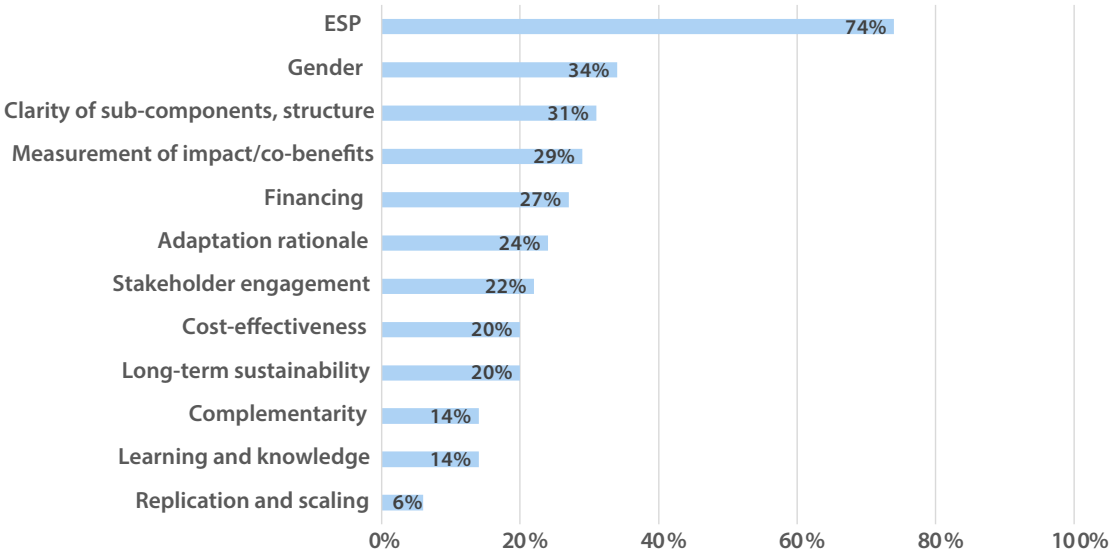
In light of these overarching goals for this cross-cutting area, applying the ESP in projects is fundamental. For projects to gain Board approval, they need to comply with the ESP. The Board, considering the secretariat and the PPRC's assessment and recommendations for submitted proposals, can either approve or not approve a fully developed project proposal, or endorse or not endorse a (pre-)concept proposal.

The review of Board decisions of proposals that did not gain the Board's approval or endorsement sheds light on the main quality issues that contribute to funding decisions. The decisions contain textual recommendations to help IEs improve the proposal before resubmission. The MTR team reviewed the Board decision texts of 99 proposals that did not gain approval or endorsement between 2018 and 2021. Key issues highlighted in these decision texts as areas for improvement are presented in Figure 19. By far, the most

52. Adaptation Fund (2018). Implementation Plan for the Medium-Term Strategy.

prominent issue with proposals is sufficient alignment with the Fund's ESP. 74 per cent of the 99 decisions reviewed highlight issues that need to be addressed regarding social and environmental safeguards, which demonstrate the focus on vulnerability when it comes to the quality of proposals.

**Figure 19. Proportion of key issues to be addressed for not approved or endorsed proposals during the MTS period**




To ensure that the proposals are compliant with the ESP, the Fund has continued its support through the Project Formulation Grants (PFG) and Project Formulation Assistance (PFA) grants. The former are available to both nationally determined and regional projects for foundational project formulation activities, feasibility studies, and expert consultations to develop a high-quality proposal. The approval of these grants, shown below, followed an upward trend throughout the MTS period, supporting the development of over 40 proposals.

In addition to addressing quality issues at approval, during the MTS period, funding has also shifted to Outcome areas. The distribution of overall funding across Outcome areas of the Fund has remained relatively steady before and after the approval of the MTS (see Figure 6 and Figure 7). However, a significantly larger number of projects (75 per cent in the MTS portfolio) now allocate some funding amount to contribute to Outcome area 6: Diversified and strengthened livelihoods and sources of income for vulnerable people in targeted areas.

**Figure 20.** **Cumulative approved Project Formulation Grants**

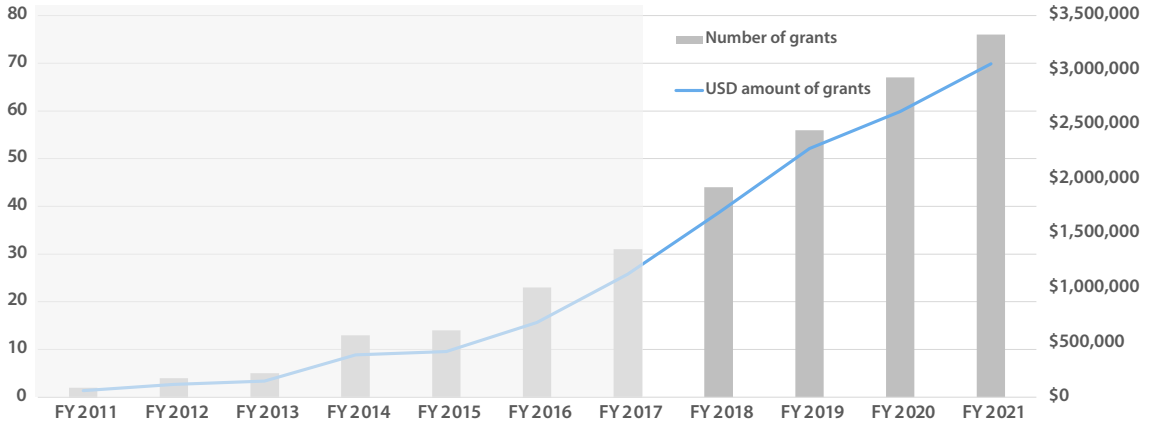
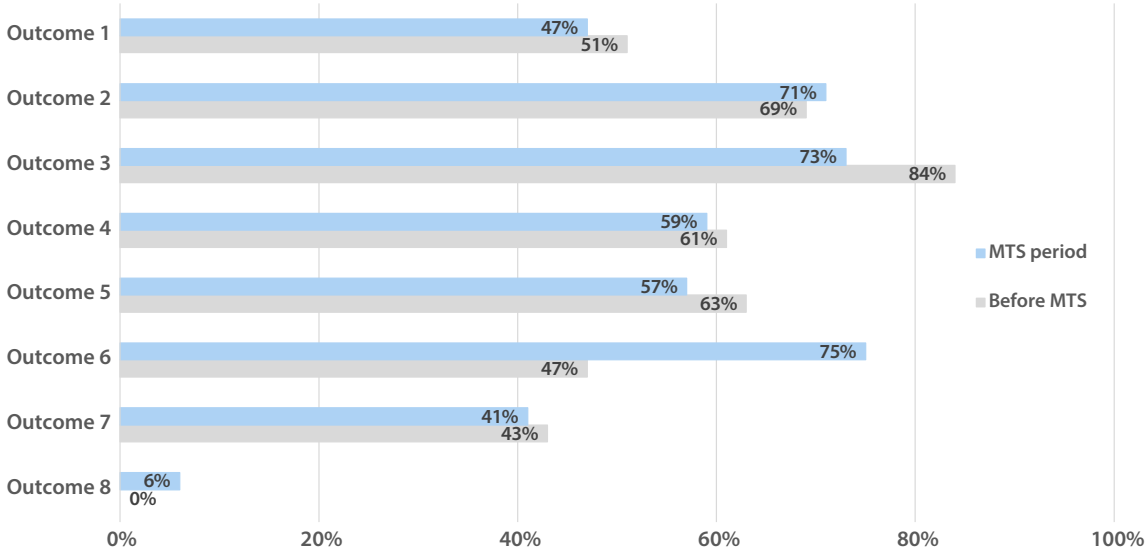



**Figure 21.** **Proportion of concrete adaptation projects funding Outcome areas, in the portfolios before and during the MTS period**[53]




53. 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.

### 2) Advancing gender equality and the empowerment of women and girls

The Fund approved its GP and Gender Action Plan (GAP) prior to the MTS. The first implementation period of the GP, 2017 to 2019, overlapped with approval of the MTS. The MTS IP stated the GAP will continue to be implemented during the MTS period. Further alignment with the MTS and the IP will be made based on experience.

The GAP was foreseen to be updated twice, first for 2020-21, then for 2022-23. The consultation process to update the GP was launched in 2019. However, the first update got approved intersessionally, only in 2021. The new GAP aligns with the structure of the MTS and fully integrates gender across the new funding modalities and windows of the Fund. The continued implementation of the GP will be fundamental for the Fund to contribute to the advancing of gender equality and the empowerment of women and girls. In addition to the ESP, the GP has been a primary area of focus for proposal quality assurance, as shown in Figure 19.

### 3) Strengthening long-term institutional capacity for effective adaptation

The third cross-cutting area of institutional and technical capacity building is largely underpinned by the Readiness Programme of the Fund. As described in the Action Pillar, the Readiness Programme has continued to disburse, although not at a pace foreseen by the IP. Additionally, the grant structure of the Readiness Programme has also undergone changes. The South-South Collaboration grants have been replaced by the new, piloted Readiness Grant Package.

The capacity building through readiness grants is a fundamental element of the accreditation process of the Fund. NIEs make up more than 60 per cent of the Fund's IEs and the accreditation status of the national entities is crucial for accessing climate finance. Survey respondents highlighted the Direct Access modality, a key feature of the AF, as the most important comparative advantage of the Fund (See Figure 22). During the MTS period, the Fund has accredited 10 new entities, and reaccredited 40 per cent of its entities (See Figure 23).

The MTS and the IP have stayed silent on the fate of the country cap, limiting funding for nationally determined projects to US$10 million. However, they have maintained the interest of the NIEs through opening all new windows outside of the country cap. The opportunity for new funding has kept NIEs in the reaccreditation process, despite having reached their country cap and not being eligible under the main funding window of the Fund. In fact, of the 13 NIEs reaccredited since 2017, when the MTS was under development, 70 per cent have already run out of most (95 per cent) of funds available under their country's cap.

At B.36, in early 2021, the Board allowed accreditation of two NIEs per country instead of one. This step was not foreseen by the MTS, and accompanied the decision to double the country cap. This signalled and underlined the intent of the Fund to further support direct access and long-term institutional capacity building.

**Figure 22.** **Most important advantage of the Fund ranked by survey respondents**

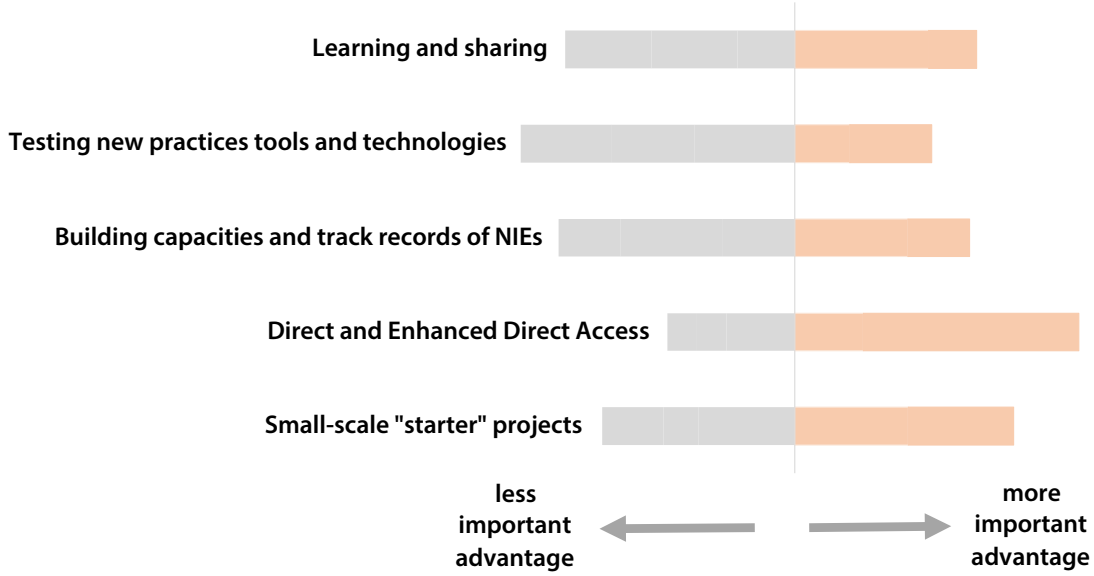



**Figure 23.** **Implementing Entities accreditation during MTS**

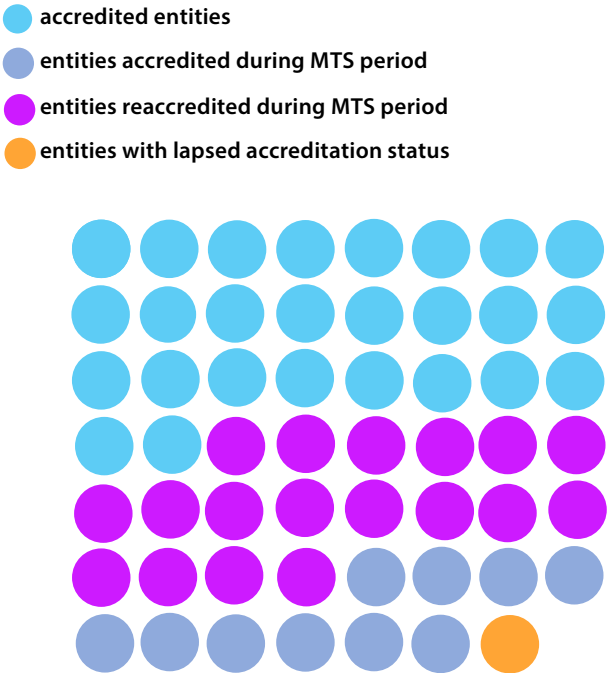
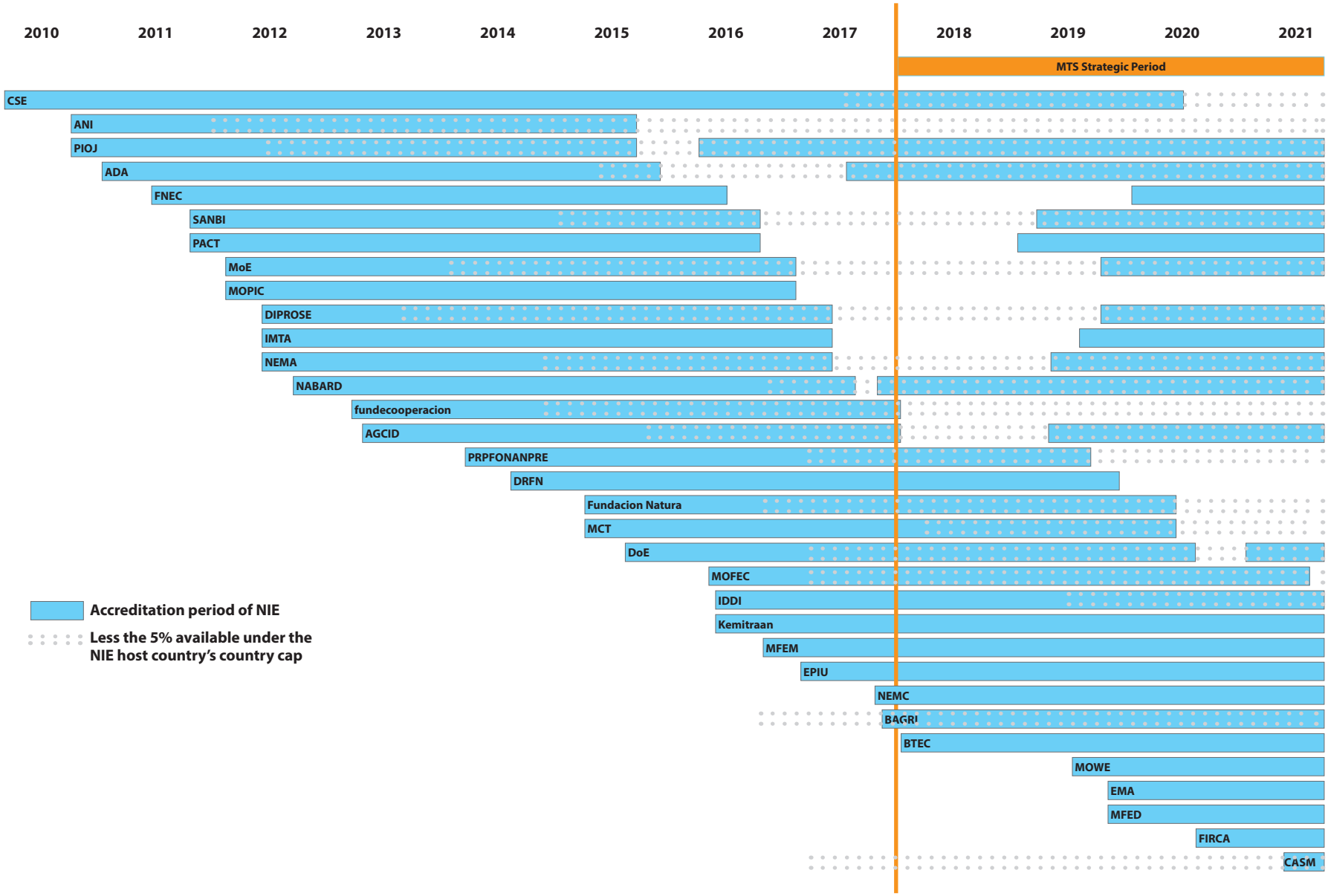


**Figure 24.** **Accreditation and reaccreditation of NIEs over time, until the March 2021**



### 4) Building complementarity and coherence with other climate finance delivery channels

The IP noted that climate finance delivery channels will be engaged at the levels of both inter-fund dialogues and specific activities under the three pillars of the MTS.

The Fund further aligned with the GCF through their respective fast-track accreditation tracks for accrediting entities to both Funds. In addition, the secretariat is also exploring alignment at programming/activity level through designing a potential scaling mechanism. This would enable countries to access resources and scale up innovative ideas through a more structured, and predictable funding mechanism across the two Funds.

While the Board has not finalized or approved details of the mechanism, the initiative is in line with the MTS and the IP's objectives to enhance complementarity, coherence, and coordination in delivery of climate finance. The initiative builds on the experience of the Funds, where seven Fund projects were already brought to the GCF for their second phase or larger-scale funding. Three of these were approved by the GCF during the Fund's MTS period, and four prior to it. The examples range across all geographies, and across a diverse variety of sectors of the Fund. They provide a solid learning and knowledge basis for the two Funds to build this initiative further.

The Fund also participates in the Annual Dialogue of Climate Funds, involving GCF, the Global Environment Facility (GEF), and the Climate Investment Funds. The secretariat also regularly participates in events hosted by other Funds, such as the GEF Introduction Seminar, where members of the secretariat introduce the MTS's strategic directions to the GEF audience. On a programming level, the Fund also hosted side events on the "Scaling-up GEF's Small Grants Programme: Experience for the Adaptation Fund Portfolio." In 2021, the new Chief Executive Officer of the GEF also addressed the Fund's Board, and emphasized the need for better understanding of adaptation investments from all sources in developing countries so that *"based on that information and the National Adaptation Plans, investments could be aligned coherently using an adaptation expenditure review that accurately defined financial needs...*[54] *With better information, the Fund and the GEF could better estimate the financial needs and be more strategic when making investments."*

54. Adaptation Fund (2021). Report of the Thirty-Sixth Meeting of the Adaptation Fund Board.

## 1.3 How has the MTS been used?

The MTR team launched a survey in three languages to gather perspectives through the Fund's network, including the secretariat, Board, IEs, Designated Authorities, and civil society organizations. The MTR team received 57 responses.

**Figure 25. MTR Survey respondents**

| Respondent groups | Percentage of respondents | Number of respondents |
|---|---|---|
| AF Board secretariat staff | 10.53 | 6 |
| AF Board member | 24.56 | 14 |
| AF Implementing Entity | 35.09 | 20 |
| Designated Authority | 17.54 | 10 |
| Civil Society (e.g. AF NGO Network) | 5.26 | 3 |
| Other | 7.02 | 4 |
| **Total** | **100.00** | **57** |

Most survey respondents concurred with that the MTS helps stakeholders to understand the Fund's mission (Figure 26). Board members (Figure 27) responding to the survey reported that they look to the MTS for guidance on the Fund's operational policies. However, there is a tension in that the MTS supports active choice-making given the Fund has made only small changes to its operational policies and guidance. Only 25 per cent of Implementing Entity (IE) respondents reported using the MTS to identify/ prioritize projects for funding (Figure 28).

**Figure 26. Reported uses of the MTS by all survey respondents (n=57)**

| Most important general use of MTS by 57 survey respondents | Percentage of respondents | Number of respondents |
|---|---|---|
| Understand the Fund'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 | 15 | 7 |

Note: The question in 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.*"

**Figure 27. Reported uses of the MTS by 14 Board member respondents to the survey (n=14)**

| Most important use of MTS by 14 Board member respondents | Percentage of respondents | Number of respondents |
|---|---|---|
| Provide guidance on the Fund's operational policies and processes | 50 | 7 |
| Review 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 organization | 21 | 3 |
| Other | 0 | 0 |

Note: The question in 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.*"

**Figure 28. Reported uses of the MTS by 19 Implementing Entities to the survey (n=19)**

| Most important use of MTS by 19 IE respondents | Percentage of respondents | Number of respondents |
|---|---|---|
| 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 organization | 6 | 1 |
| Apply for accreditation | 0 | 0 |

Note: 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.*"

# Appendix III. LIST OF INTERVIEWEES

**Adaptation Fund Secretariat**

| | |
|---|---|
| Mahamat Assouyouti | Senior Climate Change Specialist |
| Cristina Dengel | Knowledge Management Officer |
| Saliha Dobardzic | Senior Climate Change Specialist |
| Alyssa Gomes | Climate Change Analyst |
| Young Hee Lee | Governance Specialist |
| Bianka Kretschmer | Climate Change Analyst |
| Farayi Madziwa | Readiness Programme Officer |
| Silvia Mancini | Operations Officer (Accreditation) |
| Mikko Ollikainen | Manager |

**Adaptation Fund Board Ethics and Finance Committee**

| | |
|---|---|
| Sylviane Bilgischer | EFC Chair |

**Adaptation Fund Board Project/Programme Review Committee**

| | |
|---|---|
| Marc-Antoine Martin | PPRC member |

**Athari Advisory**

| | |
|---|---|
| Mine Pabari | Managing Partner |

**Climate Technology Centre and Network**

| | |
|---|---|
| Ho-Sik Chon | Adaptation Specialist, Asia-Pacific |

**Department of Environment, Antigua and Barbuda**

| | |
|---|---|
| Ezra Christopher | Monitoring and Evaluation Specialist |

**European Environmental Agency**

| | |
|---|---|
| Paul McAleavey | Head of Coordination and Strategy at the EEA |

**Global Goals Political Consulting**

| | |
|---|---|
| Patrick Tiefenbacher | Executive Director |

**Instituto Dominicano de Desarrollo Integral**

| | |
|---|---|
| Arelis Fermin | Finance and Administrative Director |
| Arcadia Francisco | Director of Infrastructure |
| Pedro Zuccarini | Monitoring and Evaluation |

| | |
|---|---|
| **KPMG New Zealand** | |
| Charles Ehrhart | Director, Sustainable Value |
| **Micronesia Conservation Trust** | |
| Lisa Andon | Deputy Executive Director |
| Willy Kostka | Executive Director |
| Shirley Ann Pelep | Senior Grants Officer |
| **National Environmental Management Council – Tanzania** | |
| Frederick Fulgence Mulinda | Environment Management Officer |
| **Patrizi Associates** | |
| Patti Patrizi | Owner |
| **UN Habitat** | |
| Bernard Barth | Human Settlements Officer |
| **UN Development Programme** | |
| Pradeep Kurukulasuriya | Coordinator/Director, Global Environmental Finance |
| Chongguang (Charles) Yu | Investment Appraisal Specialist |
| **World Food Programme** | |
| Micol Mulon | Programme Policy Officer, Climate Finance |
| **Zurich Insurance** | |
| Michael Szönyi | Flood Resilience Program Lead |

# Appendix IV. TERMS OF REFERENCE

# Technical Evaluation Reference Group of the Adaptation Fund Terms of Reference for short-term consultant (STC) position

Technical Evaluation Reference Group
ADAPTATION FUND

**Mid-Term Review of the Adaptation Fund Medium-Term Strategy 2018-2022**

## 1. Introduction

### 1.1 Background

The Adaptation Fund (hereafter referred to as the Fund) was established by the Parties to the Kyoto Protocol of the United Nations Framework Convention for Climate Change (CMP) to finance concrete adaptation projects and programs in developing countries that are particularly vulnerable to the adverse effects of climate change. At the Katowice Climate Conference in December 2018, the Parties to the Paris Agreement (CMA) decided that the Adaptation Fund shall also serve the Paris Agreement. The Fund's goal is *"People, livelihoods and ecosystems are adequately protected from the adverse impacts of climate change."*[3]

**Mission statement:** *The Adaptation Fund serves the Paris Agreement by accelerating and enhancing the quality of adaptation action in developing countries. The Fund does so by supporting country-driven projects and programmes, innovation, & global learning for effective adaptation. All of the Fund's activities are designed to help build gender responsive capacity to reach and benefit the most vulnerable.*

The intended impact is *"Adaptive* capacity enhanced, resilience *strengthened and vulnerability of people, livelihoods and ecosystems to climate change reduced."*[4]

3 Adaptation Fund (2018). Medium-Term Strategy 2018-2022

4. Ibid.

Since 2010, the Adaptation Fund has committed about US$ 745 million for climate change adaptation (CCA) and resilience projects and programs, including 102 concrete localized adaptation projects in the most vulnerable communities of developing countries around the world with more than 6 million direct beneficiaries.[5]

## 1.2 Adaptation Fund governance

The Fund provides climate finance to developing countries who are members of CMP (and CMA)[6 7] through accredited Implementing Entities (IEs). The three types of IEs are:

(i) National Implementing Entities (NIEs) such as national government agencies and Non-Governmental Organizations (NGOs), (ii) Regional Implementing Entities (RIEs) such as regional consortia and banks, and (iii) Multilateral Implementing Entities (MIEs) such as United Nations agencies and development banks. By July 2020, 32 NIEs, 6 RIEs and 13 MIEs had been accredited.[8]

The Fund is supervised and managed by the Board, which is accountable to CMP (and CMA). The majority of Board members are from developing countries. The Board has two committees, namely, the Ethics and Finance Committee (EFC), and the Project/ Programme Review Committee (PPRC). The EFC is responsible for advising the Board on issues of conflict of interest, ethics, finance, fund and portfolio monitoring, evaluation and audit. The PPRC is responsible for assisting the Board with assessing project and program proposals submitted to the Board and review project and program performance reports. An Accreditation Panel (AP) has been established to ensure that organizations receiving Fund money meet the fiduciary standards. The AP provides recommendations to the Board regarding the accreditation of new IEs and the suspension, cancellation or re-accreditation of entities already accredited.

The World Bank serves as an interim trustee of the Fund. The Global Environment Facility (GEF), through a team of dedicated officials, provides secretariat services to the Board.

5. Adaptation Fund (2020). Press Release "Adaptation Fund Board Greenlights Six New Concrete Adaptation Projects on the Ground, Totalling US$ 31 Million". June 2, 2020.

6. CMP; Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol. CMA; Conference of the Parties serving as the meeting of the Parties to the Paris Agreement.

7. The CMA and CMP also decided to ensure that developing and developed country Parties to the Paris Agreement are eligible for membership on the Adaptation Fund Board. CMP further requested that the Subsidiary Body on Implementation considers the matter and provides a recommendation in November 2019 during COP-25.

8. Adaptation Fund (2020). Press Release "Adaptation Fund Board Accredits United Nations Food and Agriculture Organization as Fund's 51st Implementing Entity". July 1, 2020.

The Board Secretariat manages the day-to-day operations of the Adaptation Fund such as research, advisory and administrative services.

The Fund pioneered a direct access modality to climate financing through which NIEs are able to directly access financing and manage all aspects of climate adaptation and resilience projects, from design through implementation to monitoring and evaluation.

## 1.3 Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG)

The Adaptation Fund Board (the Board) endorsed at its thirteenth meeting (March 2011- Decision B.13/20.a) an evaluation framework for the Fund, which was developed in accordance with international standards in evaluation; it includes evaluation principles and criteria and two overarching objectives, discussed later. A revised version of the framework, contained in document AFB/EFC.6/4, was approved at the Board's fifteenth meeting.[9] The framework establishes requirements for how Fund activities should be evaluated in line with international principles, norms, and standards. The evaluation framework is intended to add value and contribute towards the achievement of the Fund's goal, and to the realization of the planned social and environmental impact.

The AF-TERG is an independent evaluation advisory group accountable to the Board, established in 2018 to ensure the independent implementation of the Fund's evaluation framework. The AF-TERG reports to the Board through the EFC and provides an evaluative advisory role through performing evaluative, advisory and oversight functions. The Board decided to establish AF-TERG as a long-term evaluation function during its thirtieth meeting held in October 2017 and approved AF-TERG's Terms of Reference in March 2018 during its thirty-first meeting.[10]

The AF-TERG, which is headed by a chair, is comprised of an independent group of experts in evaluation, called the AF-TERG members. A small AF-TERG secretariat, which is led by a coordinator, provides support for the implementation of evaluations and studies as part of the evaluative work program. While being independent of the operations of the Fund, the aim of the AF-TERG is to add value to the Fund's work through conducting independent evaluation and evaluation related work.

## 1.4 Context of the Mid-Term Review of the Adaptation Fund Medium Term Strategy

According to the MTS[11] and in relationship to its monitoring, evaluation and reporting system, "the MTS constitutes the Fund's highest-level Results Framework for the 2018-

9. Adaptation Fund (2012). Evaluation Framework.

10. Adaptation Fund (2018). Report of the thirty-first meeting of the Adaptation Fund Board

11. Adaptation Fund (2018). Medium-Term Strategy 2018-2022

2022 period and, as such, is the basis against which the Fund will be evaluated for both learning and accountability purposes." Towards this end:

- Implementing Entities will monitor, evaluate and report on projects/programmes funded under Strategic Framework 1 (SF1) and SF2 in order to assess performance and distil valuable lessons that can improve the outcomes and impact of future projects.
- The Secretariat will monitor whether activities under SF1, SF2 and SF3 arebeing implemented and crosscutting themes advanced in line with the Fund's 2018- 2022 Strategy, standards are being met, risks are being managed, targets are being reached, and resources are being used efficiently. Findings and recommendations will be submitted to the Board in an Annual Performance Report.
- The Board will commission an independent performance evaluation of SF1, SF2 and SF3 activity portfolios, focusing on progress towards Expected Results, lessons to be learnt from failures as well as success and implications for Fund- level outputs and objectives. This evaluation will specifically assess the relevance, coherence, efficiency, effectiveness, sustainability and potential long- term impact of activities under SF1, SF2 and SF3, as well as the Fund's MTS as a whole.
- The Board will also commission an independent process evaluation, examining the relevance, efficiency, effectiveness and sustainability of the Fund's institutional arrangements, strategic priorities, policies and processes.
- The two evaluations will be finalized in time to inform the Fund's MTS for the 2023-2027 period.

When the Board approved the implementation plan for the MTS in March 2018,[12] it decided to request the evaluation function *"to undertake a MTR of the MTS and its implementation plan and present its report to the Board at its thirty-sixth meeting"* (decision B.31/32). The implementation plan itself (Section 6) says that *"the MTS has been composed with its lifetime of five years in mind, so that revising it during that time will not be necessary, unless external circumstances in which the Fund operate, change radically. The implementation of the MTS would be evaluated after the Mid-Term in 2020-2021, and after it ends in 2023. The Mid-Term evaluation is planned to be usefulin informing the possible subsequent MTS (which could span years 2023-2027). Such evaluations would be carried out by the Evaluation Function of the Fund."*

The AF-TERG Strategy and Work programme, approved in June 2020 by the Board, indicates that the MTR will be prepared in FY21.[13] The review will be presented at the

12. Adaptation Fund (2018). Implementation Plan for the Medium-Term Strategy.

13. AF-TERG (2020). AF-TERG Strategy and Work programme.

28th meeting of the EFC (March 2021). As it will explained with more detailed below, the MTR is the first step in the process to conduct the evaluation of the MTS, to be carried out in FY23 after completion of the five-year strategy period and an Overall Evaluation of the Fund planned for FY23. During FY22 preparatory work will be commissioned to conduct these two evaluations. Studies and evaluations on issues and themes identified during the AF-TERG consultations will be conducted that will complement the MTR as well the final evaluation of the MTS and the Overall Evaluation of the Fund.

The MTR is conducted, and its recommendations will be developed under the premise that the Fund is an institution that considers and promotes **adaptive management** as a good practice. Therefore, the MTR's findings and recommendations will be seriously considered and followed up by the relevant parts of the Fund. MTRs are important tools for the Board, management, country, regional and multilateral entities partnering with the Fund to reflect and oversight the implementation of the strategy and discuss potential mid-course correction to respond more closely to the new realities and capacities of organizations that may have changed since the initial preparation and approval of the strategy. MTRs can provide improvement-focused external advice and comments.

Following the AF-TERG principles of work (see below), the MTR will be conducted ensuring that there is broad participation from across all the Fund stakeholders in the design of the MTR and in the development of recommendations and next steps. This **participatory approach** will promote co-generation of knowledge and co-management of the process, maintaining the independence of the exercise. In this way, the MTR should provide opportunities for the stakeholders and the AF-TERG to learn from how the MTS has been implemented so far.

## 2. Goal, purpose and process of the MTR

### 2.1 Goal

The goal of the assignment is twofold.

First, the consultant will conduct research on contemporary and relevant thinking, and good and emerging practices[14] and experiences on the following three topics:

- **Use and evaluation of strategies** to guide and enable decision making at governance, management and operations levels (and recipients) from relevant development-oriented organizations, and in particular, those providing climate financing.
- Given the current COVID-19 situation, the consultant will also explore how other similar shocks and stresses, such as Ebola or HIV, have impacted the preparation and implementation of organizational strategies.
- **Evaluation of key aspects and concepts of the Fund** such as innovation, learning, adaptation measures with impact on the ground and simplified access processes.

14 . Talking about best practice inhibits change and innovation, and focuses on a process that is comfortable, given what would there be to improve if it is 'best practice'? There also isn't one single best way of doing things, given it would mean that context doesn't matter. Terms like good, effective, or better practice show more humility and less overgeneralization.

Next practice points towards the good (or better) practice of what is to come, given the past is a poor playbook for the future. Next practice focuses on adopting good practice from unrelated sectors or industries, from unusual suspects who bring fresh and different perspectives. Next practice is to be found in the grey areas between the silos we inhabit.

The experience and lessons on these three topics will be used to develop the framework that will guide the MTR.

The second element of this assignment is to actually conduct the review of the MTS with support from AF TERG members and Secretariat.

## 2.2 Purpose

The purpose of the review is to assess how well the MTS is guiding the Fund overall. In particular, the Fund's responsiveness to the UNFCCC CMP/CMA[15] guidance and country and climate adaptation needs and guiding the Fund's governance, management, and operations. The MTR will question if the MTS is the strategy is fit-for-purpose in the context of the AF's mandate and for the era the world and climate financing are in today and for the future. The MTR will also track the implementation of the MTS, so far, identifying progress and recommend to the Board, possible course correction and suggestions to be incorporated into the development of the next MTS.

The MTR responds to both the learning and accountability functions of the Fund's evaluation. Given the early state of the MTS implementation, the MTR will emphasize **learning** from its implementation so far and will bring learning from outside the Fund, particularly with regards to good (and successful) / next practices on strategies relevant to the Fund. The MTR will promote, emphasize and prioritize its use by different stakeholders, both to support the second half of the MTS implementation and for preparation of future strategies.

## 2.3 Process: Two phases

The MTR will be conducted in two phases. The first phase will bring to the Fund good / next practices, lessons and experiences on use and evaluation of strategies, and based on these, as well as extensive consultations, conduct the MTR on a second phase.

The MTR will be conducted considering the following elements:

- The MTR will be a first step and key input to the evaluation of the MTS (to be conducted at the end of its term, 2022) and the Overall Evaluation of the Fund, also to be conducted in 2023 focusing on examining the relevance, efficiency, effectiveness and sustainability of the Fund's institutional arrangements, strategic priorities, policies and processes. These two evaluations will be finalized in time to inform the Fund's MTS for the 2023-2027 period;
- Alignment and coordination with the rest of the AF-TERG work programme. The work programme includes, during FY21, the commissioning of studies and thematic evaluations that should inform all evaluations.
- Takes into account the monitoring and evaluation activities and knowledge, performance and learning products generated by the AFB Secretariat, the IEs and the UNFCCC COP/CMP/CMA processes, at different levels (e.g. PPRs, Fund Annual Performance Report, etc.) and including key AF-TERG documents such as guiding principles (see below).

15. CMP: Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol; CMA: Conference of the Parties serving as the meeting of the Parties to the Paris Agreement.

The AF-TERG is the commissioner and final producer of the review. The TERG will monitor its implementation, provide guidance, comment on and sign off on key deliverables at determined points of the process. The consultant will work as part of a team comprised by TERG members and Secretariat. One member of the AF-TERG will be technical focal point. This person will be the AF-TERG lead person for monitoring and guiding the project during its execution in collaboration with the AF-TERG Secretariat Coordinator.

The MTR will be conducted following consultative and participatory approaches, according to the AF-TERG principles of co-learning and co-creation of evaluations. All key stakeholders will be requested to participate and provide feedback and views throughout the MTR. One particularly way that the AF-TERG proposes to ensure direct participation, consultation and feedback into the MTR is to establish a MTR Working Group (WG) with 5-6 members from key stakeholder groups: (i) the Ethics and Finance Committee (EFC) of the Adaptation Fund Board, (ii) Project and Planning Review Committee (PPRC) (iii) the AFB Secretariat, (iv) the AF-TERG, (v) a representative of the NIEs group and will involve (vi) external experts on the development and practices of strategies. These members will bring to the process not only their personal/institutional views and experiences but also are expected to consultant with other members of their constituencies (e.g. other Board members, other NIEs, etc.). The WG will provide a space where different opinions, experiences and lessons are discussed and feed into the review. The Chair of the AF-TERG or the AF-TERG member designated as technical focal point will chair the WG meetings and ensure that necessary meetings are convened on a regular basis. The AF-TERG Secretariat Coordinator will coordinate the process and participate in meetings. The precise number and timing of the meetings will be defined during the inception phase, however, at a minimum, the WG is expected to hold three meetings, the precise number and timing to be defined during the inception phase. The senior consultant will be a resource person and support the AF-TERG member and AF-TERG Secretariat Coordinator in the implementation of these meetings.

The WG shall support and guide the work of the consultant and make sure that the framework to conduct the MTR and the actual MTR are in line with expectations and correspond to the needs of the Fund and its key stakeholders. The selected consultant will take the advice of the WG into account in the pursuit of the assignment while at the same time retaining his/her independence of judgement.

The WG is just one way of conducting proactive consultations. In fact, the MTR process will promote extensive consultations with Fund stakeholders on their interest and needs regarding the AF and the MTS, and their experiences with the development, implementation and future of the MTS.

As needed, he/she may request support from the AF-TERG Secretariat data analyst for support in carrying out the assignment. AF-TERG members who are not part of the WG will provide their contributions through periodic reviews of the process and key deliverables. AF-TERG as a whole retains the responsibility to sign off key deliverables.

The consultant will report to the AF-TERG Secretariat Coordinator. The AF-TERG Secretariat

Coordinator shall manage the contracting process and the contract, will coordinate the project and ensure adequate support for the process through the AF- TERG Secretariat. The AF-TERG Secretariat Coordinator shall also ensure that necessary meetings with the Project Working Group are convened and participate in the Project Working Group described above. The AF-TERG Secretariat Coordinator will be responsible for making sure that the project is moving forward and for providing institutional guidance as needed.

The AFB Secretariat will prepare a management response to the MTR that takes into account, as necessary, views expressed by stakeholders and that will be shared with the Board together with the MTR.

## 3. Audience and disclosure

There are three crucial and linked cascading audiences for the MTR.

- The Board: given the Board's mandate in setting the strategic direction for the Fund by approving and monitoring the MTS and using it to oversee the performance of the Fund, it is the key audience of the review. The Board will consider the MTR's findings and recommendations to decide on changes (if any) for the second half of the MTS implementation as well as for the preparation of the new MTS;
- The AFB Secretariat is also a critical and essential audience as the key implementers of the MTS to guide management choices of the work of the Fund and since they will implement the Board decisions emanating from the MTR;
- The IEs as well as representatives from governments and CSOs/PSOs will be affected by the decisions the Board may take with regards to the MTS so they should also be considered as part of the crucial audience.

The MTR will specify who is the key target groups responsible for each recommendation. The Board, AFB Secretariat, IEs, representatives from government and CSOs/PSOs will be asked to actively participate (see below) in the implementation of the MTR.

The draft MTR and the draft management response will be distributed as an EFC document by the AF-TERG and AFB secretariat, respectively. The Board decision and the final versions of MTR and management response will be made public as per the standard practice for AF Board documents.

## 4. Task, expected deliverables, and methodology

### Phase 1. MTR readiness / inception work

This phase will be short (4-5 weeks). The key output will a synthesis of key issues, experiences and lessons relevant to reviewing the MTS (see below). This information will be used to develop the framework, in the second phase, that will guide the MTR. In addition, this first phase will also include an initial consultative process with key stakeholders to gather initial thoughts and expectations on what should be included in the MTR, particularly from the Board, AFB Secretariat and IEs.

The key areas and questions that the consultant will research and explore include:

1. **Strategies as guiding tools for management and governance of organizations (experiences from outside the Fund)**. What are the relevant leading experiences and

current thinking on: (1) the framing and effective use of strategy to guide management, governance and funding of relevant development-oriented organizations and (2) the evaluation of strategies to effectively guide management, governance and financing? What does real use of strategy look like in dynamically managing and governing an organization? How strategies are used effectively in governance and management-planning, monitoring, learning, reporting, allocating funds, engaging and empowering stakeholders? What incentives drive the use of strategy? How COVID-19 is affecting the implementation of strategies (real time) as well as lessons from how Ebola and HIV affected the implementation of strategies in the past? The research responding to these questions will provide a frame on how to review the MTS, its "fit for purpose" (e.g. relevance for the time, background context of what strategy should or could do for the AF) and how strategy thinking is changing in different sectors and industries. [7 days]

2. **Evaluating key Fund concepts that are elements of the MTS**. What are the current practices on evaluating key concepts of the Fund, such as innovation, adaptation, adaptive management, sustainability, human and natural systems nexus to CCA, etc? what are relevant evaluations that have been completed recently or under way? [3 days]
3. **Conducting MTRs**. Any experiences and good / next practices on conducting midterm evaluations and midterm reviews of strategies? How should the MTR be forward looking and promote the use of participatory evaluation approaches? Any experiences on conducting MTRs under crisis situations (e.g. pandemic such as COVID-19, Ebola, HIV, etc) [2 days]
4. **Evaluative Evidence on the Fund and its operations**. what is the current evaluative evidence about the Fund and its operations, from within and outside the Fund? [3 days]

The consultant will conduct semi-structured interviews with key stakeholders, such as Board members, AFB Secretariat staff, other AF-TERG Members and representatives of the IEs and CSOs/PSOs network and possibly use social media for gathering inputs. For this first phase, the consultant will document the key needs and expectations from these groups regarding the MTR.

The consultant will facilitate two meetings of successful practitioners on relevant subjects to brainstorm and discuss the recent relevant experiences and thinking on (i) the evolution of the field of strategy and the use of strategy to guide management and governance and (ii) evaluating key Fund concepts that are part of the MTS (see above). The participants should represent both the human and natural systems context of the Fund. The AF-TERG Secretariat will coordinate and the AF-TERG member focal point will support these meetings. The consultant and the AF-TERG may decide to convene other groups on other subjects if necessary.

The consultant is encouraged to use techniques, such as rapid evidence assessment (REA)[556], to conduct the research on the key areas highlighted above.

The key tasks to be conducted in this first phase include:

- Light REA on four key areas described above;
- Convene two expert groups (2 hour each, 5-7 people), one on strategy practices and another on evaluation practices of the technical elements of the MTS, following the key questions presented in items (1) and (2) above;

556. The rapid evidence assessment can be completed usually in less than one week. Please see the following references: https://cebma.org/faq/what-is-an-rea/ and https://www.gov.uk/government/collections/rapid-evidence-assessments; https://guides.temple.edu/c.php?g=78618&p=4156608

- Conduct interviews with up to 10 people (Board, AFB Secretariat staff and IEs);
- Prepare a synthesis(ses) of the findings to support the development of the MTR framework;
- Actively interact and receive feedback and support from the AF-TERG.

## Phase 2. The MTR

The MTR will be conducted in about four months, with the MTR presented at the March 2021 Board meeting. The review will:

- Assess the extent to which the MTS is fit for purpose for the AF mandate, context and era of the world, the urgency of the climate crisis and the evolving climate finance landscape;
- Assess the extent to which the Board and the Secretariat use the MTS to guide decisions and choices about the work and resource allocation of the Fund, in particular, responsiveness to the UNFCCC COP guidance, Board decision, and country and climate adaptation needs and the Fund's governance, management, and operations;
- Assess the extent to which the MTS is the right strategy;
- Track the implementation of the MTS, so far, identifying progress and recommend to the Board, possible course correction and suggestions to be incorporated into the development of the next MTS.

The key areas to be explored (more could be identified in the process of the first phase) will include:

- **Results and use of the MTS so far**. What has been the role of the MTS in shaping and filtering the AF actions, portfolio, and results? How is the strategy used for decision making, shaping portfolio choices, and investments? How has the MTS been operationalized so far? What has been the progress in achieving the MTS? (a review of the key indicators and their targets) [12 days]
- **Positioning of the Fund** in the world and within the CCA financing landscaping. Does the MTS help position the Fund, by helping it to play to its comparative advantages and niche? [2 days]
- **Responsiveness to stakeholders**. How was the MTS developed? What are the needs of stakeholders that the MTS should account for in its structure, focus and implementation? Are they present? How is the current situation of COVID-19 and discussions/negotiations on CCA affecting the current MTS, missions, funding, structures or organizations (especially those focused on reaching the most vulnerable)? How responsive is the MTS to the guidelines provided by the CMP / CMA? What are the external drivers that have shaped (and will shape) the choices the Fund has made? [12 days]
- **Alignment with the Fund's mandate**. What is the alignment of the MTS with the Fund's mandate, UNFCCC COP guidance, Board decisions, other relevant international agreements and supporting countries achieving their SDGs? [7 days]
- **Quality of the MTS**. what is the quality of the MTS (e.g. does it have the key elements required in a strategy, such as: positioning of the Fund, setting priorities, making choices, managing risk, perspective, internal coherence, linkages and support to learning and adaptive management, execution, efficiency, etc.)? One particular aspect to be assessed is the quality from the point of evaluability: does the MTS have the elements necessary to be evaluated and credibly report and assess its achievements and shortcomings? [5 days]

- Follow up to the Overall Evaluation of the AF. [2 days]
- MTS going forward. [10 days]
  - **Impacts of current context**. Is the MTS prepared for the new "normal" (e.g. COVID-19 pandemic and post recovery) and current discussions and negotiations on CCA financing? What are the implications of COVID-19 for the future MTS;
  - **Preparing the new MTS**. What lessons should be incorporated in future processes for developing the new MTS? What issues should be considered in the development of the new MTS?

The key tasks to be conducted in the second phase will be:

- Prepare framework and inception report/evaluation matrix and methodologies according to the key areas and questions presented above;
- Actively participate, as resource person, and support the WG implementation;
- Conduct interviews with up to 20 people (AFB Secretariat, Board, IEs, CSOs, funding partners, etc.);
- Survey of IEs: feedback on MTS (e.g. lessons, achievements, shortcomings, etc), and expectations for completing it and for new MTS);
- Document review/desk review (e.g. UNFCCC COP/CMP/CMA guidance and Board decisions, Sec documents to monitor, report and implement the MTS, KM, etc.);
- Fund portfolio: relevance to the MTS and to CCA, portfolio of AF, lessons from AF completed projects relevant to the MTS (innovation, scale up, concrete actions), actual and expected results);
- Deep dives: select 3 countries, 3 NIEs, 1 MIE and 1 RIE;
- Reporting, consultation, synthesis and actively interacting with the AF-TERG;
- Two versions of the MTR: draft and final MTR.

## 5. Timetable and deliverables

| Task | Deliverable | Timeframe |
|---|---|---|
| REoI advertised | RoEI | August 18, 2020 |
| Selection of consultant | Consultant is selected | Sept. 20, 2020 |
| Phase 1 | Research and consultation<br>Framework for MTR and short synthesis reports | Sept – October, 2020<br>Oct 30, 2020 |
| Phase 2 | Data collection<br>Socialization of Draft MTR with AF stakeholders<br>Draft MTR<br>Factual review by AFB<br>Sec MTR | October – December Early January, 2021<br>Early January, 2021<br>Mid January, 2021<br>February 2021 |
| MTR presentation to Board | MTR to Board | March 2021 |

## 6. Work Principles

Based on the AF-TERG's mandate and its two overarching objectives, and in the spirit of guiding its work for the benefit of the Fund, the AF-TERG has developed a set of ten work principles to guide the work of the AF-TERG, including the work that it commissions. The MTR and the consultant will ensure that these principles are followed in the processes and products.

1. **Be relevant and responsive to the Fund priorities and operating contexts**: Stay tuned and responsive to the Fund's operational strategic and governance priorities; Fund partners' priorities; and relevant developments in the broader field of CCA and operating contexts.
2. **Make contributions that benefit Fund's stakeholders - people, livelihoods and ecosystems:** Observe equity, transparency and impartiality in our work designs, processes and products to serve the interests of Fund stakeholders.
3. **Produce MEL products that add value to the Fund:** Ensure the production of useful, credible, actionable, innovative, independent and timely monitoring, evaluation and learning (MEL) products that contribute to the performance and impact of the Fund at all levels.
4. **Support the development of MEL capacity of the Fund's key stakeholders**: develop the MEL capacity of the Fund's key stakeholders through engaging them in all our work, nurturing relationships of trust, co-learning and co-creation, and cultivating a sense of collective ownership of the MEL tools.
5. **Contribute to the development of the CCA monitoring, learning and evaluation (MEL) field:** Seek opportunities for sharing the Fund's MEL experience with the CCA and evaluation communities and to contribute to the discussion and development of the MEL in CCA and related fields.
6. **Draw on good and innovative MEL practice:** Identify, utilize and build on good, new, ethical MEL approaches and practice in the CCA and related fields.
7. **Respect and utilise different knowledges:** Seek, respect, value and work with traditional and local knowledge alongside other forms of knowledge and apply appropriate standards of quality to all types of knowledge.
8. **Work synergistically to produce optimal results:** Work collaboratively together, equitably share responsibilities, give our best, engage in constructive dialogue, exercise mutual respect, assume good intent and be open to surprise towards getting the most from the Fund's investment in MEL.
9. **Conduct collective, reflexive learning that improves practice:** Undertake purposive, collective, continuous and critical learning to improve our evaluative, oversight and advisory practice and the value it creates for the Fund over time.
10. **Ensure cost-effective utilization of the Fund's resources:** Utilize our time and budget in the most cost-effective ways while ensuring the production of fit-for-purpose MEL products.

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