



ADAPTATION FUND

AFB/B.38/5
22 March 2022

Adaptation Fund Board
Thirty-eighth meeting
Bonn, Germany, (hybrid meeting) 14 – 18 March 2022

Agenda item 10

**ELEMENTS AND OPTIONS FOR THE FUND'S
MEDIUM-TERM STRATEGY 2023 - 2027**

Introduction

1. The current, first Medium-term Strategy (2018–2022) of the Adaptation Fund (the Fund) was developed in 2016 following Decisions B.27/39 and B.28/46 and was adopted by the Board at the thirtieth meeting in October 2017.

2. The Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) undertook a Mid-Term Review (MTR) of the MTS and presented it to the Board's Ethics and Finance Committee (EFC) at its twenty-eighth meeting in document AFB/EFC.28/7. The Board took note of the key findings and recommendations of the MTR of the MTS, including its annexes, in Decision B.37/36.

3. At the thirty-seventh meeting, in October 2021, the Board considered and adopted a process for developing the next medium-term strategy of the Fund for the period 2023 to 2027. The Board decided:

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

(Decision B.37/38)

4. Pursuant to Decision B.37/38, the Adaptation Fund Board secretariat (hereafter “the secretariat”) during the intersessional period undertook preparatory work and conducted an open and inclusive stakeholder consultation process with the various stakeholders of the Fund to collect views and inputs on the Fund's Medium-term Strategy 2023 – 2027 (MTS 2023 – 2027). The secretariat recruited two external consultants to help draft, under supervision by and in

consultation with the secretariat, a document that would present options and elements for the Fund's MTS 2023 – 2027.

5. This document contains a summary and synthesis of the outcomes of the stakeholder consultation process and proposed options and elements for developing a draft MTS 2023 – 2027, taking into account the findings from the MTR of the MTS.

Relevant findings from the MTR of the MTS

6. The Medium-term Review (MTR) and its annexes presented at the thirty-seventh meeting of the Board highlighted the key findings and a set of recommendations for the current strategic period and for the development of the next MTS. It 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” (para. 13).

7. The MTR of the MTS further found that progress under the MTS has been significant, as the Fund “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” (para. 14).

8. According to the MTR, the next MTS will face a context of even more urgency. It will need to help countries adapt to the climate crisis in the context of resilient economic response, management and starting recovery from the COVID-19 pandemic (para. 10). For the next MTS, the MTR presented the following two recommendations:

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

9. In its updated management response and action plan (contained in document AFB/B.37-38/5 and approved by Decision B.37-38/7), the secretariat confirmed its overall agreement with the MTR's proposed recommendations and way forward. The secretariat also provided further clarifications on some elements based on the current work of the Fund, including on innovation indicators, exploring strategic partnerships on learning and knowledge management, integration among MTS pillars throughout the strategy implementation and project cycle, and use of the next MTS as an opportunity to address the two recommendations mentioned in para. 8 above.

Summary and synthesis of stakeholder consultations

10. Based on the findings and recommendations of the MTR of the MTS, the Board in Decision B/37.38 has adopted a stakeholder engagement approach as part of its methodology for strategic planning to develop the next MTS. **Table 1** below summarizes the process of developing the MTS 2023 – 2027, including the open and inclusive stakeholder consultation process undertaken by the secretariat in the first stage to inform the options and elements presented in this document.

Table 1: Process for developing MTS 2023 – 2027, following Decision B.37/38

MTS II Development Process 2022			
Q1	Q2	Q3	Q4
Open and inclusive stakeholder consultation process	38th Board meeting	Open and inclusive stakeholder consultation process	39th Board meeting
<ul style="list-style-type: none"> ○ Open survey: 50 responses from Board, AF-TERG, IEs, DAs, contributor governments, civil society and other climate funds ○ Roundtable discussions of experts with researchers and practitioners on climate adaptation finance ○ Internal workshops with secretariat staff 	<ul style="list-style-type: none"> ○ Board's consideration of and guidance on options and elements for MTS II ○ Election of Board's task force 	<ul style="list-style-type: none"> ○ Consultation on draft MTS II 	<ul style="list-style-type: none"> ○ Consideration and adoption of MTS II ○ Reporting and presentation of MTSII to stakeholders at COP27
Synthesis of stakeholder inputs and development of options and elements for MTS II, taking into account finding of the MTR of MTS	Development of draft MTS II based on elements and options	Revision of draft MTS II based on stakeholder inputs	Development of MTS II Implementation Plan

Summary of survey results

11. Through an open online survey inputs were collected from the Board, secretariat, AF-TERG, Implementing Entities, recipient and contributor governments, other climate funds, the AF CSO Network and other civil society organizations. Detailed responses to the survey's 16 questions are included in **Annex I** to this document.

12. **Overall strategic direction:** Overall most respondents were supportive of the strategy and direction of the Fund. 92% of respondents agreed or strongly agreed that the current strategic focus remains broadly relevant for the next five years. 94% feel that the strategic pillars and cross-cutting areas under the current MTS broadly reflect the Fund's current work and niche. 82% of respondents agreed or strongly agreed that the current MTS's Theory of Change in its main features remains broadly relevant and up to date.

13. **Barriers:** The main identified barriers to achieving the UNFCCC and Paris Agreement adaptation goals between now and 2030 are insufficient finance (55%), lack of local or national capacity (29%), issues with access to finance (25%) and lack of policy coherence with mitigation and associated agendas (20%). Access to finance, insufficient finance available, and long and

complex processes to attain funds were the top three barriers identified by Designated Authorities and recipient governments.

14. *Role and niche:* Most survey respondents agreed there was a clear and well-defined niche for the current strategy and work of the Fund. The Fund is regarded as agile and nimble and is demonstrating high quality adaptation projects for scaling up, as a core niche. The Fund's experience and competency in adaptation is seen as real asset for the climate finance landscape and recipient governments highlighted that the Fund is more accessible than other funds. Several respondents also commented on the efficiency of the fund, and its personal, non-hierarchical nature. Civil society groups noted the inclusion of marginalized groups, the readiness programme and the composition of the Board as key features. The most frequent responses across all groups include developing national capacity (29% of all respondents and almost half of DAs and IEs), concrete and small projects on the ground (22%), direct access and enhanced direct access (20%), inclusion of marginalized and vulnerable groups (20% and 50 % of civil society groups), knowledge sharing (20%), innovation, provision of grants and widening access to a variety of actors (see **Figure 1** below).

Figure 1: Stakeholders' view of the Fund's niche in addressing barriers in adaptation finance



15. *Changes in operating environment:* Respondents identified relevant evolutions in the PA including the global goal on adaptation, and an increasingly crowded and complex funding landscape with an overall increase in adaptation finance. There was wide recognition of the shocks from Covid-19 and how this has worsened the condition of many climate-vulnerable communities.

16. *Implications for the Fund's strategic direction:* Respondents identified support for access and national capacity-building, including local access and access to a wider range of actors, focus on vulnerable countries and people, learning and innovation for impacts, widening the scope of adaptation and nature of projects, complementarity and coherence with other funds, and resource mobilization and need for stable funding. Three-quarters of respondents agreed that the Fund should consider the implications of Covid-19 pandemic and other potential shocks on the strategic direction. Some suggested that health and adaptation are fundamentally tied to resilience, while acute events often disrupt focus on climate adaptation priorities.

17. *Changes or updates to AF's vision, mission, goal and impact:* Stakeholders across groups suggested the need to link the Theory of Change to the Paris Agreement, including its long-term goals and the global goal on adaptation. Different groups emphasized the need to strengthen the current MTS and to include gender, vulnerable communities and human dimensions in the Theory of Change, and that the mission statement should consider developing country priorities at national, sub-national and local levels. Some suggested to reflect the outcomes of the IPCC AR6 Working Group II report on adaptation.

18. *Changes or updates to strategic pillars and cross-cutting areas:* Respondents confirmed (94%) that the current MTS strategic pillars and cross-cutting areas broadly reflect the Fund's current work and niche. Across groups, they suggested that the three pillars are linked by an overarching goal of accelerating climate action and that linkages between pillars can be optimized, especially linkages of the knowledge and innovation pillars to the action pillar. This feedback aligned with the MTR of the current MTS conducted by AF-TERG. Respondents suggested the potential of the Fund to become a leader in the areas of innovation and sharing knowledge and learning to enhance effectiveness and deliver impact at scale. Among the Fund's enabling structures and systems (MTS, part III), respondents particularly highlighted complementarity and coherence and resource mobilization as important elements.

19. *Partnerships and stakeholder engagement:* A variety of stakeholders were suggested for new partnerships as well as strengthening with existing ones, including civil society, other climate funds and new international initiatives, local governments, development banks and regional entities, and local private sector. Many respondents were unclear about how the MTS had facilitated their engagement with the AF. International climate funds and the AF-TERG affirmed the role of the MTS in guiding the relationship with the AF. Civil society mentioned that it was useful that the first MTS referred to the Board aiming to strengthen its engagement with the AF CSO Network but that there should be more concrete outcomes in this area under the next MTS. It was suggested by some respondents that the MTS should be used as a communication tool for a clear introduction to the Fund to various stakeholders. Especially youth representatives stressed the importance of more accessible and easier to understand language and communication of the MTS to engage youth and other local stakeholders in the Fund's work.

Summary of expert roundtables

20. A total of three expert roundtables was held for targeted consultations with over 30 adaptation finance experts, from various relevant international, academic and non-governmental organizations, including one roundtable with young leaders (more than 20 participants) dedicated to youth engagement. Experts agreed that the Fund has created trust with stakeholders and has a strong reputation and track record of concrete adaptation action. They noted that it has a recognized niche in providing grant support for local adaptation needs and a reputation for being a leader on direct access and new forms of access, innovation, and sharing knowledge. They reflected on the Fund's position within the rapidly evolving adaptation finance landscape and how the strategy could engage with the Paris Agreement. They further proposed specific ideas for options and elements in a new strategy in three main areas: the scope of adaptation activities the Fund seeks to support, the Fund's partnerships and actors it works with, and the Fund's ways and modalities of working. A more detailed summary is contained in **Annex II** to this document.

21. Reflecting specifically on the new strategy, participants proposed the following options and elements for deepening the niche of the Fund: a focus on locally led action and inclusion of marginalized and vulnerable communities, including women and youth groups at the local level; sustained funding approaches; a focus on effective, innovative and high-quality funded activities; and more learning and sharing with wider communities.

- i. Many participants agreed that the next funding frontier is further decentralization to the local level and the Fund could expand its current support of participatory, gender-responsive, locally led adaptation actions. Participants suggested the Fund could build on its legitimacy as a nimble innovator with a majority of developing country board members and create a strong comparative advantage compared to the other climate funds. Youth representatives urged the Fund to enhance youth representation and inclusion in the decision-making and implementation of adaptation funding and to directly work with youth organizations on the ground. They stressed the need to make adaptation funding more accessible for vulnerable groups including youth through more flexible procedures, capacity-building support and simplified processes.
- ii. Several participants noted that long-term and transformative adaptation requires sustained financing, and that this has been a challenge with the short-term nature of project financing. This includes finding a balance between responding to countries' priorities and more programmatic and transformational approaches; and
- iii. Several participants suggested the Fund could build a niche around effectiveness and high-quality finance. This could be both demonstrating it through the way the funded projects are managed but also learning and sharing on the adaptation topic to improve the quality of adaptation finance disbursed through other channels. Participants appreciated the role the Fund has played in learning, and many saw it as an important niche to develop further, including engaging with other actors for learning and to share learning with other funds.

Key messages from the 2022 IPCC report on impacts, adaptation, and vulnerability

22. In developing options and elements for the next MTS, the secretariat also took into account the Sixth Assessment Report of the IPCC Working Group II on Impacts, Adaptation and Vulnerability. The report's Summary for Policymakers (SPM) has several key messages that are relevant for the evolving context, role and strategy of the Fund in the coming years (see **Annex III** to this document).

23. The report's SPM concludes with high confidence that closing the widening adaptation gap requires accelerated adaptation action, particularly in the next decade (*SPM.C.1.2*). The findings confirm the AF-TERG's and stakeholders' view that the next MTS will face a context of even more urgency. The SPM makes the case for enhanced mobilization of and access to financial resources through building capacity and removing barriers, especially for vulnerable groups, regions and sectors (*SPM.C.5.4 & SPM.D.5.2*). It finds that removing barriers requires inclusive governance for adaptation that engages diverse actors and work across multiple scales and sectors and is adapted to local conditions (*SPM.C.5.6*). The report highlights the need for learning and evaluation financial resources to enable effective and ongoing implementation of adaptation (*SPM.C.5.5*).

24. These findings reinforce the increasing relevance and urgency of the Fund's mission to accelerate adaptation action and of the Fund's niche and role that has been emerging under the current MTS and that can be further strengthened to: support enhanced access to adaptation finance and locally-led adaptation with a focus on vulnerable groups and people, enhance national and institutional capacity, expand the scope, sectors and actors of adaptation action, further develop the innovation and learning pillars and strengthen the links between the pillars.

Proposed options for developing MTS 2023 – 2027

25. Across consulted groups, stakeholders and experts expressed their general support for the strategic direction and approach of the first MTS, and they confirmed the Fund's strong niche and relevance as an agile, nimble, and fast fund that can leverage its track record of successful adaptation actions on the ground with inclusion of and benefits to vulnerable countries and communities. In addition to the focus on action, stakeholders highlighted the crucial role and high potential of the other two strategic areas of innovation and learning and sharing for the Fund to achieve its mission of accelerating and enhancing the quality of adaptation action. They suggested that the Fund's strength is its unique governance structure, which makes it well-placed to become a leader in encouraging innovative and scalable approaches to adaptation action, especially on the local level, and generating knowledge and evidence for the global climate finance system. It was proposed that the next MTS should further develop this connecting role between the global agenda and local action by further engaging with actors on various governance levels, including national and sub-national, regional, and international. In this context, stakeholders seemed to agree with the MTR's finding that the next MTS can be used to optimize the Fund's impact, *inter alia* by supporting continuous learning from concrete projects to identify the wider impact of the Fund across pillars and strengthening linkages between the pillars.

26. Taking into account the findings of the MTR of the MTS and the inputs by the various stakeholders of the Fund, the Board may wish to consider the secretariat's analysis of the following three potential options for developing the Fund's MTS (2023 to 2027):

- **Option 1 – Continuation:** Largely continue the current strategy and strategic framework of three pillars and four cross-cutting areas, with some minor updates and an updated MTS Implementation Plan.

In the absence of developing and agreeing to a new MTS, the default option for the Board would be to continue the current MTS with minor updates but without significant adjustments and changes to the three pillars and four cross-cutting areas. Under this option, it would be recommended to update the MTS implementation plan and agree on updated targets and indicators especially to further develop and implement the new funding windows and grant types that have been launched under the MTS. The updated implementation plan could also articulate more clearly the linkages between the three pillars and four-cross cutting areas.

While this 'default option' is available to the Board and the current MTS has largely been received favorably by stakeholders with a generally positive independent evaluation by the AF-TERG, it might fall short in maximizing the Fund's impact and further strengthening the Fund's comparative advantage. This option would ensure continuity in the Fund's strategy

and solid track record by continuing implementation of the newly launched grants and windows. However, this option would not integrate the key recommendations of the MTR to (i) harness results to identify the wider impact of the Fund's adaptation projects, (ii) consolidate and optimize aspects that define the Fund's niche (even with resource uncertainty) and (iii) 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.

Finally, this option would miss the opportunity for updating the strategy to respond to the changes in the operating environment since the development of the first MTS, including the latest state of climate adaptation challenges, as assessed in relevant UNFCCC processes such as the Global Goal on Adaptation and in the latest IPCC AR6 report.

- **Option 2 – Enhance MTS through strategic adjustments (recommended option):** Considering the overall feedback by key stakeholders and recommendations by AF-TERG, the recommended option 2 would be to develop a new MTS by building on the current strategy including its strategic framework. This approach would consider improvements and strategic adjustments to maximize the Fund's impact and comparative advantage; with potential adjustments to include the strategic-level strengthening of the linkages among the three pillars and a strategic emphasis on locally-led adaptation action, as a cross-cutting theme.

Under this option, the second MTS would broadly reaffirm the approach of the first MTS as a successful model to build on with some strategic adjustments in light of the general support and confirmation received from stakeholders and the mid-term review. This would allow for continuity of the Fund's work under the MTS, such as the newly launched funding windows and grant modalities, and also ensure that the Fund's MTS for the next five-year period remains a relevant, forward-looking and fit-for-purpose strategy in the context of an evolving adaptation finance landscape. This is also aligned with the AF-TERG recommendation that the Fund should build on the existing work with the aim of optimizing and consolidating its gains.

Table 2 below includes an overall assessment by the secretariat, taking into account the Fund's experience with implementing the first MTS and the recommendations by the AF-TERG and other stakeholders, and identifies six strategic level principles as areas with high potential for enhancing the existing strategy and consolidating the Fund's comparative advantage:

- i. Strengthen support of locally-led adaptation actions
- ii. Enhance access and longer-term capacity of vulnerable countries and groups
- iii. Explore expanding scope of adaptation actions, sectors and actors
- iv. Strengthen support of innovation and encourage risk-taking for greater effectiveness
- v. Enhance learning and encourage scalability for greater impact
- vi. Strengthen partnerships and engage new actors

Based on these themes and principles as outlined in **Table 2**, the Board may wish to consider adjustments to the MTS' strategic framework and theory of change, such as revising the pillars, cross-cutting areas, funding windows or modalities. Potential adjustments include,

amongst others, the strategic-level strengthening of the linkages among the three pillars and a strategic emphasis on locally-led adaptation action, as a cross-cutting theme.

Under this option 2, the Board may wish to consider revising the overall strategic framework and theory of change of the current MTS including an updated mission statement, vision, goal and impact, as well as revisions to the strategic pillars and cross-cutting themes to reflect and integrate the identified principles for enhancing the MTS (see **Figure 2** below).

Table 2: Proposed strategic-level principles for building on and enhancing the MTS existing strategic framework (recommended option 2)

Strengthen support of locally-led adaptation actions

Build on and further strengthen Fund's work and modalities on devolving access and decision-making on adaptation finance to national, subnational, and local levels.

Explore options for additional support to locally led adaptation actions building on existing modalities and windows of direct access and enhanced direct access, innovation (incl. Adaptation Fund Climate Innovation Accelerator), capacity building through readiness, as well as involvement of local and vulnerable communities, including women and youth, in all adaptation action financed by the Fund.

Become a knowledge leader on best practices for financing locally-led adaptation action with other actors on multiple governance levels.

Rationale:

- Local leadership and ownership has been understood to correlate with better targeted, designed, accepted and sustained adaptation results. Locally-led activities involve opportunity costs compared to centrally-led activities through needed investment of time and resources to capacity building and consultation, among others, which place them at disadvantage unless specifically prioritized and supported.
- Consolidates Fund's niche and role as pioneer and expert of direct access modality; connecting global and local levels, supporting smaller scale projects on the ground; providing grants; enabling access to funding from a diverse set of local adaptation actors; and focus on vulnerable countries and groups.
- Builds on Fund's successful piloting and implementation of locally-led adaptation actions including concrete results under various windows and further strengthens this area as a cross-cutting theme of the Fund's work.

Illustrative quotes: "The next funding frontier is further decentralization to the local level."

The AF "sets as a standard for what makes a quality adaptation project, particularly at the local and community levels."

Enhance access and longer-term capacity of vulnerable countries and groups

Support more sustainable and longer-term national and institutional capacities for accessing and managing finance, with a focus on vulnerable countries and communities, and through an inclusive and gender-sensitive approach.

Focus on engaging vulnerable and marginalized communities and groups, including civil society, youth, women, indigenous peoples, among others.

Rationale:

- Consolidates niche and role as fund that is accessible, responding to country needs, building long term resilience and has a track record in empowering national institutions and inclusion of vulnerable communities.
- Aligned with IPCC's finding that "building capacity and removing some barriers to accessing finance is fundamental to accelerate adaptation, especially for vulnerable groups, regions and sectors" and the principle of country-drivenness enshrined in the Fund's mandate.
- Builds on the four cross-cutting themes, to further explore how to strengthen the focus on longer-term capacity for the most vulnerable communities, e.g. through strengthening the readiness programme, including for innovation and learning and sharing, strengthen programming linkages with existing processes (NAPs, NDCs, AdComs, etc.); more clearly articulate principle and theme of enhancing access and direct access in ToC; explore opportunities for more longer-term and programmatic funding modalities.

Illustrative quotes: The AF is "a fund specifically designed to strengthen the adaptive capacities of developing countries ... The AF is the interface between vulnerable countries and donors. The AF should therefore be able to support vulnerable countries in the negotiation for more, additional and innovative financing [...] that is adapted to the realities on the ground in the vulnerable countries".

"More programmatic approach, longer-term, larger scale is essential." "There is need for greater focus and urgency for the most vulnerable communities – [...] getting money where it matters most."

"The Fund should be the best on stakeholder involvement and projects for marginalized groups, including through CSOs on the ground."

Explore expanding scope of adaptation actions, sectors and actors

While maintaining the Fund's mandate and core adaptation focus, explore potential ways for expanding the scope and types of funded activities beyond 'traditional adaptation', e.g. beyond 'traditional' sectors and 'traditional' adaptation actors, and for reflecting the evolving nature of adaptation and inter-related issues, such as transformative and system-wide adaptation, the intersection with loss and damage, transboundary risks and regional adaptation, co-benefits and issues with relevance for overall resilience such as health, biodiversity, and conflict.

Rationale:

- Increased understanding on impacts of climate change in different sectors of economy and in different socio-economic settings, offers opportunities to implement adaptation that addresses novel adaptation challenges, including among especially vulnerable and/or marginalized groups that may not have been able to advocate or to be prioritized for adaptation interventions previously.
- Fund's niche and role as standard-setter for what constitutes high-quality adaptation, with a dedicated regional window and a strong track record on delivering adaptation benefits in a wide range of sectors
- Aligned with recommendation by AF-TERG on MTR/MTS to "consolidate and optimize aspects that define the Fund's niche (even with resource uncertainty)".
- Builds on and expands Fund's existing work in various sectors and across sectors, in and across multiple regions and on transboundary adaptation, and involving various actors; builds on the Fund's consideration of overall resilience in funding proposals as part of the response to the Covid-19 pandemic.

Illustrative quotes: "The Fund should be agenda-setting."

Strengthen support of innovation and encourage risk-taking for greater effectiveness of adaptation actions

Explore further opportunities and modalities that can create space for innovation and risk-taking to unlock greater effectiveness of adaptation actions on the ground

Enable advancement of adaptation in the sectors and themes with high relevance for adaptation but relatively low representation in adaptation portfolios to date

Explore new partnerships for innovation in adaptation, particularly those with linkages to other relevant sectors and strengthen linkage with learning-and-sharing pillar (knowledge production, for example).

Support capacity-building in innovation for Direct Access and Locally-led Adaptation Action, as well as for target groups such as youth

Rationale:

- Consolidates Fund's niche and role as agile, nimble, and pioneering fund that can leverage its track record of unlocking innovative approaches for effective adaptation actions and launching a number of dedicated innovation programmes;
- Aligned with AF-TERG's and stakeholders' recommendation to "support innovative solutions with higher risk", especially at the local level;
- Builds on and further strengthens innovation pillar with stronger linkages to other pillars and enhanced capacity-building/readiness for innovation, and expands pillar by exploring new areas and modalities for risk-taking.

Illustrative quotes: The Fund is "at the forefront of innovating and testing new practices and technologies then sharing these, particularly through south-south collaboration."

"Innovation projects must dare to fail, while keeping risks low for involved communities."

Enhance learning and encourage scalability for greater impact of adaptation actions

Finance projects and early interventions that are scalable and incentivize scalability as part of project design

Generate and disseminate knowledge and evidence on high quality adaptation actions for adoption and scaling up by other actors, including both national and international

Support successful locally-led adaptation actions that leverage policy changes, additional funding and learning to bring the results to scale and maximize impact

Rationale:

- Scaling up helps expedite adaptation action and to achieve economies of scale, which are both important goals given the urgency of climate impacts and the inadequate quantum of available public adaptation finance globally.
- Consolidates Fund's niche and role as pioneer that supports early interventions and first-mover activities and can share knowledge on what works and doesn't work with other actors. The Fund has acted as knowledge broker on key adaptation actions in many areas with many of its projects scaled up by multiple partners.
- Aligned with AF-TERG MTR recommendation to "Further tap into potential of the learning and sharing pillar" as well as the Fund's strong track record on maximizing impact through scaling up of AF funded projects.

- Builds on and strengthens learning and sharing pillar, including by strengthening linkages to other pillars; scalability and replicability is already strongly present in existing MTS but can be articulated more clearly and included in ToC.

Illustrative quote: “The core niche of the Adaptation Fund lies in its ability to design technically sound adaptation solutions that speak to the urgent adaptation needs of developing countries while generating innovative and practical examples and knowledge base that other financial partners can easily replicate and upscale”.

Strengthen partnerships and engage new actors

Expand the Fund’s partnership with institutional adaptation actors and initiatives to enhance complementarity and coherence for a successful support to developing countries

Channel funds to broad range of actors and engage with a wider range of stakeholders

Strengthen and develop partnerships that support linkages, on the strategic pillars level, between action, innovation, and learning-and-sharing.

Rationale:

- Responds to the increasing diversity of organizations working on adaptation and the opportunities of achieving improved efficiency and effectiveness through collaboration/synergy with them
- Consolidates Fund’s niche and role as bringing in new actors into climate adaptation space
- Aligned with AF-TERG recommendation to “brings needed new players into the climate change adaptation space”.
- Builds on existing cross-cutting theme and Fund’s increasing leadership role in building complementarity and coherence with other climate finance delivery channels; broadens to other institutional actors, and articulates more clearly the Fund’s approach to partnerships with various actors incl. civil society, youth and potentially local private sector; potential to capture evolving issue of leverage in line with full cost of adaptation reasoning.

- **Option 3: Major changes to current MTS framework**, including strategic focus areas, new pillars and cross-cutting areas or different strategic framework altogether.

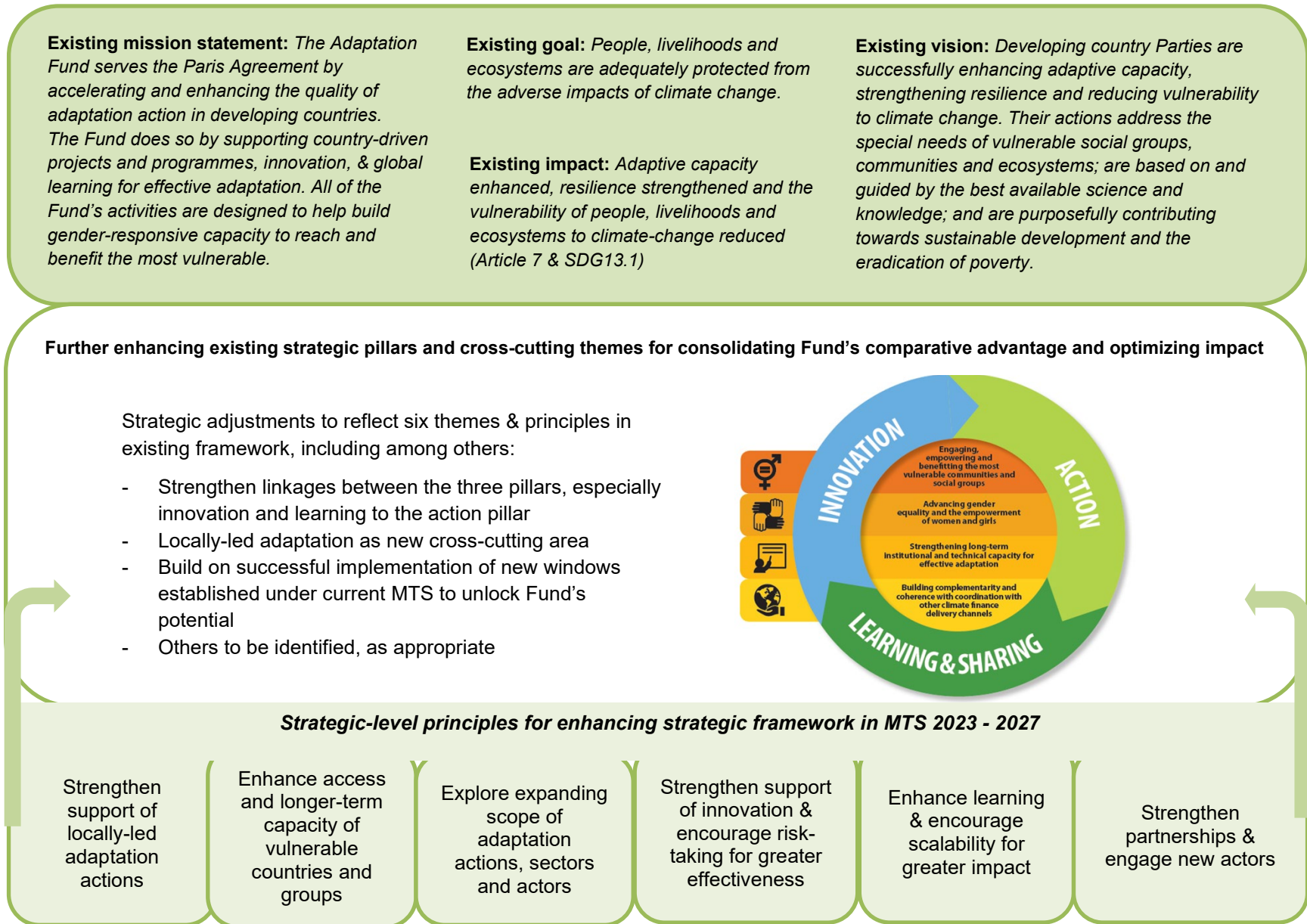
This option of introducing major changes and significant shift from current MTS could be theoretically considered, especially if the MTS’ mid-term review and/or stakeholder consultations would have identified major shortcomings and gaps, and a need to “fix” the current approach and framework of the MTS. As this is not the case, the risks associated with discontinuing the current strategic framework and focus areas would undermine the successful implementation of MTS which helps the Fund achieve its goal of maximizing its impact and strengthening its comparative advantage and niche. It is worth noting that some of the elements proposed by stakeholders could potentially be addressed under this option and some might even require adjustments to the Fund’s mandate, policies or operating modalities. However, the secretariat’s assessment is that the identified strategic-level principles can be integrated into the existing MTS model by adding, merging or strengthening existing focus areas without major changes.

Developing a draft strategic framework and theory of change for new MTS (2023 – 2027)

27. **Figure 2** below illustrates how the proposed option 2 above would build on the current MTS strategic framework and introduce strategic updates and adjustments based on the newly introduced six strategic themes and principles with the aim to maximize the Fund's impacts and enhance the MTS' effectiveness whose overall relevance and coherence has been validated by both the AF-TERG's and overall feedback received from stakeholders .

28. Should the Board decide to adopt the proposed option 2, in the next step a draft MTS 2023 – 2027 would be prepared that would propose concrete revisions and updates to the strategic framework, including the mission statement, vision, goal and impacts, as well as the three strategic pillars and four cross-cutting areas, as well as their outcomes and outputs (**see Figure 2 below**). Following the adoption of the MTS 2023 – 2027, the new MTS implementation plan would detail further the proposed six themes and how they would be implemented through the Fund's programming and operation modalities.

Figure 2: Enhancing the current theory of change and summary framework for MTS 2023 – 2027 (based on option 2 and six strategic level principles, for consolidating Fund’s comparative advantage and optimizing impact of MTS)



Summary and next steps

29. The Board may wish to consider the options and elements for developing the Fund's next Medium-term Strategy (2023 – 2027) presented in this document and to decide on a way forward.

Recommendation

30. Having considered the information contained in document AFB/B.38/5 on options and elements for the Medium-term Strategy 2023 – 2027, the Board may wish to decide:

- a) To elect [insert names, Parties and constituencies] as members of the task force on the Fund's second Medium-term Strategy 2023 – 2027 (MTS 2023 – 2027) referred to in decision B.37/38;
- b) To request the secretariat, under the guidance of the task force referred to above,
 - i. To prepare a draft MTS 2023 – 2027 that builds on the strategic framework and achievements of the MTS 2018 – 2022 and further enhances it by proposing strategic updates and adjustments with a view to consolidating the Fund's comparative advantage and optimizing its impact (in line with Option 2 as contained in document AFB/B.38/5), and that reflects views expressed by the Board at its thirty-eighth meeting;
 - ii. To undertake further stakeholder consultations on the draft MTS 2023 – 2027; and
 - iii. To present the draft MTS 2023-2027 for consideration by the Board at its thirty-ninth meeting.

Annex I Survey questionnaire and detailed summary of survey results

1. Fifty-one stakeholders responded to an online survey open in January 2022, including nine Board members, nine Designated Authorities and four other recipient government representatives, three contributor government representatives, 12 Implementing Entities (six NIEs; four RIEs; two MIEs) and one Executing Entity, the AF-TERG, the AF CSO Network and six other civil society representatives, one private sector representative, three other multilateral climate funds and one other international organization. The survey consisted of 16 questions on the Fund's role and niche, the evolving operating landscape, possible changes to the Fund's strategic direction and focus, as well as the strategic pillars and cross-cutting areas.

Topic I: Overall context and theory of change (Part I, Section II, MTS 2018 – 2022)

Question 1: *What do you see as the biggest barriers to achieving the UNFCCC and Paris Agreement's goals on climate adaptation and adaptation finance between now and 2030?*

Theme	%	Top three priority for stakeholder group ¹
Lack of stakeholder engagement	6%	
Finance not reaching local level	6%	
Access to finance	25%	<i>IEs and EE, civil society</i>
Insufficient finance	55%	<i>AF Board, contributor and recipient governments, IEs and EE, civil society, IOs, AF-TERG</i>
Lack of local/national capacity	29%	<i>AF Board, contributor and recipient governments, IEs and EE, civil society, IOs, AF-TERG</i>
Fragmented climate finance system	14%	<i>Contributor governments, AF-TERG</i>
Challenges of resource mobilisation	16%	<i>Contributor governments, AF-TERG</i>
Political will	8%	<i>Civil society</i>
Lack of shared understanding/clear definition	10%	
Effectiveness (including data, metrics, impact)	18%	<i>AF Board, IOs, contributor governments, AF-TERG</i>
Lack of policy coherence	22%	<i>IOs, AF-TERG</i>
Impact of pandemic	6%	<i>AF-TERG</i>
Long/complex process for projects	10%	<i>Recipient governments</i>

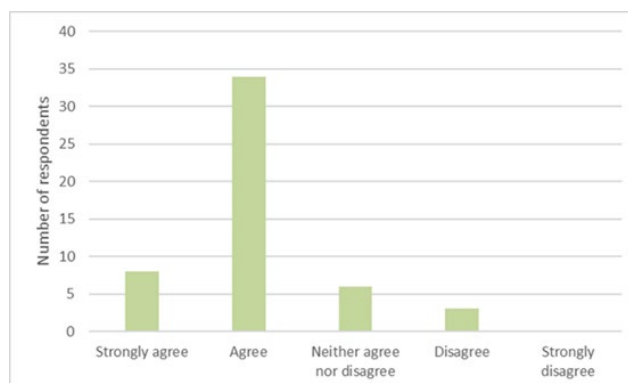
Question 2: *What do you see as the Adaptation Fund's general role and niche in addressing these barriers to help serve developing countries' adaptation needs in the context of the Paris Agreement?*

¹ The three answers with the most responses have been included here for each stakeholder group. Where there were several answers with the same number of responses in third place, they have all been included to give an illustration of the main priorities. The AF-TERG responses have all been included as this was a group submission it was not possible to rank their inputs.

Theme	%	Top three priority for stakeholder group ²
Concrete, small projects on the ground	22%	AF Board, contributor governments, recipient governments, IEs and EE, civil society, AF-TERG
Sharing knowledge and lessons learned	20%	AF Board, recipient governments, IEs and EE, civil society, IOs, AF-TERG
Inclusion of vulnerable groups	20%	IEs and EE, civil society, AF Board, Recipient governments, civil society
Widen access through engaging new groups	10%	AF Board, recipient governments, civil society
Enhancing country and institutional capacity	29%	IE and EE, AF Board, civil society, AF-TERG
Demonstrating high quality projects for scaling up	16%	Contributor governments, AF Board, IEs and EE, IOs
Finance coherence (international)	2%	
Direct access & Enhanced direct access	20%	Contributor governments, AF Board, IEs and EE, civil society, IOs
Innovation in projects and modalities	22%	AF Board, contributor governments, recipient governments, IEs and EE, IOs, AF-TERG
Provision of grants	8%	Civil society
Agile & nimble Fund	6%	Recipient governments, AF-TERG

Several respondents also noted the role of the Fund in increasing resource mobilization from international sources, including from the private sector, to increase finance available. Several also mentioned the need to engage the private sector in adaptation. They further suggested the Fund's role as increasing understanding of adaptation as an issue and setting the standard for what an adaptation project is. Some suggested concessional financing (contributor governments), building capacity of financial institutions for scaling up adaptation projects (other climate funds), and others emphasized need to maintain grant focus (civil society and recipient governments).

Question 3: *Do you think that the MTS' implied Theory of Change, in its main features, remains broadly relevant and up to date?*



² The three answers with the most responses have been included here for each stakeholder group. Where there were several answers with the same number of responses in third place, they have all been included to give an illustration of the main priorities. The AF-TERG responses have all been included as this was a group submission and it was not possible to rank their inputs.

Question 4: Which new elements do you see that should be brought in, updated or strengthened to inform the implied ToC for the next MTS? (Green shading indicates the stakeholder group included comments in this area.)

	AF Board	Contributors	Recipients	IE/EE	AF-TERG	Civil society	IOs & climate funds
Resource mobilization incl. private sector							
Engaging vulnerable groups							
Role of AF within broader landscape							
Locally-led adaptation							
Links to national planning frameworks and priorities incl. NAPs, NDCs, etc.							
National and institutional capacity-building							

Topic II: Evolving external and internal conditions (Part I, MTS 2018 – 2022)

a) External operating environment (Section 3, MTS 2018 - 2022)

Question 5: From your perspective, what do you see as the most significant and relevant changes and evolutions in the Fund's external operating environment?

Recurrent themes were access to finance and integration with national actors, systems and processes, learning and sharing for scalability and increased impact, and expanding the scope, sectors and actors of the projects and adaptation addressed. One of the most frequent responses to this question involved resource mobilization and stable funding for the Fund. Responses included:

- AF Board: Need for increased and stable financing to the Fund such as multi-year agreements;
- Contributor governments: Approach the resource mobilization process as an offer to donors and broaden the donor base to non-typical bilateral donors; partnerships with the private sector;

- AF-TERG: MTS should be flexible enough to efficiently deal with increases in financial commitments.

Main themes in free text responses	No. of respondents
Focus on most vulnerable people and countries	5
Resource mobilization and stable funding	9
Enhanced internal management for increased finance flows and lowering transaction costs	5
Complementarity and coherence with other funds	5
Enhancing access & linkages with national actors, systems and processes	11
Learning and knowledge sharing for increased impact	7
Changes to nature of projects and scope of adaptation, incl. actors and sectors	7

Breaking down the responses by stakeholder groups

AF Board	<ul style="list-style-type: none"> - Introduce new parameters in project design to reflect conflict-sensitivity and biological diversity - Strengthen Fund's capacity to handle more resources by reviewing the country cap increase and adding new Implementing Entities - Strengthen the conceptual framework on innovation - Rethink concept of adaptation to make linkages with mitigation and other issues as human development, health, biodiversity, chemical pollutants - More links between local actors and researchers and universities and also between local initiatives in different countries through networks, alliances, platforms
Contributor governments	<ul style="list-style-type: none"> - Consult on and set out developing country priorities as the driver for the strategy - Share its learning (e.g. on direct access modalities) with other climate funds and providers but also actively join up with other providers to simplify the access system - Address the management capacity of AF with increased funding and the absorption capacity of implementing partners
Recipient governments	<ul style="list-style-type: none"> - Consider short, medium, and long-term response to the COVID-19 pandemic and flexibility on implementation targets to absorb future non-climate risks and shocks - Require project impact metrics to enhance impact - Enhance agreement and approval processes for projects - Raising the level of funds granted to countries with special and most vulnerable circumstances

Implementing entities	<ul style="list-style-type: none"> - Align to the Glasgow outcome by raising adaptation ambition and closing knowledge gaps - Demonstrate commercial track record for (new) climate change adaptation solutions - Prioritize specific countries and regions, which have been and are expected to be disproportionately affected by climate change - Consider new modalities to capacitate national or regional entities (for example seconding staff at national entities) - The most successful funding windows should be maintained and, where relevant, their level of funding increased - Recognize transboundary climate risks and need to institute regional financing mechanism - Greater support for project and programme development given to all IEs - Develop network of regional entities to support AF goals - Supporting national and regional adaptation investment frameworks (e.g. NAP investment framework; Green, Resilient and Inclusive Development (GRID) framework) - Other funding instruments, such as equity, may have to be looked at - Focus on grant funding for the most remote and vulnerable - let the others focus on innovation and private sector engagement.
AF-TERG	<ul style="list-style-type: none"> - Each of the projects needs to generate learning about what works/doesn't work and why and/or scalability of projects to leverage greater impact. - The focus of the next MTS needs to be less on rolling out new windows, and more on adapting for climate change quickly and drawing out knowledge and evaluative evidence to generate knowledge to deliver impact at scale. - Importance of real-time and near-time evaluations, ongoing monitoring and learning, and adapting management at operational, strategic and Fund levels.
Civil society	<ul style="list-style-type: none"> - Strengthen opportunities for direct access, including potentially further limiting MIE access, but also access of some RIEs to existing resources - Maintain a focus on grant provision - New MTS should include a strategy for the AF to significantly scale up its actions. - Increase the provision of adaptation finance to developing countries, beyond current levels/limits - Supporting more climate resilient water management, water security and WASH
Climate funds & int. organizations	<ul style="list-style-type: none"> - Enhance complementarity and coherence with the operating entities of the financial mechanism to lower the transaction costs of developing countries in accessing scarce adaptation finance, also in consideration of the ongoing GEF-8 and incoming GCF-2 replenishment efforts - Develop a vision and specific approaches for adaptation programming, including using country systems and planning and implementing at the local level, with a range of local actors. - Strengthen partnerships

b) Internal factors and conditions (Section 4, MTS 2018 – 2022)

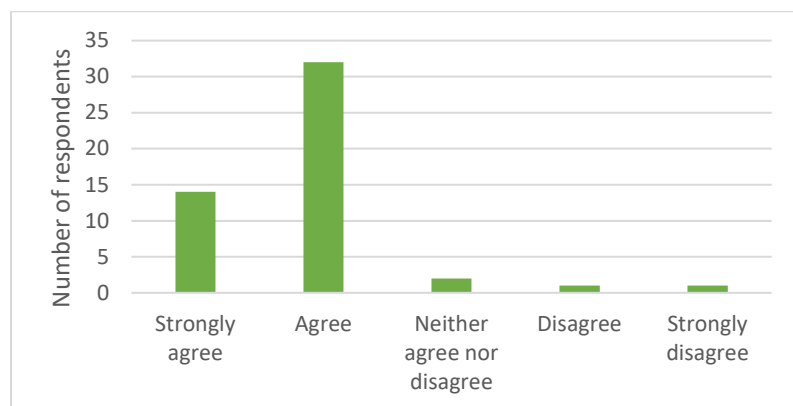
Question 7: From your perspective, what do you see as the Adaptation Fund's distinguishing features, characteristics, and competencies in this evolving context?

Many respondents noted the use of direct access and small-scale projects as being a key feature of the Fund, with recipients recognizing the Fund to be more accessible and easier to access than other Funds. Several respondents also noted the experience and competency of the fund in adaptation as real asset, as well as the efficiency of the fund, and its personal, non-hierarchical nature. Civil society groups noted the inclusion of marginalised groups, the readiness programme and the composition of the Board as key features.

Topic III: Overall strategic focus (Part II, MTS 2018 - 2022)

a) Mission and vision

Question 8: Does the AF's current strategic focus, including its vision, mission, goal, impact, remain broadly relevant in the next five years, and possibly beyond?



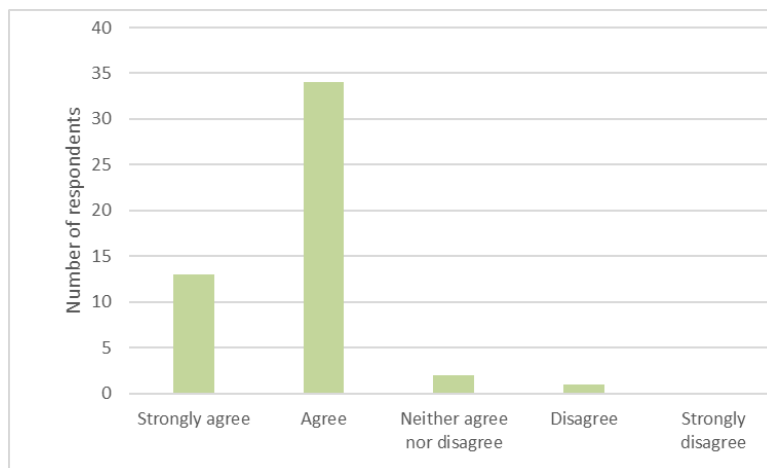
Question 9: Based on your role and experience with the Fund, would you suggest any changes or updates to the Fund's vision, mission, goal, and impact, as set out in the current MTS?

	Concrete suggestions	
Vision	Social groups, communities and ecosystems, represented by developing country Parties, are successfully improving their adaptive capacity, strengthening the conditions that enable their resilience and reducing exposure and vulnerability to climate change. Interventions address the special needs of human and natural systems, are based on and guided by the best available science and knowledge, and are deliberately contributing to resilient, sustainable development and the eradication of poverty and adversity.	Recipient governments
	Adaptation simply means keeping pace with the climatic changes that are taking place, and therefore we must focus on reducing and limiting these changes and addressing the causes, not the results.	
	The Funds role, goal and vision must be enhanced to ensure developing countries can have easier access to scaled-up climate finance.	IE/EE
	Vision and mission should be shorter and be more concise, providing a broader picture with new impetus to the Adaptation Fund.	

	<p>Link the vision of the Adaptation Fund Article 2 and the global goal on adaptation of the Paris Agreement.</p> <p>Consider the need for understanding climate risks, integration of adaptation at different government levels (from national, sub-national to local) and accessibility of Fund resources for implementation in a systemic, scalable manner, with a focus on direct access.</p>	Climate funds & other IOs
Mission	<p>The mission language on gender and vulnerable could be changed to ensure that women and vulnerable groups are seen as active agents of change (versus “beneficiaries”).</p> <p>Introduce SDG 16 on contributing to build peaceful societies in the mission statement and goal.</p> <p>The AF should be in line with the main issues of adaptation and financing for adaptation that leads the political agenda: access, prioritization of needs, vulnerability</p> <p>Scaling up of AF funded projects/programs, but specificities as direct access, full-cost financing, targeted vulnerable communities should be maintained and capitalized</p>	Board
	<p>Inclusion of different social groups and demographics, and to consider developing country priorities at national, sub-national and local levels.</p>	Contributor governments
	<p>To generalize previous projects that have met with success, especially among countries of similar geographical and political nature.</p> <p>More support for countries to access the fund.</p>	Recipient governments
	<p>Direct reference to promotion of direct and enhanced direct access to climate finance and the Fund’s role in lifting barriers to access (through e.g. its readiness programme) reflected in the mission.</p> <p>Focus on the most vulnerable people and communities could be added to the mission.</p>	Civil society
	<p>Strengthening the Adaptation Fund’s contribution to and visibility within the processes of the constituted bodies of the UNFCCC, particularly those of bodies whose mandates overlap with the missions of the Adaptation Fund.</p> <p>The changes should also be informed by the outcomes of the IPCC AR6 report, to be fully completed in 2022, specifically the work of the Working Group II.</p>	Climate funds & other IOs
Goal	<p>Achieving real and spatial development for communities threatened by climate change and supporting decent livelihoods for them.</p>	Recipient governments
Impact	<p>Start measuring results in emissions reduced & offset and optimize that equation.</p> <p>Address the causes of climate changes, each according to its role in the global climate system, while not neglecting to support efforts to resist these changes and the changes they cause and displacement of people and animals and the impact on vegetation cover.</p>	Recipient governments
	<p>Leverage adaptation finance.</p> <p>Reducing GHG emissions.</p>	IEs/EE
	<p>Following the UNFCCC decision, the Adaptation Fund should also consider the role of local, sub-national and national governments role for adaptation planning and implementation.</p>	Climate funds & other IOs

a) Strategic focus and pillars

Question 10: Based on your experience with the Fund, do you think that the strategic pillars and cross-cutting areas broadly reflect the Fund’s current work and niche?



Question 11: Do you see a need for changes, additions or updates to the current strategic pillars and cross-cutting areas to reflect the Fund’s current role and/or new areas of work that could strengthen the Fund’s relevance and value proposition in the future? If so, kindly specify.

	Concrete suggestions	Stakeholders
Pillars: cross-cutting	<ul style="list-style-type: none"> - Evidence and evaluation from all new windows launched. - Accept limited risks to test new methods and sectors (Health, food, family planning, insurances, protecting historical heritage, etc.) - Link domestic monitoring and evaluation systems with global systems to succeed track progress made in achieving the global goal on adaptation - More concrete definitions of innovation and learning - Replicability and scalability could be further explored - Consider human rights - Linkages between pillars and cross-cutting themes should be informed by evaluation of the Fund’s methods, results, outcomes, institutional and operational organization, structure and rules. We expect more from the AF-TERG on this purpose. 	AF Board
	<p>MTR concluded that the three pillars have been worked on in siloes. This is something that should be corrected. Also, to make it more visible and evident how crosscutting themes are linked to these.</p> <p>Remit of the Action and Innovation pillars broadened, consider the AF’s value proposition as a way to secure donor contributions. Develop an overarching narrative about how its work is creating progress on adaptation at a macro level (not just at project level)</p>	Contributors

	Linkages/potential synergies across the three pillars should be optimized and incentivised.	Recipients and AF-TERG
	The next MTS should more explicitly set out the role and added value of its accreditation	AF-TERG
	Under the innovation and learning pillars establish national centres of excellence for training and capacity building of national human resources in adaptation based on the realities and priorities of each country.	IEs/EE
	Learning and innovation: enhance collaboration with UNFCCC's Youth Constituency, especially on their joint Youth Innovation Labs with CTCN, joint webinar series with CTCN on technology, and their work with the Adaptation Committee.	Civil society
	Focusing on systemic approaches that are scalable, improving access to the Fund by NIEs. Opening accreditation to the Fund for specialised regional or international implementing entities, focusing on working with prospective national implementing entities, getting them the track record and experience required to pursue direct access. Coalition-building for a multi-stakeholder/multi-sectoral approach to adaptation - the MTS might further elaborate how its actions fit into the broader landscape of coalition-building needed for country-led adaptation at scale.	Climate funds & other IOs
Pillars: Action	Action needs to be the clear and main strategic pillar. Innovation can feed the process but should not be a strategic pillar.	Implementing entities
	Assist developing countries, in particular LDCs, SIDS and African nations, through simplified approval procedures to develop climate risk and vulnerability assessments that incorporates the local dimension. Identifying and mapping climate risks, exposure and vulnerabilities at subnational and local/community levels.	Climate fund and other IOs
Pillars: Innovation	Clarify role of private sector (FIs, MFIs, MSMEs, etc.) in the adaptation space, specifically in context of AF funded activities.	Implementing entities
	Providing climate finance instruments for adaptation and integrating adaptation planning from national to local governments.	Climate funds & other IOs
	Build further partnerships/ fora to test new models to finance adaptation and build on and scale up existing innovative initiatives	Contributor governments
	Strengthen niche to be the fund that can most quickly respond to the areas and communities most in need through innovative investments that take risks to try new things. Rather than having the innovation pillar as a separate workstream, current projects funded should be 'mined' for	AF-TERG

	innovation in order to generate lessons on what works, and where innovations can be deployed in other geographies.	
Pillars: Learning and sharing	Include RIEs in Learning and Sharing to be able to promote more Innovation and Action.	Implementing entities
	Ensure continuous learning and transfer of knowledge. Need to build strong communities of practice and systems which information and data can be shared and access easily.	
	Learning and sharing pillar is a good entry point for deeper collaboration and engagement with other funds.	Climate funds & other IOs
	Stronger link to capacity development and to the effective dissemination and uptake of learning from the portfolio.	AF-TERG
Four cross-cutting areas	Detail on how cross-cutting themes are mainstreamed at project level.	Implementing Entities
	Use an inequalities lens across the four cross-cutting themes between vulnerable groups, barriers, capacities of institutions or technical competency.	Civil society
	The AF could identify (where necessary) and enhance actions to increase system wide resilience through the work under each of the cross-cutting areas.	Climate funds & other IOs
Cross-cutting area: vulnerable communities and groups	Ensure and expect from implementing entities an elevated knowledge of local context, stakeholders and their relations, awareness how the project interacts with these realities and how it can change them, including conflict-sensitive approaches.	Board
	More emphasis on vulnerable groups such as older people, of women and girls, of people living with disabilities	Civil society
Cross-cutting area: gender equality	Make gender a greater focus.	Civil society
	Reproductive health and girls' education should stand out more clearly in the gender and empowerment pillar.	
Cross-cutting area: institutional capacity	<ul style="list-style-type: none"> - Integrate monitoring and evaluation. - Consider adding scaling. - Consider how project model aligns with long-term cross-cutting area. - National and sub-national focus. - How to collaborate with stakeholders from the private sector. 	Board
	Comments emphasise the importance of this pillar.	Recipient governments
	The cross-cutting theme on building long-term capacity should be explicitly linked to the accreditation work by the Fund.	AF-TERG
	Empowering national institutions to directly access and manage adaptation finance e.g. "direct access" could be specifically mentioned.	Civil society
Cross-cutting area: complementarity and coherence	<ul style="list-style-type: none"> - More emphasis on this area. - Add "cooperation" which goes beyond coherence/ complementarity implying an active joining up (e.g. happening with GCF with regard to accreditation). - Coordinate with other development and humanitarian affairs stakeholders. 	Board
	Strengthen partnerships to maximize opportunities for achieving greater impacts under the three strategic pillars.	Climate funds & other IOs

Question 12: *How do you see the three strategic pillars and/or four crosscutting themes are currently linked and whether any of these links should be further developed?*

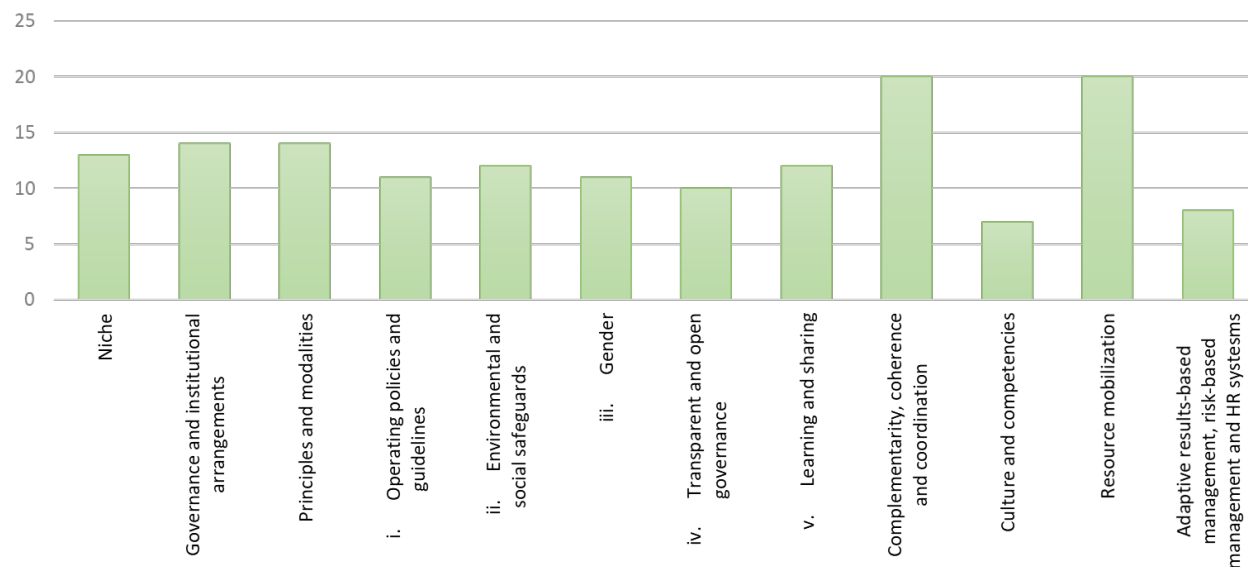
Across several stakeholder groups, respondents suggested there could be greater linkages between the pillars, particularly between action and the two others: learning and innovation. Several groups also emphasised the need to put more focus on women and girls in other cross-cutting areas such as capacity. Specific suggestions by stakeholders for further developing these linkages in the next MTS are included in the above table under question 11, as “cross-cutting”.

Question 13: *In the context of your role, has the first MTS’ strategic focus generally helped to facilitate your engagement with the Adaptation Fund, and if so, how?*

Many respondents were unclear about how the MTS had facilitated their engagement with the AF or described the general niche of the Fund facilitating the engagement rather than the specific content of the MTS. International climate funds and the AF-TERG affirmed the role of the MTS in guiding the relationship with the AF. Civil society mentioned that it was useful that the first MTS referred to the Board aiming to strengthen its engagement with the AF CSO Network but that there should be more concrete outcomes in this area under the next MTS. It was also suggested by some respondents that the MTS should be used as a communication tool for a clear introduction to the Fund to various stakeholders. Especially youth representatives stressed the importance of more accessible and easier to understand language of the MTS to engage youth in the Fund’s work.

Topic IV: Enabling structures and systems (Part III of MTS 2018 - 2022)

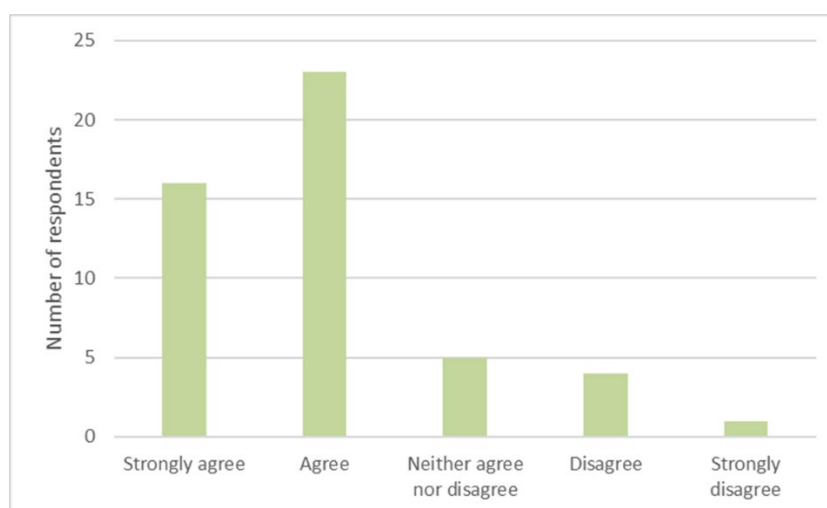
Question 14: *Which of the elements of the Fund’s enabling systems and success strategy are most important and what would you like to see for the Fund to advance in these areas?*



Among the Fund's enabling structures and systems, respondents particularly highlighted complementarity and coherence and resource mobilization as important elements. On the issue of resource mobilization, the following suggestions were made for the next MTS:

- Contributor governments proposed a section on safeguarding the AF's future, to achieve consistent resource mobilization and to broaden the AF's donor base. The MTS should detail how the AF will engage with donors, including developed countries, multilaterals, and the private sector, to shape new partnerships. The aim should be to increase the quantity of and improve the quality of and access to adaptation finance.
- AF-TERG: The Fund should be positioned to be able to deliver impact with a small or a large resource envelope.
- Implementing entities & executing entity suggest that the Fund should use the next MTS to promote more sustainable investments both in developed and in the affected developing countries. AF's role and networks in the international climate change fora could contribute to increase awareness for sustainable investments in affected countries.

Question 15: Considering the experience with the Covid-19 pandemic and the prospect of potential other future shocks, do you think the Fund should adapt its strategic direction, to help it remain relevant for vulnerable developing countries?



Two free text responses added some detail:

- Board member: opportunities to work on multilayer resilience and preparedness to shocks, harnessing synergies. But fundamentally, the AF should continue to focus on adaptation with a proven climate rationale.
- Contributor government: economic consequences of the COVID-19 pandemic may make it more challenging for recipients to proceed with adaptation projects, or to secure starter funding to leverage in further capital for adaptation. The AF could consider tailoring its Enhanced Direct Access modality and innovation programme to countries in these circumstances.

Question 16: Under the new MTS, what potential do you see for the Fund to enhance its engagement with the Fund's existing stakeholders, as well as with potential new stakeholders and players?

Proposed stakeholder	Suggestion
Designated authorities	The fund should engage bottom-up with DAs and national focal points.
Accredited Entities	Offer capacity building initiative to all AEs on certain topics; engage RIEs in readiness and capacity-building
Other climate funds	Increasing engagement with other climate funds including GCF, GEF, and CIF as well as new initiatives
Existing stakeholders	Engage more with existing stakeholders including after projects, building up the community of practice for learning and sharing.
Civil society	Enhance engagement with CSO network. Consider financing of CSO network. Enhance engagement with youth groups.
Private sector	The AF could increase its collaboration with the private sector, both as an agent of transformation, as well as a source of funding, whereas others might lead in mobilizing private finance (GCF, MDBs, notably). The Fund's role could be to lift existing barriers for small private sector entities through its projects.
National and regional banks and MSMEs	National and regional banks as well as micro lenders. AF should support the development of strategies to engage local start-ups, MSMEs.
Development finance actors	Overcome the division between climate finance and development finance.
Relationship with loss and damage	Engage with existing stakeholders on addressing loss and damage, and what new engagements may be envisaged if the subject is to be addressed in the next 5 years.

Annex II Detailed summary of expert roundtables

2. Adaptation finance experts, including youth leaders, reflected on the Fund's position within the rapidly evolving adaptation finance landscape and how the strategy could engage with the Paris Agreement. They further proposed specific ideas for options and elements in a new strategy in three main areas: the scope of adaptation activities the Fund seeks to support, the Fund's partnerships and actors it works with, and the Fund's ways and modalities of working.

- *Paris Agreement:* Participants agreed that the global goal on adaptation (GGA) at this stage remains and to be operationalized. There were several suggestions on how to engage the Fund in the process: the Fund could contribute to articulating the GGA within the PA process, as well as to making it real for people beyond the negotiations such as in cities, regions, and non-state actors. The Fund's niche could be in bringing together practical application and local relevance and exploring what bottom-up adaptation means for the GGA. Other elements that were mentioned were the Fund's linkages to the long-term adaptation goals under Article 2, including 2.1 (c), and opportunities posed by Article 6.
- *Scope of adaptation:* Participants suggested the Fund could consider expanding the scope of the adaptation it addresses through developing activities on: transformative adaptation; the relationship between loss and damage and adaptation; transboundary and regional adaptation; the relationship between development finance and adaptation finance; and linkages to wider agendas such as biodiversity and humanitarian action. Most participants agreed the Fund needs to move beyond incremental action towards addressing more systemic changes needed in the context of the Paris Agreement. Some participants noted that the Loss and Damage agenda contains the need to avert, minimize and address losses and damages, with averting and minimizing clearly linking to climate adaptation.
- *Partnerships and stakeholder engagement:* Most participants suggested the Fund's potential for engaging with a wider range of stakeholders to reflect the growing adaptation landscape with an important role for local actors and groups, civil society, research alliances, cities and the private sector. They highlighted the importance of devolving decisions down to local actors, as well as of directly working with women and youth groups on the ground. They stressed the need to make adaptation funding more accessible, with youth representatives calling for more flexible procedures and simplifying technical language. Youth and other participants proposed that for funds to reach local levels, they should be accessible beyond national governments
- *Working modalities:* Most participants agreed that the Fund should consider developing new ways of working to reflect the challenges in the adaptation landscape over the next five years. These suggestions were focused on: building capacity and giving longer-term support and developing a higher tolerance for risk and failure, noting that experimentation and innovation are key parts of effective adaptation. A few participants clarified that taking more risks can mean in governance-based approaches, for example being willing to channel funding to novel approaches and institutions that perhaps have not received funding before; and being willing to give more programmatic funding for longer timeframes and allow more flexibility and testing. Several participants stressed the need for capacity strengthening beyond national governments.

Annex III Relevant messages and references in the IPCC Working Group II Sixth Assessment Report on Impacts, Adaptation and Vulnerability

1. The IPCC Working Group II 6th Assessment Report's (AR6) on Impacts, Adaptation and Vulnerability provides important context for the development of the second MTS. Since the last IPCC Working Group II report in 2014, the best available science shows that risks from climate change are occurring faster and are more severe earlier than anticipated. These risks cascade through people, places and natural systems, interacting with existing vulnerabilities and structural inequalities. The report makes the case for urgent and accelerated adaptation action and notes the limits to adaptation, as climate resilient development pathways are progressively constrained by every increment of warming, in particular beyond 1.5°C.

2. The report's Summary for Policymakers (SPM) has several key messages that are relevant for the evolving context, role and strategy of the Fund in the coming years:

- *Need to close the increasing adaptation gap:* “Despite progress, adaptation gaps exist between current levels of adaptation and levels needed to respond to impacts and reduce climate risks (high confidence). [...] At current rates of adaptation planning and implementation the adaptation gap will continue to grow (*high confidence*). As adaptation options often have long implementation times, long-term planning and accelerated implementation, particularly in the next decade, is important to close adaptation gaps, recognizing that constraints remain for some regions (*high confidence*)” (SPM.C.1.2).
- *Barriers:* “Financial constraints are important determinants of soft limits to adaptation across sectors and all regions (high confidence). Although global tracked climate finance has shown an upward trend since AR5, current global financial flows for adaptation, including from public and private finance sources, are insufficient for and constrain implementation of adaptation options especially in developing countries (*high confidence*)” (SPM.C.3.2).
- *Removing barriers through access to finance and enhanced capacity:* “With adaptation finance needs estimated to be higher than those presented in AR5, enhanced mobilization of and access to financial resources are essential for implementation of adaptation and to reduce adaptation gaps (*high confidence*). Building capacity and removing some barriers to accessing finance is fundamental to accelerate adaptation, especially for vulnerable groups, regions and sectors (*high confidence*). [...] Financial and technological resources enable effective and ongoing implementation of adaptation, especially when supported by institutions with a strong understanding of adaptation needs and capacity (*high confidence*)” (SPM.C.5.4).
- *Evaluation and learning:* Monitoring and evaluation (M&E) “facilitates learning on successful and effective adaptation measures, and signals when and where additional action may be needed. M&E systems are most effective when supported by capacities and resources and embedded in enabling governance systems (*high confidence*)” (SPM.C.5.5).

- *Inclusive governance for the most vulnerable*: “Inclusive governance [...] leads to more effective and sustainable adaptation outcomes (*high confidence*). These approaches, which include multi-stakeholder co-learning platforms, transboundary collaborations, community-based adaptation and participatory scenario planning, focus on capacity-building, and meaningful participation of the most vulnerable and marginalized groups, and their access to key resources to adapt (*high confidence*)” (SPM.C.5.6).
- *Health benefits of adaptation*: “Based on socioeconomic circumstances, adaptation and sustainable development actions will provide multiple benefits including for health and well-being, particularly when supported by national governments, nongovernmental organisations and international agencies that work across sectors in partnerships with local communities [...] (*high confidence*)” (SPM.D.3.1).