



ADAPTATION FUND

AFB/B.37-38/5  
7 February 2022

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Adaptation Fund Board

## **UPDATED MANAGEMENT RESPONSE AND ACTION PLAN - MID-TERM REVIEW OF THE MEDIUM-TERM STRATEGY**

## Background

1. 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.
2. 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.
3. 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.
4. At its thirty-seventh meeting, the Board considered the recommendation of the Ethics and Finance Committee (EFC) regarding the Mid-term Review (MTR) of the Medium-term Strategy (MTS) of the 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 Board in Decision B.37/36 decided:
  - (a) To take note of the key findings and recommendations of the MTR of the MTS, including its annexes, and of the initial management response prepared by the Adaptation Fund Board secretariat;
  - (b) To request the secretariat to prepare an updated management response reflecting the views expressed by the EFC at its 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 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.
5. This document presents an updated management response and action plan, prepared by the secretariat in consultation with the AF-TERG. In accordance with subparagraphs (b) and (c) of Decision B.37/36 above, the Board may wish to approve this document intersessionally.

## **Updated management response and action plan**

6. The secretariat has presented at the thirty-seventh meeting of the Board an initial management response to the Mid-term Review (MTR) of the Medium-term Strategy (MTS) of the Fund as contained in document AFB/EFC.28/6. The initial response considered by the Board outlined issues to what extent the Secretariat agrees or disagrees with the report, provided an update on actions already being undertaken to address some of the recommendations, and included an annex with specific responses to the findings.

7. As requested by Board decision B.37/36, the secretariat has updated the initial management response, reflecting the views expressed by the EFC at its twenty-eighth meeting on the findings and recommendations set out in the MTR report. In addition, the current report provides an action plan for the implementation of proposed recommendations of the MTR as approved by the Board, as contained in Annex 1 of current document.

8. Overall, in its updated management response, the secretariat confirms its overall agreement with the proposed recommendations and way forward. In addition, the secretariat also provided further clarifications for some elements and based on current work being undertaken by the Fund This relates to issues of (i) innovation for which the Fund is currently working on further defining a set of indicators for results tracking and the AF-TERG is conducting a review of practices within and outside the Fund; (2) exploring possibilities for strategic partnerships on learning and knowledge management support as well as on innovation advisory capacity, as per Board Decision B.36/39; (3) integration among MTS pillars for which both secretariat and TERG will explore ways to better track interaction between MTS pillars throughout the strategy implementation and the project cycle and (4) use of the next MTS as an opportunity to address the issues raised by recommendation 5..

9. The update management response also includes an action plan (Annex 1) which outlines how the proposed recommendations will be implemented. The purpose of the Action Plan is to provide a time-bound framework within which to operationalize the implementation of each recommendation of the MTR as approved by the Board, including specification of the body in charge of the proposed action. The Action Plan also includes comments from the AF-TERG and responses to comments provided by at the EFC and the Board, as requested by the Board decision

## Annex 1 - Updated management response and action plan

Recommendation 1	Harness results to identify the wider impact of the Fund's adaptation projects.		
	<ul style="list-style-type: none"> <li>i. Identify and analyze wider impact additional to the direct impacts on resilience.</li> <li>ii. Monitor, evaluate, and report the uptake of knowledge and learning.</li> <li>iii. Contribute to global dialogue on tracking the effectiveness of adaptation projects.</li> </ul>		
Updated management response	Proposed action to be taken	Body in charge	Timeframe
<p>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).</p> <p>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; Readiness and Capacity building for Direct Access Finance, Lessons Learned and</p>	<p>The secretariat will continue improving its monitoring and reporting on project impacts in accordance with the Fund's results framework, to better identify and analyze the Fund's wider impact on resilience.</p> <p>The AF-TERG will assess the wider impact of the Fund through its work program activities, particularly through the annual synthesis report of project final evaluations, thematic evaluations and the overall performance evaluation.</p> <p>As per Board decision B.37/39 on "Objectives and indicators for innovation aspects of projects", the secretariat will update the Fund's results framework</p>	<p>Secretariat</p> <p>AF-TERG</p> <p>Secretariat</p>	<p>Ongoing</p> <p>On-going and reported at EFC meetings</p> <p>AFB39 (March 2022)</p>

<p>Successful Approaches captured from Portfolio Monitoring Missions and Lessons learned from country exchanges centered around certain sectors or e-learning courses aimed at increasing capacity of IEs for access to direct access finance in adaptation.</p> <p>The Fund’s new window on innovation might require specific monitoring indicators to capture the impact on the ground. Also, the Fund will undertake additional work related to lessons learnt and knowledge dissemination on areas related to project scaling up, replication, sustainability but also overall reliance building in the context of external shocks like COVID19.</p> <p>The Fund is currently exploring possibilities for strategic partnerships on learning and knowledge management support as well as on innovation advisory capacity, as per Board Decision B.36/39</p>	<p>and pilot the innovation indicators as approved by the Board</p>		
<p><b>Recommendation 2</b></p>	<p><b>Demonstrate and incentivize work and interaction across MTS pillars</b></p>		
	<ul style="list-style-type: none"> <li>i. Optimize feedback loop between action, innovation, and learning and sharing pillars.</li> <li>ii. Track interaction between strategic pillars.</li> <li>iii. Track outcomes across pillars.</li> <li>iv. Identify whether the AF-TERG can provide evidence and validation.</li> <li>v. Use IP to manage performance.</li> </ul>		
<p><b>Management response</b></p>	<p><b>Proposed action to be taken</b></p>	<p><b>Body in charge</b></p>	<p><b>Timeframe</b></p>
<p>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 pillars 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</p>	<p>The secretariat will seek to identify avenues to better monitor and track the interaction between MTS pillars of action, innovation and learning &amp; sharing, both at design and implementation stages. The secretariat will explore ways to reflect such process during project development</p>	<p>The secretariat</p>	<p>Ongoing</p>

<p>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.</p> <p>Building on Board members' feedback and in line with the overall objective of the Fund to support vulnerable countries across all MTS pillars, the Fund will explore ways to better track interaction between MTS pillars both at design and implementation stage.</p> <p>The secretariat will also call on the AF-TERG's expertise and evidence-based finding role to better assess the potential integration between MTS pillars as well as lessons and experience from other partners on such issues.</p>	<p>(review sheet) and monitoring (PPR and monitoring missions).</p> <p>The Fund's evaluation function can further identify options for further integration between MTS pillars as well as any lessons learnt from other partners.</p>	<p>AF-TERG, in consultation with AF sec and IEs, as needed</p>	<p>on-going and for each of the work program activities, such as synthesis of final evaluations, thematic and overall performance reported to the EFC meetings</p>
<p><b>Recommendation 3</b></p>	<p>Board to discuss feasibility of achieving IP targets by the end of the MTS period</p>		
	<ul style="list-style-type: none"> <li>i. Determine realistic targets for outputs of MTS and resource mobilization at the Board level</li> <li>ii. Identify factors constraining progress to pursue learning and course correction.</li> </ul>		
<p><b>Management response</b></p>	<p><b>Proposed action to be taken</b></p>	<p><b>Body in charge</b></p>	<p><b>Timeframe</b></p>
<p>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</p>	<p>In line with discussions at AFB37, the Board might consider revising the MTS targets for the remaining implementation period (calendar year 2022), as necessary, to be</p>	<p>The Board</p>	<p>FY21/22</p>

<p>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.</p>	<p>implemented by the secretariat.</p> <p>The Fund's next resource mobilization strategy which is currently being developed will address this by providing further guidance on possible scenarios for the Fund's portfolio over the next years taking into account the current MTS and guidance by the Board on the overall Fund's development.</p>	<p>The Board and secretariat</p>	<p>FY22</p>
<p>Recommendation 4</p>	<p>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.</p>		
	<ul style="list-style-type: none"> <li>i. Provide specific guidance to measure innovation and adaptation for newcomers to the Fund (building on achievements of the Innovation Task Force).</li> <li>ii. Continue clarifying innovation in the context of adaptation.</li> <li>iii. Further tap into potential of the learning and sharing pillar.</li> </ul>		
<p>Management response</p>	<p>Proposed action to be taken</p>	<p>Body in charge</p>	<p>Timeframe</p>
<p>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. It is worth noting that since its</p>	<p>The secretariat has been mandated to continue clarifying the relevant concepts under the MTS. The Board has already adopted a more elaborate definition and vision for</p>	<p>AFB Sec and the Board</p>	<p>Ongoing</p>

<p>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.</p> <p>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.</p> <p>In relation to the concept of innovation and as mandated by the Board (Decision B.35.b/9), the secretariat has long-recognized the need for further clarifying the innovation concept and has been 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 as reflected in the actual proposals to the Fund.</p>	<p>innovation, and the Secretariat has been mandated to further refine the scope of innovation, for example through a discussion on acceptable levels of risk associated with innovation projects.</p> <p>The Secretariat and the Board have been engaged in a discussion relating to the full cost of adaptation in order to further clarify the concept. The Secretariat has been mandated to continue the work on clarifying this concept.</p> <p>The Secretariat will continue, through project work, to identify issues that are noteworthy and raise them to the attention of the Board (via PPRC), as is reported routinely at the meetings of the Board.</p> <p>The Secretariat will continue its outreach to the NIEs concerning innovation, for example through innovation webinars taking place in November 2021.</p>		
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<p>In line with the efforts to clarify innovation and provide guidance to the implementing entities, and NIEs especially, the secretariat has devised e-learning courses that are free and open-access, available under the Fund's Knowledge Management repository webpages on its site.</p> <p>Further linkages between innovation and learning and sharing have been most recently established through the launch of the pilot indicators for innovation that also include indicators measuring learning and sharing outputs in the context of innovation projects.</p>	<p>The secretariat will monitor status and progress of the innovation indicator use and report to the PPRC as mandated in Decision B.37/39.</p> <p>AF-TERG, as part of its work program approved by the Board, will conduct a review of the practices of innovation within the Fund and outside to bring good practices. The findings and recommendations from this review should complement the work by the Secretariat and the development of the next MTS.</p>	<p>AF-TERG</p>	<p>EFC March 2022 and Oct 2022</p>
<p>Recommendation 5</p>	<p>Consolidate and optimize aspects that define the Fund's niche (even with resource uncertainty) as a Fund that</p>		
	<ul style="list-style-type: none"> <li>i. Provides quick and direct financing.</li> <li>ii. Creates new solutions built on what works.</li> <li>iii. Supports innovative solutions with higher risk.</li> <li>iv. Complements others through catalytic financing.</li> <li>v. Brings needed new players into the climate change adaptation space.</li> </ul>		
<p>Management response</p>	<p>Proposed action to be taken</p>	<p>Body in charge</p>	<p>Timeframe</p>
<p>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</p>	<p>In line with its overall mandate, the Fund has expanded its support to vulnerable countries and in many ways engaged its readiness programme to strengthen capacity-building</p>	<p>The Board and secretariat</p>	<p>Ongoing</p>

<p>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.</p> <p>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.</p> <p>The next MTS for which a process for its development has been approved, is an opportunity to address the issues raised by the recommendation 5. The next MTS which overall objectives and ambition is yet to be defined by the Board, will consider further strengthening the Fund’s niche and position the Fund as one of the key adaptation finance providers within the climate finance agenda.</p>	<p>including in areas of innovation in adaptation, learning and most importantly concrete actions for long term resilience</p> <p>As part of development process for next MTS, the Board might consider further exploring the Fund’s niches building on the implementation of the Paris Agreement guidance, current portfolio and identified strengths and niches.</p>	<p>The Board</p>	<p>FY22</p>
<p>Recommendation 6</p>	<p>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</p>		
	<ul style="list-style-type: none"> <li>i. Develop the next MTS in consultation with multiple levels of stakeholders.</li> <li>ii. Initiate a streamlined consultation process.</li> <li>iii. Conduct explicit scenario planning to determine resource and capacity requirements for operationalizing the next MTS.</li> </ul>		
<p>Management response</p>	<p>Proposed action to be taken</p>	<p>Body in charge</p>	<p>Timeframe</p>
<p>The Fund promotes wider stakeholder engagement and consultations in all its operations including during</p>	<p>At its 37<sup>th</sup> meeting, the Board approved the “process for</p>	<p>The Board and secretariat</p>	<p>FY22</p>

<p>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.</p> <p>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.</p>	<p>developing the Medium-term Strategy of the Fund beyond 2022” and reaffirmed the importance to conduct the process “through open and inclusive consultations of the various stakeholders of the Fund, including the Board, contributor and recipient governments, accredited implementing entities, Adaptation Fund Civil Society Network and other civil society representatives, and other relevant stakeholders”.</p>		
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