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Mid-Term Review of the Second Medium-Term Strategy of the Adaptation Fund

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Strategic Issues

- The Adaptation Fund adopted its Second Medium-Term Strategy (MTS2) for 2023–2027 to scale up adaptation action and better support vulnerable countries in accessing and using climate finance, while also laying the groundwork for the Third Medium-Term Strategy (MTS3), expected for the 2028–2032 period. MTS2 builds on the experience and lessons from the first Medium-Term Strategy and reflects the Fund's response to evolving global climate and development priorities.
- This is the Mid-term Review (MTR) of the Adaptation Fund Second MTS conducted by the AF-TERG, following the MTR of the Fund's first MTS (MTS1, 2018–2022).
- The MTR of MTS2 is formative and learning-oriented, with the objective of assessing progress towards MTS2's goals in a rapidly evolving climate finance landscape and providing strategic insights to inform adaptive management for the remainder of MTS2 and the design of the MTS3.
- The review applied a mixed-methods approach, combining portfolio and financial analysis, document review, and interviews and consultations with key stakeholders, structured around five analytical pathways: strategy quality, use in decision-making, portfolio evolution, external positioning, and enabling systems.
- The Secretariat has prepared a draft management response to the MTR's recommendations for consideration by the Board.

Purpose

1. This report presents the findings of the Mid-term Review (MTR) of the Second Medium-Term Strategy (MTS2) of the Adaptation Fund and a set of proposed recommendations for the remainder of the current Strategy as well as development of the next Medium-term Strategy.
2. The evaluation report and management response are submitted intersessionally to the Board as an information document. The report will be separately presented to the Board during its 47th meeting.

Background

3. In March 2022, after taking note (in October 2021) of the key findings and recommendations of the Mid-Term Review (MTR) of the first Medium-Term Strategy (MTS1), the AF Board decided to develop a second Medium-Term Strategy for the subsequent period from 2023 to 2027 (MTS2). The AF's MTS2 builds on MTS1 to strengthen the Fund's comparative advantage and impact by deepening its focus on adaptation, innovation, and learning, enhancing synergies across these pillars, and prioritizing locally led adaptation (LLA) and scaling up results. During the first 30 months of MTS2 implementation (January 2023 to June 2025), the Fund has demonstrated operational progress, including record approvals, substantial growth in thematic grants, institutional adjustments responding to the evolving adaptation finance landscape, and continued strengthening of monitoring, evaluation, and learning (MEL) systems.
4. In March 2023, the AF Board requested the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) to prepare an MTR of MTS2 and its Implementation Plan (IP). Agulhas Applied

Knowledge was hired by AF-TERG through a competitive process to conduct this review, guided by a Board-approved Terms of Reference (ToR).

5. This MTR adopts a formative, learning-oriented approach appropriate for mid-cycle assessment, focusing on strategic progress, emerging patterns, and lessons that can inform both continued MTS2 implementation and the development of MTS3 (2028-2032). As such, the MTR's findings emphasize opportunities for improvement and learning throughout rather than taking more of a strict accountability and assessment approach. The MTR will serve as a building block for the independent Comprehensive Evaluation (CE) of the Fund, expected to be completed by the end of July 2026 and both of which are expected to inform preparations for the new cycle of strategic planning (MTS3 2028-2032).

Evaluation Purpose and Scope

6. The overarching purpose of this MTR is to evaluate the Fund's progress toward achieving the goals of the MTS2 and its associated IP in a dynamic climate change context. The primary objectives of the MTR are to:
    a. Assess progress of the Adaptation Fund toward implementing MTS2 and its IP in the context of a dynamic climate change landscape.
    b. Provide strategic learnings and recommendations that can inform adaptive management during ongoing implementation of MTS2.
7. The MTR covers the first two and a half years of MTS2 implementation, from 1 January 2023 to 30 June 2025 (end of the AF's fiscal year 2025). This means that only Board decisions, funding arrangements, projects, programmes, and other activities, including evaluations and knowledge products, approved after January 2023 will be included in the analysis. The review team has drawn on existing evidence from the MTS1 strategic period (2018-2022) only in relation to lessons learned from its implementation and how these have informed implementation of MTS2, as requested by the ToR.

Methodology

8. The MTR adopts a mixed-methods approach, blending quantitative analysis from project reports and public datasets with qualitative insights from key informant interviews (KIIs). The methodology balances responsiveness to stakeholder information needs with analytical independence, ensuring that findings serve the Fund's strategic learning while maintaining evaluative rigor.
9. Stakeholder engagement is central to the review. The review team held regular methodological consultations with AF-TERG to ensure coverage of key questions, while maintaining analytical independence in findings and conclusions. Collaboration with AF Board Secretariat staff, Board members, IEs working directly with countries, and development partners supported a comprehensive picture of relevance, progress, and the factors affecting MTS2 implementation.
10. Primary evidence gathering has been underpinned by a considerable amount of documentary analysis (see bibliography for details), contributing to the findings and forming the backbone of the evidence base for the various MTR tools. Thematic evaluations published during the MTS2 period, in particular, have been significant sources of information contributing to our case studies. All MTR findings are rigorously cross verified through systematic triangulation to ensure that they are robust, relevant, and accurate.

Findings

11. The following findings have emerged from the review and are arranged into five key pathways along with a final learning loop component:

   a) ***Pathway #1: Strategy quality and clarity***

   MTS2 maintains strong alignment with the Fund's mandate, the Paris Agreement, and evolving global adaptation priorities, representing a consolidation and incremental evolution of MTS1. The strategy has primarily functioned as a strategic framing and vision-setting document, providing coherence across pillars and cross-cutting themes. However, its role as an active, day-to-day decision-making guide remains limited. Core strategic concepts are not always operationally defined, and ownership for translating strategic intent into operational guidance is diffuse. While the Board Secretariat has embedded strategic considerations across planning and internal processes, formal mechanisms for tracking and steering implementation against strategic priorities remain underdeveloped. The MTS2 Implementation Plan (IP), though comprehensive, has largely served as a reference document rather than as a practical adaptive management tool.

   b) ***Pathway #2: Use in decisions and pipeline shaping***

   Strategic intent under MTS2 is most clearly reflected in structural and policy-level reforms, including the establishment of dedicated LLA funding windows, increases in country funding caps, and updates to the Adaptation Fund's Strategic Results Framework (SRF). These reforms signal adaptive responsiveness and have enabled the operationalization of LLA as a distinct funding modality, with LLA-tagged proposals accounting for close to 20% of the active pipeline by mid-2025. The architecture of funding windows under MTS2, including innovation and scale-related instruments, is conceptually coherent at the strategic level. However, uptake across these instruments has been uneven. In particular, the scale-up window has not been utilized during the MTS2 period, reflecting design, incentive, and capacity constraints rather than a lack of strategic intent. Overall, the strategy is more often referenced implicitly than systematically used to steer deliberative decision-making, with structured tracking of progress against strategic objectives still evolving, in part reflecting the complexity of the current Implementation Plan.

   c) ***Pathway #3: Portfolio evolution and strategic shaping***

   The Fund has demonstrated substantial operational activity during the MTS2 period. Approved funding for concrete adaptation projects increased by approximately 21% compared to the equivalent period under MTS1, and thematic grant funding expanded roughly five-fold. Record approvals totaling US$137 million in April 2025 illustrate strong demand and institutional responsiveness. Portfolio growth reflects continuity building on MTS1 foundations, with approval patterns remaining largely demand-driven rather than actively shaped by strategic portfolio targets, reflecting the Fund's country-led approach. Multilateral implementing entities continue to account for roughly two-thirds of approved project funding. At the same time, project start-up timelines have led to an implementation lag, as approvals have outpaced project initiation and disbursement.

   d) ***Pathway #4: Positioning and niche in the adaptation finance landscape***

   The Fund retains a valued position within the adaptation finance ecosystem, grounded in its grant-only model, direct access approach, integrated LLA architecture, and personalized engagement with implementing partners. Stakeholders consistently recognize these features as distinguishing strengths. However, as peer institutions increasingly adopt similar modalities, the Fund's niche has become less distinctive by default. Opportunities exist to reinforce the Fund's positioning through clearer articulation of its comparative advantage, more systematic tracking of innovation-to-scale pathways, and strategic communication that links its micro-to-meso-scale interventions to broader NCQG ambitions.

e) ***Pathway #5: Enablers — systems, monitoring, and delivery***

The Board Secretariat has expanded to approximately 27 positions and has invested in organizational development, including digital modernization, evaluation frameworks, and workflow improvements. These efforts have supported record levels of operational delivery. Nevertheless, capacity constraints remain evident relative to the scale of portfolio growth and strategic ambition. Monitoring systems are still characterized by broad, non-SMART indicators, incomplete digital integration, and diffuse accountability for strategic performance. Resource planning does not yet fully and transparently link strategic initiatives to staffing and budget implications.

Learning loop: from MTS1 to MTS2

The transition from MTS1 to MTS2 reflects institutional memory and selective learning rather than transformative change. Several recommendations from the MTR of MTS1 were incorporated into MTS2, including strengthened cross-cutting themes, expanded LLA support, and enhancements to monitoring and evaluation systems. Learning mechanisms are being reinforced through investments in data systems and analytical platforms, but systematic use and synthesis of evidence for strategic adjustment remains uneven, with the learning loop still developing.

Recommendations

12. Based on the findings of the review across the five key pathways, the following four recommendations for the remainder of MTS2 period as well as the development of MTS3 are made:

13. **Recommendation 1:** ***The Adaptation Fund should clarify its strategic positioning for the remainder of MTS2 and under MTS3, basing this on portfolio performance, demonstrated areas of comparative advantage and accounting for the Fund's longer-term ambitions.*** Building on portfolio performance and demonstrated strengths, the Fund Secretariat should identify actions that can be undertaken to more explicitly articulate its comparative advantages within the evolving adaptation finance landscape. This can include ongoing work on the communication, partnership and resource mobilization strategies, which should be developed in-line with the learning from MTS2. Over the longer term MTS3 development should be sensitive to this requirement.

14. **Recommendation 2:** ***Strengthen key aspects of data gathering and monitoring systems for better strategic management of MTS2 and its Implementation Plan, by enhancing data analysis and quality assurance processes within the Board Secretariat's existing data and monitoring architecture to better support evidence-informed decision-making.*** Enhancing the quality, integration, and use of data within existing Secretariat systems would support more effective strategic oversight. This includes strengthening data quality assurance processes, improving the usability of performance information, and maintaining proportionate reporting expectations for Implementing Entities.

15. **Recommendation 3:** ***Maintain and strengthen evaluative and learning functions by scheduling relevant activities on a regular, timetabled basis to support adaptive management throughout MTS2 and under MTS3 and ensure alignment of evaluation workplans with the MTS cycle.*** Continued development of tools such as the Management Action Tracker can help link learning to decision-making. Regular learning mechanisms through strategic

synthesis of monitoring data and evaluation insights (e.g., three, six and twelve-month cycles) can better inform operational adjustments and strategic planning.

16. **Recommendation 4:** ***Strengthen strategic management over the remainder of MTS2 and under MTS3 by addressing specific challenges identified in the design and use of the IP during the current strategic period.*** Given the gaps noted in the IP under MTS2, explore opportunities for strengthening the MTS3 IP and ensuring that Expected Results (ERs) are realistic and achievable, that indicators are SMART, and that outputs and activities achieve a balance of being specific and achievable while also genuinely contributing to strategic ends.

Technical Evaluation Reference Group
ADAPTATION FUND

Agulhas
Applied Knowledge

Mid-term review of the Medium-Term Strategy of the Adaptation Fund (2023-2027)

Draft Report
May 2026

This Mid-term review of the Medium-Term Strategy of the Adaptation Fund (2023-2027) was produced by the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) as part of the group's strategy and work programme covering the period 2025-2027. Special recognition is given to the evaluation team led by Nils-Sjard Schulz and Mark Kelleher, supported by Sanum Downton-Jain and Eva van der Vliet as external consultants assisted by the AF-TERG Secretariat Evaluation Analyst Aneesh Kotru. Quality Assurance was provided by Gemma Norrington-Davies. AF-TERG member Shehryar Tahir Janjua provided technical guidance and feedback throughout the process, while AF-TERG Secretariat Coordinator Vladislav Arnaoudov provided overall guidance and oversight.

We would like to extend our thanks and recognition to all members of the AF-TERG and its secretariat, Adaptation Fund Board, the Board secretariat, and all other stakeholders who provided support in the delivery and finalization of this evaluation.

Feedback is welcome and can be sent to AF-TERG-SEC@adaptation-fund.org.

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

The Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) is an independent evaluation advisory group accountable to the Adaptation Fund Board. It works on improving the quality and effectiveness of the Adaptation Fund through generating evaluations, promoting evaluation utilization, and supporting evaluation capacity building. AF-TERG's work helps the Fund, and its partner organizations, enhance the impact of climate change initiatives on people, livelihoods, and ecosystems. It also guides responsible investment by the Fund, as an essential element for its political and public support. Learn more at www.adaptation-fund.org/about/evaluation/

 Please reference the work as follows: AF-TERG, 2026. Mid-term review of the Medium-Term Strategy of the Adaptation Fund (2023-2027). Adaptation Fund Technical Evaluation Reference Group (AF-TERG), Washington, DC.

Executive Summary

Context and purpose

As climate adaptation has moved to the center of international climate policy, the adaptation finance landscape has undergone significant transformation. The New Collective Quantified Goal (NCQG), agreed at COP29 in Baku (2024), triples the climate finance target for developing countries from US$100 billion to US$300 billion annually by 2035. Within this rapidly evolving context, the Adaptation Fund (AF) occupies a distinctive niche through its grant-based, country-led approach to financing concrete adaptation projects. At the same time, adaptation needs continue to grow, and available finance has not kept pace with projected demand, increasing pressure on existing funds to deliver effectively and at scale.

The Fund's second Medium-Term Strategy (MTS2, 2023–2027) builds on the foundations established under MTS1 (2018–2022), consolidating and extending the Fund's focus on adaptation action, innovation, and learning, while elevating locally led adaptation (LLA) and scaling results as cross-cutting priorities. This Mid-Term Review (MTR), commissioned by the Adaptation Fund Board through the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG), assesses progress during the first 30 months of MTS2 implementation (January 2023 to June 2025). As a review of the Fund's second Medium-Term Strategy, the MTR is explicitly intended to support learning and course correction during implementation, as well as to inform the design of MTS3 (2028–2032). Adopting a formative, learning-oriented approach appropriate to a mid-cycle assessment, the MTR focuses on strategic progress, emerging patterns, and lessons rather than on results or impact.

Approach and methodology

The MTR employed a mixed-methods approach combining quantitative portfolio analysis with qualitative insights from 35 key informants, including Board members, the Board Secretariat, AF-TERG, Implementing Entities and external experts. Rather than addressing review questions mechanically,[1] findings are structured around five analytical pathways that reflect how organizational strategies translate into practice:

(1) Strategy quality and clarity;
(2) Use in decisions and pipeline shaping;
(3) Portfolio evolution and project approvals;
(4) Positioning and niche in the adaptation finance landscape; and

[1] Summarized answers to the MTR questions are available in Annex 1

(5) Enablers – systems, monitoring, and delivery.

A sixth "learning loop" examines how lessons from MTS1 informed the design and early implementation of MTS2. Evidence was gathered through six complementary methodological tools and triangulated across multiple sources to ensure balanced and robust findings.

Key Findings Across Pathways

Strategy quality and clarity (Pathway 1)

MTS2 maintains strong alignment with the Fund's mandate, the Paris Agreement, and evolving global adaptation priorities, representing a consolidation and incremental evolution of MTS1. The strategy has primarily functioned as a strategic framing and vision-setting document, providing coherence across pillars and cross-cutting themes. However, its role as an active, day-to-day decision-making guide remains limited. Core strategic concepts are not always operationally defined, and ownership for translating strategic intent into operational guidance is diffuse. While the Board Secretariat has embedded strategic considerations across planning and internal processes, formal mechanisms for tracking and steering implementation against strategic priorities remain underdeveloped. The MTS2 Implementation Plan (IP), though comprehensive, has largely served as a reference document rather than as a practical adaptive management tool.

Use in decisions and pipeline shaping (Pathway 2)

Strategic intent under MTS2 is most clearly reflected in structural and policy-level reforms, including the establishment of dedicated LLA funding windows, increases in country funding caps, and updates to the Adaptation Fund's Strategic Results Framework (SRF). These reforms signal adaptive responsiveness and have enabled the operationalization of LLA as a distinct funding modality, with LLA-tagged proposals accounting for close to 20% of the active pipeline by mid-2025. The architecture of funding windows under MTS2, including innovation and scale-related instruments, is conceptually coherent at the strategic level. However, uptake across these instruments has been uneven. In particular, the scale-up window has not been utilized during the MTS2 period, reflecting design, incentive, and capacity constraints rather than a lack of strategic intent. Overall, the strategy is more often referenced implicitly than systematically used to steer deliberative decision-making, with structured tracking of progress against strategic objectives still evolving, in part reflecting the complexity of the current Implementation Plan.

Portfolio evolution and strategic shaping (Pathway 3)

The Fund has demonstrated substantial operational activity during the MTS2 period. Approved funding for concrete adaptation projects increased by approximately 21% compared to the equivalent period under MTS1, and thematic grant funding expanded roughly five-fold. Record approvals totaling US$137 million in April 2025 illustrate strong demand and institutional responsiveness. Portfolio growth reflects continuity building on MTS1 foundations, with approval patterns remaining largely demand-driven rather than actively shaped by strategic portfolio targets, reflecting the Fund's country-led approach. Multilateral implementing entities continue to account for roughly two-thirds of approved project funding. At the same time, project start-up timelines have led to an implementation lag, as approvals have outpaced project initiation and disbursement.

Positioning and niche in the adaptation finance landscape (Pathway 4)

The Fund retains a valued position within the adaptation finance ecosystem, grounded in its grant-only model, direct access approach, integrated LLA architecture, and personalized engagement with implementing partners. Stakeholders consistently recognize these features as distinguishing strengths. However, as peer institutions increasingly adopt similar modalities, the Fund's niche has become less distinctive by default. Opportunities exist to reinforce the Fund's positioning through clearer articulation of its comparative advantage, more systematic tracking of innovation-to-scale pathways, and strategic communication that links its micro-to-meso-scale interventions to broader NCQG ambitions.

Enablers – Systems, monitoring, and delivery (Pathway 5)

The Board Secretariat has expanded to approximately 27 positions and has invested in organizational development, including digital modernization, evaluation frameworks, and workflow improvements. These efforts have supported record levels of operational delivery. Nevertheless, capacity constraints remain evident relative to the scale of portfolio growth and strategic ambition. Monitoring systems are still characterized by broad, non-SMART indicators, incomplete digital integration, and diffuse accountability for strategic performance. Resource planning does not yet fully and transparently link strategic initiatives to staffing and budget implications.

Learning Loop: From MTS1 to MTS2

The transition from MTS1 to MTS2 reflects institutional memory and selective learning rather than transformative change. Several recommendations from the MTR of MTS1 were incorporated into MTS2, including strengthened cross-cutting themes, expanded LLA support, and enhancements to monitoring and evaluation systems. Learning mechanisms are being reinforced through investments in data systems and analytical platforms, but systematic use and synthesis of evidence for strategic adjustment remains uneven, with the learning loop still developing.

Conclusions

MTS2 has maintained strategic coherence while enabling adaptive responses to a rapidly evolving adaptation finance context. The Fund has made measurable progress in operationalizing selected strategic priorities, particularly through the establishment of LLA windows and policy-level reforms. At the same time, persistent challenges remain in translating strategic intent into routine decision-making, strengthening monitoring and accountability systems, and ensuring that delivery capacity keeps pace with expanding ambition. As preparation for MTS3 begins, there is a clear opportunity to embed lessons from MTS2 implementation more explicitly into strategy design, operational integration, and resource alignment from the outset.

Recommendations

The MTR puts forward four strategic recommendations to inform the remainder of MTS2 and the preparation of MTS3. Recommendations are framed to build on the Fund's existing strategic work and substantial operational systems. Their implementation will be a matter for further discussion and agreement between the Board Secretariat and AF-TERG, and wider direction-setting by the AFB.

Recommendation 1: ***The Adaptation Fund should clarify its strategic positioning for the remainder of MTS2 and under MTS3, basing this on portfolio performance, demonstrated areas of comparative advantage and accounting for the Fund's longer-term ambitions.*** Building on portfolio performance and demonstrated strengths, the Fund Secretariat should identify actions that can be undertaken to more explicitly articulate its comparative advantages within the evolving adaptation finance landscape. This can include ongoing work on the communication, partnership and resource mobilization strategies, which should be developed in-line with the learning from MTS2. Over the longer term MTS3 development should be sensitive to this requirement.

Recommendation 2: ***Strengthen key aspects of data gathering and monitoring systems for better strategic management of MTS2 and its Implementation Plan, by enhancing data analysis and quality assurance processes within the Board Secretariat's existing data and monitoring architecture to better support evidence-informed decision-making.*** Enhancing the quality, integration, and use of data within existing Secretariat systems would support more effective strategic oversight. This includes strengthening data quality assurance processes, improving the usability of performance information, and maintaining proportionate reporting expectations for Implementing Entities.

Recommendation 3: ***Maintain and strengthen evaluative and learning functions by scheduling relevant activities on a regular, timetabled basis to support adaptive management throughout MTS2 and under MTS3, and ensure alignment of evaluation workplans with the MTS cycle.***

Continued development of tools such as the Management Action Tracker can help link learning to decision-making. Regular learning mechanisms through strategic synthesis of monitoring data and evaluation insights (e.g., three, six and twelve-month cycles) can better inform operational adjustments and strategic planning.

Recommendation 4: ***Strengthen strategic management over the remainder of MTS2 and under MTS3 by addressing specific challenges identified in the design and use of the IP during the current strategic period.*** Given the gaps noted in the IP under MTS2, explore opportunities for strengthening the MTS3 IP and ensuring that Expected Results (ERs) are realistic and achievable, that indicators are SMART, and that outputs and activities achieve a balance of being specific and achievable while also genuinely contributing to strategic ends.

Taken together, the findings of this MTR highlight a Fund that remains highly valued for its accessibility, grant-based support, and close engagement with countries, while facing a strategic moment of choice as the adaptation finance landscape evolves. The remainder of MTS2 and the preparation of MTS3 provide an opportunity to consolidate the Fund's distinctive role, sharpen how strategic intent is translated into operational practice, and ensure that ambition is matched by delivery capacity. Doing so will position the Adaptation Fund to continue playing a meaningful and differentiated role within the global adaptation finance architecture under the NCQG, while retaining the qualities that stakeholders consistently value.

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List of acronyms

AF	Adaptation Fund
AF-TERG	Technical Evaluation Reference Group of the Adaptation Fund
AFB	Adaptation Fund Board
AFCIA	Adaptation Fund Climate Innovation Accelerator
AMR	Adaptive Management Review
APR	Annual Performance Report
CE	Comprehensive Evaluation of the Adaptation Fund
CFLS	Climate Finance Landscape Scan
COP28	28th Conference of the Parties to the UNFCCC
COP29	29th Conference of the Parties to the UNFCCC
CPDAE	Community of Practice for Direct Access Entities
DA	Direct Access
EDA	Enhanced Direct Access
EFC	Ethics & Finance Committee of the Adaptation Fund Board
ER	Expected Result(s)
GCF	Green Climate Fund
GEF	Global Environment Facility
GGA	Global Goal on Adaptation
GPS	Governance/Processes & Systems Evaluation
IEs	Implementing Entities
IFAD	International Fund for Agricultural Development
IP	Implementation Plan
KIIs	Key Informant Interviews
LLA	Locally Led Adaptation
MAT	Management Action Tracker
MEL	Monitoring, Evaluation, and Learning
MIEs	Multilateral Implementing Entities
MTR	Mid-term review
MTS1	First Medium-Term Strategy of the Adaptation Fund (2018-2022)
MTS2	Second Medium-Term Strategy of the Adaptation Fund (2023-2027)
MTS3	Third Medium-Term Strategy of the Adaptation Fund (2028-2032)
NCQG	New Collective Quantified Goal
NIEs	National Implementing Entities
PA	Portfolio Analysis
PMMs	Portfolio Monitoring Missions
PPRC	Project and Programme Review Committee of the Adaptation Fund Board
PPRs	Project Performance Reviews
RBM	Results-Based Management
RIEs	Regional Implementing Entities

SDR	Strategy Document Review
SDGs	Sustainable Development Goals
SMART	Specific, Measurable, Achievable, Relevant and Time-bound
SRF	Strategic Results Framework
ToR	Terms of Reference
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
WFP	World Food Programme

1. Introduction

As climate adaptation increasingly moves to the center of international climate policy, the 2025 UN Adaptation Gap Report[2] highlighted a critical challenge: while adaptation needs are growing rapidly across developing countries, adaptation finance flows remain insufficient to meet agreed targets, including the New Collective Quantified Goal (NCQG). The report, entitled *Running on Empty*, underscored the urgency of scaling adaptation finance to realize commitments under the Paris Agreement, including the Global Goal on Adaptation.

At the same time, the report identified encouraging progress in adaptation planning and implementation globally. COP29 in Baku achieved important milestone agreements on adaptation,[3] including the NCQG and progress on Global Goal on Adaptation (GGA) indicators, demonstrating how climate adaptation has moved up the international political agenda in recent years.

Within this context, the role of the Adaptation Fund (AF) remains distinctive and important. The AF's mandate and funding approach occupies a unique niche in the international climate finance ecosystem. By focusing on grant-funded, concrete adaptation projects delivered through a model that is country-led and accessible, the AF contributes to global efforts to close the adaptation gap, responding to countries' needs while supporting increased ambition.

In October 2021, the AF Board took note of the key findings and recommendations of the Medium-Term Review (MTR) of the first Medium-Term Strategy (MTS1)[4] and in March 2022 decided to develop a second Medium Term Strategy for the subsequent period from 2023 to 2027 (MTS2). The AF's MTS2 builds on the MTS1 to strengthen the AF's comparative advantage and impact by deepening its focus on adaptation, innovation and learning, enhancing synergies across these pillars, and prioritizing locally led adaptation (LLA) and scaling up results. During the first 30 months of MTS2 implementation (January 2023 to June 2025), the Fund has demonstrated operational progress, including record approvals, substantial growth in thematic grants,[5] institutional adjustments responding to the evolving adaptation finance landscape, and continued strengthening of monitoring, evaluation and learning (MEL) systems.

In March 2023,[6] the AF Board (AFB) requested the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) to prepare an MTR of MTS2 and its Implementation Plan (IP). Agulhas

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[2] Adaptation Gap Report 2025: Running on empty, UNEP, 2025, link
[3] Formal agreement on NCQG and agreement on GGA indicators, to name a few
[4] Mid-Term Review of the Medium-Term Strategy of the Adaptation Fund, AF-TERG, 2022, link
[5] This MTR refers to all grants outside the regular funding window as "thematic grants," a term not officially used by the AF but useful for the purpose of this review. Thematic grants include funding under the Adaptation Fund Climate Innovation Accelerator (AFCIA), LLA Single Country, Large and Small Innovation, Learning, Readiness and Scale-Up funding windows.
[6] Strategy Evaluations, The Adaptation Fund, accessed 8th May 2025, link

Applied Knowledge was hired by AF-TERG through a competitive process to conduct this review, guided by a Board-approved Terms of Reference (ToR).[7]

This MTR adopts a formative, learning-oriented approach appropriate for mid-cycle assessment, focusing on strategic progress, emerging patterns, and lessons that can inform both continued MTS2 implementation and the development of MTS3 (2028-2032). As such, the MTR's findings emphasize opportunities for improvement and learning throughout rather than taking more of a strict accountability and assessment approach. This is in part a recognition of the fact that MTS2 represents a consolidation and evolution of MTS1 with many initiatives still maturing, and also reflective of the status of the MTR as a *review* rather than an *evaluation*.[8] The MTR will serve as a building block for the independent Comprehensive Evaluation (CE) of the Fund, expected to be completed by the end of July 2026. The CE is expected to inform preparations of the new cycle of strategic planning (MTS3 2028-2032) and as a building block for the CE the MTR will provide insights and observations relevant for MTS3 development.

Importantly, the MTR notes four main "trade-offs" between opposing considerations that underpin implementation under MTS2, as identified in conversations with stakeholders at the Board Secretariat. These trade-offs represent intentional, strategic choices by the AF and Board Secretariat:

a. **Country-led vs strategic portfolio shaping:** The AFB has prioritised its positioning as being country driven, and it operates by opening different funding windows as opposed to actively shaping its portfolio. The emphasis on being country driven is intentional, and reportedly important given the institutional priorities of the Board.
b. **Strategic ambition and Secretariat capacity:** While the strategic ambitions of the AF have evolved and expanded over time, they are sometimes seen as outpacing the Secretariat's capacity in terms of its staffing complement. The AF has substantially increased numbers of approvals, expanded thematic windows, focused on LLA, and is gearing up to respond to expectations of NCQG while maintaining a lean Secretariat as compared to the size of the portfolio. The Fund is identified by stakeholders as being accessible, and discussions with the Secretariat reveal that the relatively lean size is seen as having advantages in terms of reducing layers of approval and administration.
c. **Relational engagement vs. scale and standardization:** The AF places an emphasis on relational engagement with country-level stakeholders and implementing entities vis-à-

[7] See Annex 3 for the full Board-approved ToR for this MTR.
[8] The OECD DAC glossary of key terms defines a review as being "an assessment of the performance of an intervention, periodically or on an ad hoc basis" (Glossary of Key Terms in Evaluation and Results-Based Management, OECD, 2022, p.27, link). Although sometimes used as a synonym for 'Evaluation', a Review tends to be a less systematic and formalised process, often used to provide targeted and rapid assessment of a programme or policy to check progress and identify areas for improvement. By contrast Evaluations tend to have more of an accountability function, used to provide a definitive assessment of the achievements of a programme or policy, and to determine whether results and value for money have been achieved. See INTRAC (2017) link for further reading about Reviews.

vis other climate funds. Drawing on feedback, the Board Secretariat indicates that this is regarded as a key strength, and while scaling of the portfolio has generated pressures for this approach, the AF has prioritised "personalized interaction" over a more standardized approach to portfolio shaping and management.

d. **Strong strategic framing vs. institutional anchoring:** The MTS2 provides a strong direction for the AF in terms of its ambitions and priorities. However, the Fund's distributed governance structure, including its Board committees, means that implementation decisions are not fully centralized.

The Board Secretariat has clarified that these trade-offs represent a series of strategic choices. Accordingly, the MTR has taken these into consideration within its analysis and in the framing of the recommendations. It also offers some broader insights that could inform the delivery of the Implementation Plan over the remainder of MTS2 and the development of the next MTS2.

2. MTR Scope

In line with the original Board-approved ToR, and confirmed in the MTR Inception Report,[9] the overarching purpose of this MTR is to evaluate the progress of the AF towards achieving the goals of the MTS2 and its associated IP in a dynamic climate change context.

The primary objectives of the MTR are to:

1. Assess progress of the Adaptation Fund towards implementing MTS2 and its IP in the context of a dynamic climate change landscape.
2. Provide strategic learnings and recommendations that can inform adaptive management during ongoing implementation of MTS2.

The MTR covers the first two and a half years of MTS2 implementation, from 1 January 2023 to 30 June 2025 (end of the AF's fiscal year 2025). This means that only Board decisions, funding arrangements, projects, programmes and other activities, including evaluations and knowledge products, approved after January 2023 will be included in the analysis. The review team has drawn on existing evidence from the MTS1 strategic period (2018-2022) only in relation to lessons learned from its implementation and how these have informed implementation of MTS2, as requested by the ToR.

[9] Mid-term review of the Medium-Term Strategy of the Adaptation Fund (2023-2027) Inception Report, 2025, p.5, link

3. MTR Questions and Sub-Questions

The MTR addresses the four overarching AF Board-approved questions and 18 sub questions from the TOR.[10] In view of ongoing and upcoming evaluative exercises,[11] along with the volume and scope of questions, a rubric was established – developed in consultation with AF-TERG – grouping evaluation questions by evidence availability, strength of assumptions, and evaluability considering available time and resources. Annexes 1 and 2 of the MTR Inception Report[12] detail the evaluation matrix and question categorization respectively. All overarching and sub-questions are considered in this MTR, though the analysis and assessment depth reflects the data available, existing evaluative evidence, and specificity of each sub-question, as determined via the rubric.

While this MTR uses evaluative tools and good practice, it is distinct from and operates differently than other AF-TERG thematic evaluations. Formative and strategic in nature, as noted in our introduction, the MTR is a *review* as opposed to an *evaluation* (see footnote 8 for further details). This distinction does not affect the overall rigor and depth of the analysis but rather reflects its forward-looking, learning-oriented purpose.

4. Methodology

This MTR adopts a mixed-methods approach, blending quantitative analysis from project reports and public datasets with qualitative insights from key informant interviews (KIIs). The methodology balances responsiveness to stakeholder information needs with analytical independence, ensuring findings serve the Fund's strategic learning while maintaining evaluative rigor.

The methodology is designed to be user-oriented, acknowledging the priorities of the AF Board and its Committees, Board Secretariat, AF-TERG, and Implementing Entities (IEs).

Stakeholder engagement is central to the review. The review team held regular methodological consultations with AF-TERG to ensure coverage of key questions, while maintaining analytical independence in findings and conclusions. Collaboration with AF Board Secretariat staff, Board members, IEs working directly with countries, and development partners supported a comprehensive picture of relevance, progress and the factors affecting MTS2 implementation.

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[10] See Terms of Reference for the Mid-term Review of the Adaptation Fund's Second Medium-term Strategy 2023-2027 (MTR of MTS2), AF-TERG, 2024, pp. 13 – 15 link for the full list of AF Board-approved questions and sub-questions for this MTR.

[11] See Multiyear work programme and budgets of the Technical Evaluation Reference Group of the Adaptation Fund for the period 2025 – 2027 link for details of current and upcoming evaluative products.

[12] Annex 1: Evaluation Matrix (p.43) and Annex 2: Question Classification (p.52) in AF-TERG (2025): Mid-term review of the Medium-Term Strategy of the Adaptation Fund Inception Report, link

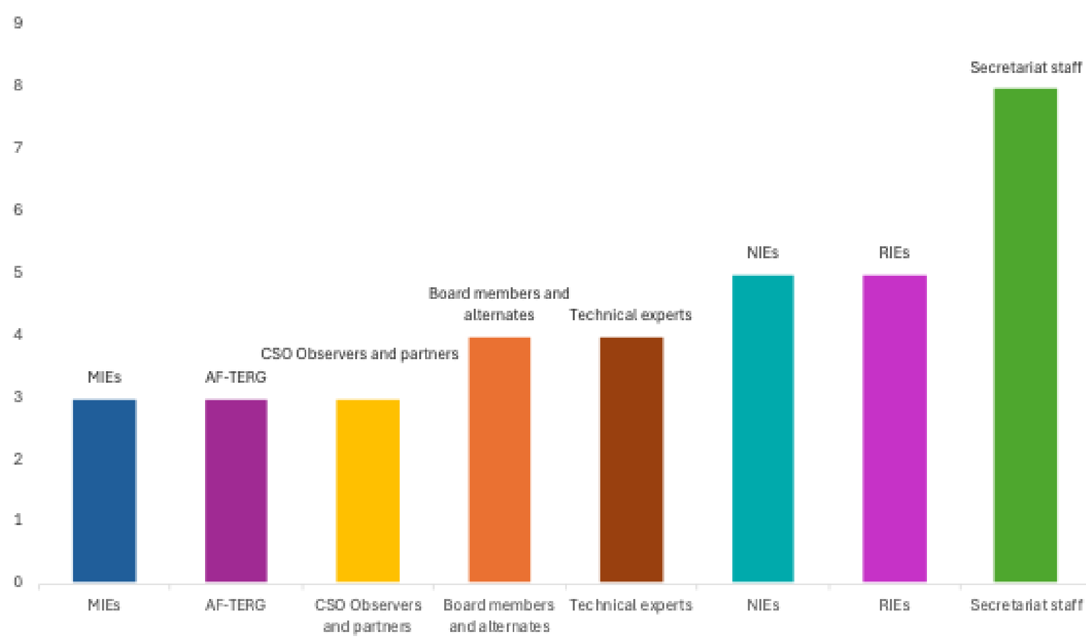
Primary evidence gathering has been underpinned by a considerable amount of documentary analysis (see bibliography for details), contributing to the findings and forming the backbone of the evidence base for the various MTR tools. Thematic evaluations published during the MTS2 period,[13] in particular, have been significant sources of information contributing to our case studies.

Recognizing cross-cutting themes and drawing on input from a diverse range of stakeholders (see Figure 1), this MTR is comprehensive in examining the AF's approach to accelerating effective adaptation action and efficient access to adaptation finance for developing countries. All MTR findings are rigorously cross verified through systematic triangulation to ensure they are robust, relevant and accurate.

4.1. Stakeholder engagement

The MTR engaged 35 key informants across diverse stakeholder groups, ensuring multiple perspectives informed all findings (see section 4.2, below, for further information on ensuring diversity of perspectives).

Figure 1: Stakeholder groups engaged in interviews and focus group discussions for the MTR of MTS2



This stakeholder composition ensured the MTR captured perspectives from those responsible for strategic direction (Board), operational implementation (Board Secretariat), independent

[13] Evaluations that have been particularly instructive include the Thematic Evaluation of the Fund's Approach to Support Innovation for Climate Change Adaptation (2023, link), the Thematic Evaluation on the Adaptation Fund Accreditation Process (2024, link) and the Thematic evaluation of scalability concepts and practice at the Adaptation Fund (2025, link).

evaluation (AF-TERG), and on-the-ground delivery (IEs). Implementing Entities provided critical insights into country-level implementation realities, as they work directly with national governments and local communities in project design and delivery, offering a vital channel for understanding how MTS2 translates into country contexts.

Different stakeholder groups emphasized different priorities in their interviews. For instance, IEs, Board Secretariat and Board members frequently emphasized the importance of keeping reporting requirements proportionate to capacity. Board Secretariat staff highlighted opportunities to strengthen internal systems for strategic management. AF-TERG members focused on evaluation utilization and learning systems. These diverse perspectives were carefully balanced in formulating findings, ensuring that recommendations respond to operational realities, support learning and improvement, and remain feasible for stakeholders across the Fund.

4.2. Ensuring balanced perspectives

Recognizing the Fund's country-driven identity, the MTR methodology was designed to capture diverse perspectives while ensuring analytical balance:

Multiple perspectives reflected in each finding: Each finding reflects input from a range of stakeholders, including the Board Secretariat, AF-TERG, IEs, and Board members. All conclusions were triangulated across these perspectives and documentary evidence to ensure balanced and well-grounded analysis.

IE voices prioritized for country-level insights: IEs, who work directly with national governments and local communities, provided ground-level insights on how MTS2 translates into country contexts. The 13 IEs interviewed represented geographic diversity across Africa, Asia-Pacific, Latin America and the Caribbean, and Small Island Developing States, ensuring findings reflect diverse country experiences and implementation realities.

Documentary evidence from country contexts analyzed: The review analyzed country-specific project documents, concept notes, and progress reports to complement stakeholder perspectives with documented evidence of country-level implementation.

Limitations acknowledged and mitigated: The MTR provides clear indication of the practical limitations imposed on the review, namely that it is formative in nature and as such findings must be understood in this context. Findings are therefore carefully constructed to clearly distinguish between strategic-level observations (which the MTR is well-positioned to assess) and implementation realities (where IE perspectives and documentary evidence provide the primary evidence base). A full account of limitations is presented in section 4.6, below.

4.3. MTR tools

Our methodology for this review comprised six tools, sequenced over the evidence gathering period to collect and generate data and analysis against the review questions. The team began with the foundational desk reviews – a Strategy Document Review (SDR), Portfolio Analysis (PA), and an Adaptive Management Review (AMR). Targeted case studies and a landscape scan then deepened exploration of emerging themes. KIIs were conducted in the latter half of the evidence gathering to validate, challenge and enrich documentary findings. This sequencing was developed iteratively, minimizing duplication, and enabling robust triangulation across diverse sources and methods to ensure comprehensive findings. Details of the individual tools can be found below in Figure 2, while Table 1 provides details of how individual methodology tools link back to evaluation questions.

Figure 2: Methodology Wheel illustrating the methodological components of the MTR of MTS2

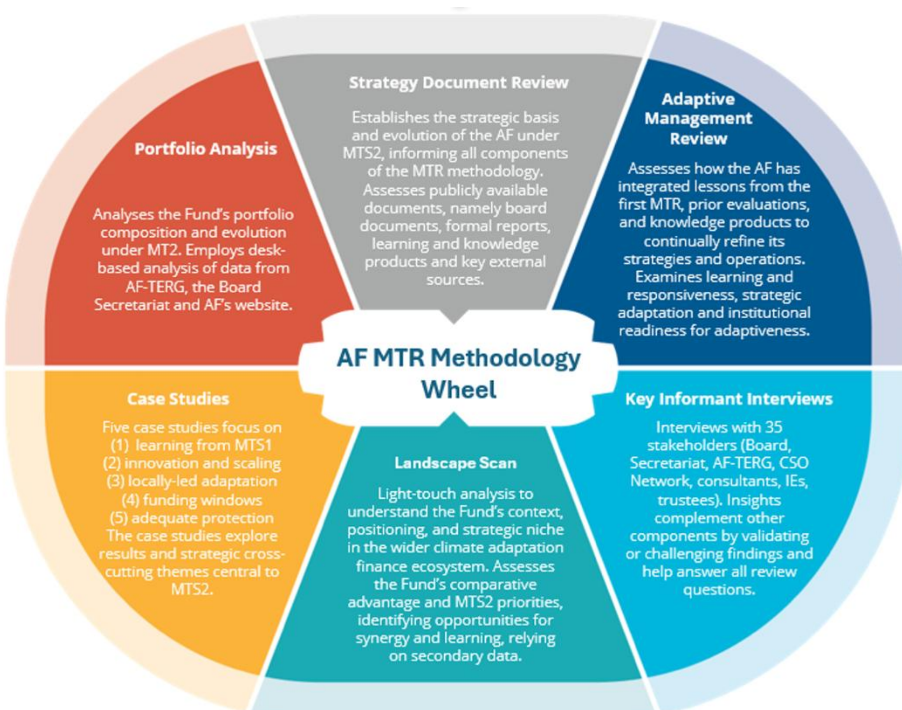


Table 1: Map of the methodology tools used for each question and sub-question of the MTR of MTS2

Methodology tool	Relevant questions / sub-questions
Strategy document review	Sub-Qs 2.1, 2.3, 2.4, 3.3, 3.4 and 3.5
Adaptive management review	Sub-Qs 1.1, 1.2, 2.4, 3.2, 4.4, 4.6, and 4.7
Portfolio analysis	Sub-Qs 2.3, 2.4, 2.5, 3.3, 4.1, 4.2, and 4.3
Landscape scan	Sub-Qs 3.1 and 3.2

Key informant interviews	Contributes evidence to all MTR questions and sub-questions
Case study 1: Learning from MTS1	Q1
Case study 2: Innovation and scaling	Sub-Q 3.3
Case study 3: Locally-led adaptation	Sub-Q 4.5
Case study 4: Funding windows	Sub-Q 4.6
Case study 5: Adequate protection	Sub-Q 2.3

4.4. Triangulation and Quality Assurance

All MTR findings are cross verified through systematic triangulation requiring, at minimum:

- Documentary evidence from multiple sources up to the cut-off date of 30 June 2025 (over 140 publicly available internal documents from the AF, including Board decisions and meeting minutes, Fund policy and decision-making documents, and formal reports such as evaluations, Annual Performance Reports, and learning and knowledge products as well as key external documents, including UNFCCC guidance and relevant research on best practice for strategy for multilateral climate funds).
- Stakeholder validation from different stakeholder groups (e.g., IE + Board member; Board Secretariat + external partner; AF-TERG + IE).
- Consistency across methodological tools (e.g., finding evident in both portfolio analysis AND case studies AND interviews).

Quality assurance mechanisms incorporated:

- Methodological peer review: Preliminary findings were reviewed to test analytical logic and evidence strength.
- Stakeholder validation: Emerging findings were presented to AF-TERG and the AF Board Secretariat for factual verification, with any contested findings subject to additional evidence review.
- Proportionate conclusions: Strength of conclusions explicitly calibrated to the strength of underlying evidence, with appropriate qualifiers where data limitations exist.

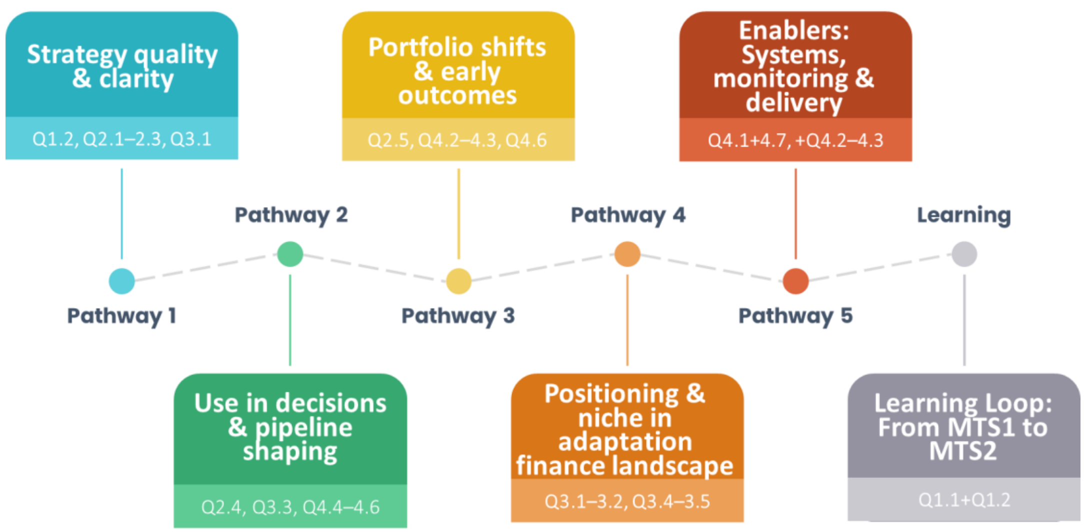
4.5. Pathways approach to organizing findings

The ToR set out four overarching evaluation questions with 19 detailed sub-questions. Rather than addressing each sub-question mechanically in isolation, this MTR organizes findings around five analytical "pathways," complemented by a separate learning loop analysis, which looks at how learning from MTS1 was incorporated into MTS2 (i.e. how well the learning loop has been closed) offering insights into the AF's ability to learn across strategic cycles.

These analytical pathways represent the natural dimensions through which organizational strategies are implemented and assessed, particularly in fund contexts: (1) whether the strategy itself is well-designed and clear (**Strategy quality & clarity**); (2) how strategic intent translates into decisions and operational practice (**Use in decisions & pipeline shaping**); (3) what results emerge in the portfolio (**Portfolio shifts & early outcomes**); (4) how the organization positions itself in its external environment (**Positioning & niche**); and (5) whether enabling systems support delivery (**Enablers: systems, monitoring & delivery**). The **learning loop** analysis then examines how lessons from MTS1 informed MTS2 design and implementation.

Figure 3 illustrates how these pathways interconnect as a coherent analytical framework. The pathways flow logically from strategy design (**Pathway 1**), through operational decisions (**Pathway 2**) and portfolio implementation (**Pathway 3**), to external positioning (**Pathway 4**) and enabling systems (**Pathway 5**), with the **learning loop** capturing feedback mechanisms across strategic cycles. It also shows which evaluation questions each pathway addresses, demonstrating comprehensive coverage of the ToR.

Figure 3: Overview of Pathways and associated evaluation questions identified for the MTR of MTS2



This pathway structure ensures all ToR questions are addressed comprehensively while presenting findings in a coherent narrative that shows how different elements connect and reinforce each other rather than as fragmented answers to individual sub-questions. Each pathway draws on multiple methodological tools and responds to multiple evaluation sub-questions, supporting robust triangulation. Annex 1 provides detailed traceability, showing how each pathway contributes to specific ToR questions and sub-questions, drawn across methodological tools, and underlying evidence sources.

4.6. Limitations and challenges

While the review methodology applied a comprehensive approach to the MTR of MTS2, there were some practical and evidential limitations that impacted the data collection and analysis process.

The most significant limitation to the MTR was data availability and quality. Serious shortcomings to the data provided to the team – both because this data is not available and where available, is not very detailed – have impacted the ability of the MTR to make firm judgements on a number of areas, such as progress against the Implementation Plan. **These considerations are highlighted throughout the review, and the team has made every effort to ensure that limitations to the *quality of data provided* have not resulted in limitations to the *quality of the MTR* or its findings.**

A full list of limitations and mitigating actions are set out in Table 2 below, alongside the mitigating actions taken by the review team to minimize their impact.

Table 2: MTR limitations, impacts and mitigating actions

Limitation	Impact	Mitigating Action
Variability in quality and availability of data.	The MTR team only had access to publicly available Board documents, which are designed for communication, outreach, accountability and compliance, but lack some of the depth and specificity required for detailed analysis. Systematic data on certain indicators (e.g., disaggregated results, cross-pillar linkages) were also limited. While detailed portfolio data requests were made by the MTR team, this data was not forthcoming. Instead, the data made available was relatively high-level in nature.	Additional documentary analysis, regular consultation with AF-TERG and feedback from the Board Secretariat strengthened triangulation where secondary data were limited. Any findings constrained by data limitations are clearly signposted in the text. Multiple evidence sources were used to compensate for gaps in individual data streams.
Limited elapsed time since MTS2 adoption.	While some projects approved under MTS2 were under implementation and included in the analyses of this MTR, most projects approved under MTS2 had not yet started by the time	The MTR took a formative approach to analysis looking for plausible influence of MTS2 on emerging results and changes in approach. As the analysis for the MTR is set at the strategic level,

	evidence gathering was underway, and have therefore not yet reported on activities, let alone impacts (partly contributing to the data availability issues above). This limited the MTR's ability to assess MTS2's influence on project level outcomes.	and is not evaluating programme or portfolio results specifically, this limitation was minimized. Findings are clearly framed as early signals rather than definitive outcomes.
Attribution challenges.	Isolating MTS2's specific effects, as opposed to ongoing changes related to other factors (both internal and external to the Fund) proved challenging. The Fund operates in a dynamic environment where multiple influences shape outcomes simultaneously.	Robust triangulation and nuanced framing of findings helped ensure that insights and recommendations remain proportionate to the underlying evidence. The review presents findings in terms of plausible influence, with conclusions and recommendations aligning with the strength of available evidence. Where findings could be related to non-MTS2 influences, these are clearly identified.
Limited direct country-level engagement.	The MTR did not conduct in-country consultations with national government officials or local community representatives due to time and resource constraints, relying instead on IE perspectives and project documentation for country-level insights.	The team took the following measures: engagement with 13 IEs across regions and entity types (NIEs, RIEs, MIEs) who work directly with countries; systematic review of country-specific project documents, concept notes, and progress reports; triangulation with Board members from recipient countries. Findings clearly distinguish between strategic-level observations (which the MTR is well-positioned to assess) and country-level implementation realities (where IE perspectives and documentary

		evidence provide the primary evidence base).
Evaluation timing and evolving context.	The review was commissioned during MTS2 implementation, creating inherent challenges as some strategic and operational developments occurred during the evaluation period (such as Board decisions in late 2024 and early 2025) that may not be fully reflected in all analytical components. The cut-off date for documents and developments to be considered for this review was 30 June 2025.	The MTR adopted a formative review approach appropriate for mid-cycle assessment, focusing on strategic progress and emerging trends rather than definitive impact. Regular communication with AF-TERG and the Board Secretariat throughout the evaluation period enabled incorporation of recent developments where relevant.

5. Findings

The MTR findings are set out against the five analytical pathways and the learning loop. They reflect a formative assessment appropriate to mid-cycle review, emphasizing emerging patterns, strategic progress, and lessons that can inform both continued MTS2 implementation and MTS3 preparation. Where definitive outcome or impact assessment would be premature given MTS2's implementation timeline, findings focus on plausible influence, early signals, and trajectories observable at the strategic level.

5.1. Pathway 1 – Strategy quality & clarity

Pathway 1
Strategy quality & clarity
Q1.2, Q2.1–2.3, Q3.1

What is this pathway about?

This pathway assesses whether MTS2 functions as a robust, actively used strategic framework or remains primarily a high-level signaling document. It reviews the clarity of strategic priorities, the definitions of key concepts, and the ownership and practical use of the strategy and its IP. Analysis also considers whether the strategy supports adaptive management and aligns with the Fund's evolving mandate and context.

This analysis draws primarily on data from five of our methodology tools (SDR, AMR, CFLS, Case studies 1 and 2) as well as from the KIIs to address MTR questions Q1.2, Q2.1, Q2.2, Q2.3 and Q3.1.

Overall picture

MTS2 was explicitly designed as a strategic iteration, building on the success and lessons of MTS1. Lessons learned from MTS1, many of them documented in its MTR, were incorporated into MTS2. This approach of strategic continuity has reinforced the Fund's mandate to finance concrete adaptation projects that reduce the vulnerability of developing country communities through grant-based support.[14]

Strategic alignment: Coherence and stability

MTS2 is both internally and externally coherent. It closely aligns with the AF's mandate, the Paris Agreement, and the SDGs, ensuring continuity across strategic periods. The Goal Statement presented in MTS2's Theory of Change also aligns with the Adaptation Fund's overarching Goal of ensuring that "People, livelihoods, and ecosystems are adequately protected from the adverse impacts of climate change".

MTS2's vision is also anchored in international climate policy, informed by international climate agreements[15], the Sustainable Development Goals (in particular SDG 13.1)[16] and new developments such as the New Collective Quantified Goal (NCQG) adopted at COP 29.[17]

Evolution: Iteration

MTS2 reconfirmed the previous three-pillar structure (Action, Innovation, and Learning & Sharing) and introduces two new cross-cutting themes: *Locally Led Adaptation (LLA) and scaling and replication of results*. These additions formalize existing practice and consolidate operational reforms initiated under MTS1, such as expanded funding caps,[18] the rolling submissions process for all windows,[19] and enhanced readiness support. These strategic adjustments are nonetheless significant, highlighting areas of intent and focus for the fund.

While continuity has strengthened coherence, several interviewees noted that MTS2 *builds on what works* but does not define a distinctive new direction for the Fund. In this sense, MTS2 consolidates rather than transforms the strategic architecture. Important concepts such as innovation, scaling, adequate protection, and LLA are raised in importance in the strategy,[20] although remain loosely defined. The decision to not formalize definitions reflects the Fund's

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[14] About the Adaptation Fund, Adaptation Fund website, 2025, link
[15] For references of alignment see Medium Term Strategy 2023-2027, Adaptation Fund, 2022, Theory of Change Statement, p. 7 and section 3.1, p.11, link
[16] Medium Term Strategy 2023-2027, Adaptation Fund, 2022, p.11, link
[17] Annex A: Concept Note: Assessment of the Implications of the New Collective Quantified Goal On Adaptation Fund Operations, AFB/B.45/6, Adaptation Fund, 2025, Section 13 p.6, link
[18] Adaptation Fund Board Approves Record US$ 137 Million in New Projects; Doubles Country Cap to US$ 40 Million, Press Release, Adaptation Fund, 17 April 2025, link
[19] See Decision B.40/59 in Decision document for the Fortieth meeting of the Adaptation Fund Board, AFB/B.40/13/Rev.1, Adaptation Fund, 2023, p.32, link
[20] Medium Term Strategy 2023-2027, Adaptation Fund, 2022, p.23, link

emphasis on pursuing "country led, locally based, and inclusive processes".[21] Despite having loosely defined concepts, the Fund has nevertheless been able to adaptively manage and increase the scope of activity for key themes such as introducing new windows for LLA and Innovation.

While strategic flexibility is – generally speaking – a benefit, the absence of formal definitions for key concepts underpinning the strategy has created some operational frictions that could benefit from further attention. In particular we found a lack of clarity in guidance for NIEs pursuing LLA, and measurement and accountability guidelines.

MTS2: Relevant as an overarching document to signal strategic intent

MTS2 serves a high-level function by articulating the Fund's vision, mandate, and strategic goals, and clarifying overarching priorities. It has also proven to be able to flex adaptively to systemic changes in the climate finance ecosystem.

To date, MTS2 has been most valuable for high-level signaling, with less uptake in day-to-day decision-making; use of MTS2 by the Board and its Secretariat in decision-making could be enhanced. While MTS2 aims to strengthen the linkages between the Fund's strategic pillars, progress on this integration could be accelerated.

The Implementation Plan: Highly detailed but underutilized

The IP,[22] published three months into the delivery of the strategy, establishes expected targets and tentative budgets for most activities under each pillar as well as across pillars. While the IP benefited from extensive internal consultation and provides a comprehensive activity-level framework, its design, often incredibly detailed and specific at the activity level, could benefit from clearer timelines, defined responsibilities, and prioritization to strengthen operational usability.

According to Board Secretariat staff, the IP's indicators are monitored through the Fund's Annual Performance Reports rather than through dedicated, coordinated, ongoing tracking mechanisms.[23] Indicators could better reflect SMART criteria.[24] Although the IP was designed with flexibility to allow periodic updates, this has not happened in practice and the mechanisms for regular review and updating could be strengthened.

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[21] Medium Term Strategy 2023-2027, Adaptation Fund, 2022, p.20, link; Updated management response and action plan – Thematic evaluation of the Adaptation Fund's experience with innovation AFB/EFC.31/6, Adaptation Fund, 2023, p.5 link; Initial management response to the thematic evaluation of scalability concepts and practice at the Adaptation Fund AFB/EFC.34/7, Adaptation Fund, 2024, p.4, link; Progress report on the management response and action plan – Mid-term review of the medium term strategy AFB/EFC.30/6, Adaptation Fund, 2022, pp.10-14, link

[22] Implementation Plan for the Medium Strategy of the Fund for the period 2023 to 2027, Adaptation Fund, AFB/B.40/5/Rev.1, 2023, link.

[23] Annual Performance Reports (APRs) present yearly updates on project performance, funding trends and cumulative progress against certain impact indicators, measured over a decade. Containing both quantitative and qualitative data these reports are useful documents for understanding in-year as well as long term results, but they do not specifically track progress against the MTS2.

[24] Specific, Measurable, Achievable, Relevant, Time-bound

The IP's level of detail and over-specificity in places, and current monitoring architecture, limit its effectiveness as an adaptive management tool. In practice, it has functioned more as a comprehensive planning and reference document than as a routinely used adaptive management tool. Future iterations might benefit from considering a more strategic and streamlined approach, with clearer links between activities, outputs and results. Improving the logical links from activities to results, and embedding clearer mechanisms for structured review, prioritization and coordinated progress tracking, would increase the IP's potential effectiveness as a management tool.

Informal ownership across the Fund, formal accountability more limited

MTS2 benefits from strong internal buy-in, particularly within the Board Secretariat. Both the strategy and its IP were developed through consultative processes that created a sense of shared ownership. Implementing Entities also acknowledged being consulted and broadly satisfied with the strategy's direction.

However, ownership is largely diffuse. This can have certain benefits in terms of adaptability and aligns with an iterative management approach. For instance, operational teams may feel sufficiently empowered to engage in strategic decision making, enabled by a sense of shared ownership over MTS2. In practice, however, diffuse ownership has tended to cause confusion where lines of responsibility and accountability are not immediately clear, posing challenges for effective performance management. No unit or position is mandated to monitor or report on MTS2 progress and there is no shared dashboard tracking MTS2 indicators. Overall, this has led to a situation where everyone feels a broad sense of ownership over the strategy but at the same time no one is clearly responsible for driving and tracking its delivery.

Staff feel that MTS2 serves as a starting point for strategic activities, including work plans, budgets, and revisions. For more complex, cross-cutting activities, progress relies on a shared sense of what is required, with team meetings and retreats helping to reinforce clarity and alignment across the Board Secretariat.

In Sum

MTS2 has successfully maintained internal and external coherence aligning with the AF's pre-existing mandate, the Paris Agreement, and the SDGs. It builds effectively on MTS1 by consolidating existing structures. MTS2 expands upon MTS1 by introducing two new cross-cutting themes, with the additional emphasis on LLA helping to position the Fund as a leading champion in this area.

MTS2 has been most valuable as a strategic compass rather than as a day-to-day management tool. The strategy benefits from broad, diffuse ownership which supports institutional buy-in, with the potential to strengthen adaptive management. In practice, however, the lack of monitoring and reporting of progress, as well as a lack of defined responsibility for delivery, means that strategic goals are at risk of not being met. The IP for MTS2 is highly detailed but underutilized. It also lacks a coordinated monitoring programme, limiting its effectiveness as an adaptive management tool.

Overall, MTS2 is strategically coherent, and there is broad recognition among relevant stakeholders of the importance of the guiding role that MTS2 provides. However, in some respects, MTS2 is operationally under-defined and weakly institutionalized. The Fund's challenge lies less in defining direction than in ensuring that strategic intent translates into measurable, accountable action. To this end, further investment and effort should be made to ensure that the strategy is better embedded in day-to-day operations, underpinned by clear strategic performance metrics that allow for clearer measurement of how well the strategy is being delivered.

5.2. Pathway 2 – Use in Decisions & Pipeline Shaping

Pathway 2
Use in decisions & pipeline shaping
Q2.4, Q3.3, Q4.4–4.6

What is this pathway about?

This pathway examines how MTS2 and its IP have begun to shape the Fund's decisions, by the Board Secretariat in screening and review, and by the Board in approving funding windows, country caps, and project proposals. It explores whether MTS2 priorities such as LLA, innovation, and scaling are reflected in actual decisions, and whether adaptive adjustments, such as revisions to windows or criteria, show the strategy is being *used* rather than merely *referenced*.

For this MTR, "use" denotes situations where MTS2 is either explicitly referenced or implicitly applied in ways that demonstrably shape decisions. This includes explicit references in Board papers that justify specific policy changes as well as instances where strategic principles guide choices even when not formally cited. The analysis draws on four core sources (AMR, SDR, Portfolio Review, CS3 and CS4) and stakeholder interviews (KIIs) to address MTR questions Q2.4, Q3.3, Q4.4, Q4.5 and Q4.6.

Overall picture

Across 2023–25, major decisions (creation of LLA windows, revision of country caps, and update of the Results Framework) demonstrate that MTS2 is functioning as a shared compass for change. Explicit references to the strategy in documents related to these decisions remain limited, but its principles have increasingly informed the substance of decisions, both implicitly and explicitly. As one Board member noted, "by delivering on the Fund's main objectives, we already address MTS2 implicitly".

At this mid-point in the strategic period, alignment between the Board and its Secretariat's actions and MTS2 priorities is becoming visible. The Fund is moving from adoption toward more systematic use, signaling that learning from the first MTS is being internalized.

This directional traction has also helped sustain alignment with broader global adaptation finance trends (particularly the Paris Agreement, the GGA, and the emerging NCQG on Climate Finance) ensuring that the Fund's evolving priorities remain consistent with international policy developments.

Funding windows: A catalyst for strategic use

The clearest evidence of strategic use appears in the funding windows, which translate high-level intent into operational mechanisms.

Under the Action pillar, MTS2 called for expanded local access and resource devolution. This led to expanding the Enhanced Direct Access (EDA) stream into a single-country LLA window and creating a Regional Aggregator LLA window. Both were explicitly grounded in MTS2 objectives. These reforms are widely recognized as an early success: by mid-2025, LLA-tagged proposals comprised nearly 20% of the active pipeline, and it is reported by the Board Secretariat that proposal quality and turnaround times improved for well-prepared submissions.

These results show how MTS2 can drive tangible operational shifts when goals are concretely defined. The LLA windows have made local access a structural element rather than a side programme, embedding it in Board dialogue and Board Secretariat practice.

Revisions to proposal and review templates for these windows introduced explicit criteria on devolved decision-making, equity, and local ownership, providing concrete procedural evidence that the strategy is being operationalized in approval processes.

At the same time, the regional LLA aggregator highlights implementation strain. Board Secretariat staff report strong RIE demand but significant fiduciary, coordination and sequencing burdens associated with multi-country aggregation models. These are instructive rather than discouraging: the model's complexity reveals where clearer guidance and harmonized reporting will be needed as the Fund scales similar modalities.

Innovation and scaling: Ambition ahead of practice

The Innovation Window tells a more gradual story. Expansion of the AF Climate Innovation Accelerator (AFCIA) in 2024 reflects that the fund is heading in the right strategic direction but exposes procedural conservatism and a limited appetite for risk, as reflected in extensive concept-stage documentation requirements, detailed fiduciary scrutiny, and multiple iteration cycles prior to approval. Overall, innovation proposals have tended to require more detailed justification and evidence at early stages than standard projects, particularly where co-financing or novel instruments are involved, resulting in longer review cycles and lower conversion rates.

Nevertheless, the Fund has built a coherent architecture for innovation: from micro-grants through AFCIA to small and large innovation windows and, ultimately, scale-up opportunities. This "staircase" directly operationalizes MTS2's concept of piloting and replication. What lags is uptake: limiting demonstration of the full 'innovation-to-scale' pathway that defines its strategic niche (for more analysis, see pathway 4). Innovation proposals progress slowly. Stakeholders attribute this to unclear eligibility guidance and disproportionate evidence demands, which together reinforce procedural conservatism and a cautious risk posture. Addressing these procedural details would allow the strategy's intent to translate more fully into pipeline performance.

Pipeline efficiency and capacity: Matching ambition with bandwidth

Review cycles remain demanding as proposals in the regular window typically require more than 3 review rounds before clearance and 10–12 months from approval to inception. While these timelines are shaped by multiple factors beyond Secretariat review alone – such as country capacity and exogenous factors including electoral cycles and other socio-economic conditions beyond the Fund’s control – they nonetheless affect pipeline efficiency and the pace at which strategic priorities are realized.

Board Secretariat workload remains a limiting factor. A small technical team manages a growing and increasingly complex portfolio. The pattern observed is one of proportionate scaling challenges: the Fund's strategic ambition for wider local access and innovation outpaces current staff capacity and flexible resources available to sustain quality and equity.

Adaptive responsiveness: Progress through iteration

Beyond the windows, the Fund has acted on MTS2 priorities through adaptive measures: gender integration, doubled country caps, LLA screening checks, expanded readiness and learning grants, and workflow automation pilots.

These steps demonstrate a maturing culture of responsiveness. Each reform represents practical learning from experience rather than externally imposed correction. Embedding such adjustments in a more consistent cycle, where adaptive actions are tracked, evaluated, and fed back into decision routines, would be a natural evolution of this emerging adaptive culture.

Implementation framework: A critical lesson on strategic usability

While the IP was intended as the main vehicle for adaptive management, in practice adaptive adjustments have often been driven through parallel procedural reforms and management decisions rather than through the IP itself. Almost every stakeholder group described the IP as overly lengthy, detailed, and operationally burdensome. Rather than functioning primarily as a tool for strategic delivery, it has ended up operating as a static planning document. It is important to note that this has not prevented adaptive management happening more broadly at the Fund, but it has limited the extent to which the IP itself has served as a flexible, adaptive management tool.

This experience offers an instructive institutional lesson: a good strategic instrument should guide rather than prescribe. The Fund is already drawing from this insight: current procedural reforms, simplified reviews, workflow automation, and expanded readiness support, reflect an effort to move beyond the IP's static design toward more dynamic management tools. This experience suggests that future strategic planning could benefit from a lighter, adaptive planning instrument that links annual work plans and budgets to strategic outcomes, while avoiding excessive operational detail and enabling regular adjustments through clearer performance tracking

Learning systems and ownership: From events to habit

Learning mechanisms have multiplied under MTS2 (such as readiness workshops, the CPDAE network, management response trackers, portfolio monitoring missions, and joint evaluation sessions) but they still operate as events rather than systems. The underlying issue is ownership or the question of "who owns MTS2?". While the Board formally approved the strategy and its Secretariat leads implementation, operational responsibility is diffuse: neither the Board's committees nor specific Board Secretariat units are explicitly mandated to monitor strategic alignment or convene periodic 'strategy check-ins' beyond general reflections as part of the APR, with this MTR itself acting as one of the few structured moments for such reflection. This diffuse institutional anchoring affects accountability for follow-through. More explicit ownership structures in the next cycle could support embedding of continuous learning and evidence use across the Fund's governance structure.

In sum

MTS2 has begun to function as a live strategic reference, informing major reforms, guiding procedural adjustments, and strengthening the Fund's culture of learning. Its influence is visible in the consolidation of LLA as a structural feature of direct access, in the full deployment of LLA modalities, in the emergence of an innovation and “staircase” architecture unique among climate funds, and in incremental gains in review efficiency and adaptive responsiveness.

Within the pipeline reviewed for this MTR, demand has been steady and continued relevance is evident, but changes in entity mix and thematic focus remain incremental.

At the same time, the IP’s design appears to have constrained the strategy's potential. Its level of detail, lack of updating and monitoring, has limited its role as a strategic steering instrument; even as adaptation has occurred through other mechanisms. This learning is already being applied by the Fund. This experience points to the value of a concise, Board-owned strategy, clearly linked to existing annual work-planning and budgeting processes, to strengthen the connection between strategic intent and operational decision-making.

Overall, evidence suggests that the fund has started to shift from merely referencing its strategy to deploying it as an instrument of adaptive governance. Some early successes of MTS2 demonstrate institutional learning in practice. The challenge ahead will be to embed that learning systematically, so that that the Fund can consolidate and deepen the strategy's role in guiding decisions and change.

5.3. Pathway 3 – Portfolio Shifts & Project Approvals

Pathway 3
Portfolio shifts & early outcomes
Q2.5, Q4.2–4.3, Q4.6

What is this pathway about?

This pathway looks at how the AF's portfolio of projects and thematic grants has evolved under MTS2 in terms of mix, timing, and the differentiated use of funding windows. It seeks to establish, at least descriptively, what design-level signals (e.g., balance of innovation/scaling, LLA integration) can be observed and to what extent there may be early evidence of alignment with stated MTS2 priorities. Given the timing of the MTR, and the fact that any projects approved or designed under MTS2 would only now be reporting very initial results (at best) it will not be possible to assess MTS2's impact on outputs or outcomes. Any such assessment will therefore be primarily formative and necessarily provisional.

This pathway draws primarily on evidence from the Portfolio Analysis, also drawing on data from other methodological tools where relevant (AMR, CFLS, Case studies 2, 3 and 4) to respond to MTR questions Q2.5, Q4.2, Q4.3 and Q4.6.

Overall picture

Maintaining a trend established under MTS1, the Fund's portfolio has experienced a continued expansion, reflecting the increased ambition of MTS2. MTS2 has driven the establishment and expansion of thematic innovation windows with a related change in the portfolio mix.

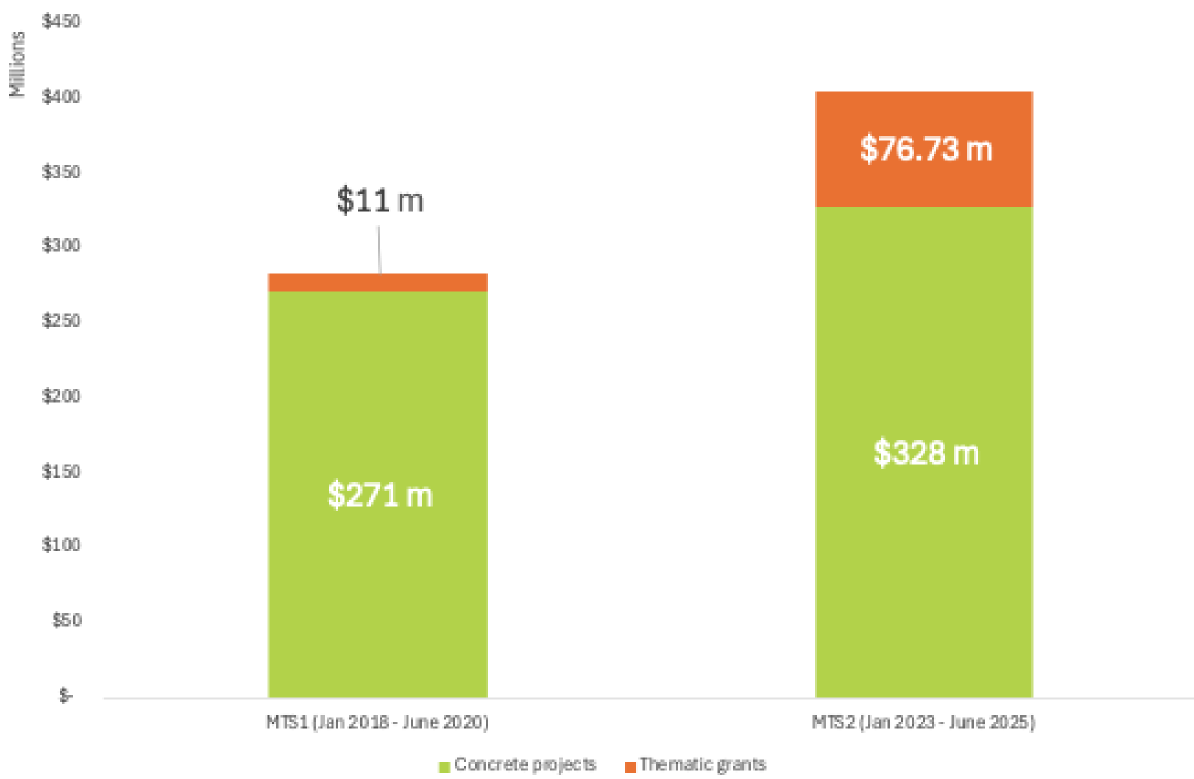
Our analysis shows a surge in project approvals in the first board session of 2025, which may reflect the Board's response to MTS2 targets. However, this rapid pace of approvals has now resulted in a significant gap between funding approved and funding transferred (see Figure 5, below).

Changes to the AF's portfolio scale, composition, and the differentiated use of funding windows can be plausibly attributed to MTS2 drivers. The strategic direction of the portfolio, however, appears to be more of an incremental continuation of MTS1, rather than the more ambitious shift envisioned in MTS2's stated aspirations and in the Implementation Plan's expected results. Addressing pre-existing structural issues including a reliance on MIEs will be needed in order to realize the full potential for equity, efficiency and delivery under MTS2.

Portfolio: Growth through concrete projects and thematic grants.

The AF's portfolio experienced a substantial increase in total size under MTS2, with increased investment in concrete projects and a particularly large surge in funding for thematic grants. MTS2 has seen a 21% increase in approved funding for concrete adaptation projects (US$328 million approved for 39 projects) compared to the same period under MTS1 (US$271 million approved for 35 projects). Funding approved for all thematic funding windows experienced an approximate five-fold growth from US$11.4 million in the first half of MTS1 to US$76.7 million in the first half of MTS2.

Figure 4: Comparison of the Adaptation Fund's portfolio size and composition during similar periods under MTS1 and MTS2

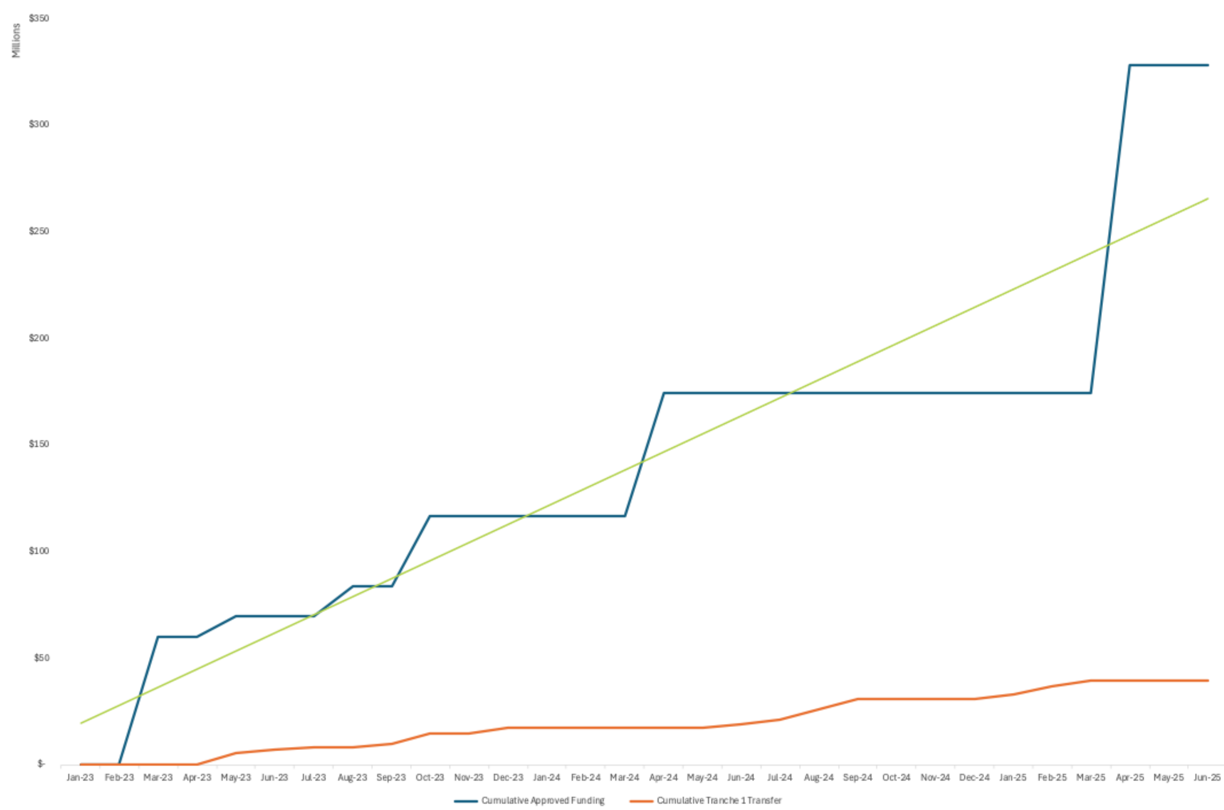


This has resulted in a structural shift whereby thematic grant windows have increased their share of the Fund's total approved portfolio funding from 4% under MTS1 to 19% under MTS2. Most of this growth is concentrated in the Innovation and LLA windows, aligning with the MTS2 emphases on LLA and innovation. Despite this growth in thematic grants, concrete adaptation projects still constitute the mainstay of portfolio composition, making up 81% of the total.

Approvals: Increase in 2025 signaling strong demand

A substantial increase in project approvals in April 2025 saw the Adaptation Fund Board (AFB) approve a record US$137 million for 16 new projects. This unprecedented volume of approvals demonstrates the Fund's institutional responsiveness to the increasing global urgency for adaptation action and the evolving climate finance landscape.[25]

Figure 5: Cumulative approved funding and tranche 1 transfers during the Second Medium Term Strategy (Jan 2023 – Jun 2025



A key enabling factor for this surge was the decision by the Board, concurrently with the record approval in April 2025, to significantly increase financial limits.[26] These increases were aimed at accommodating larger projects, responding to inflationary pressures, and reflecting the urgency of adaptation needs. Internal efforts aimed at streamlining project approval processes (though delays persist, see below) and efforts at promoting demand stimulation through measures such as seminars and e-learning courses have contributed to a healthy pipeline of projects.

Despite changes in the overall portfolio size, composition has maintained thematic continuity. Food Security and Agriculture remain in the top 3 sectors receiving the largest share of funding.

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[25] This surge occurred shortly after the adoption of the New Collective Quantified Goal (NCQG) at COP 29 (November 2024), which requires multilateral climate funds to triple their combined annual outflows from 2022 levels by 2030. The Board moved rapidly (within five months of COP 29) to enable this scale-up

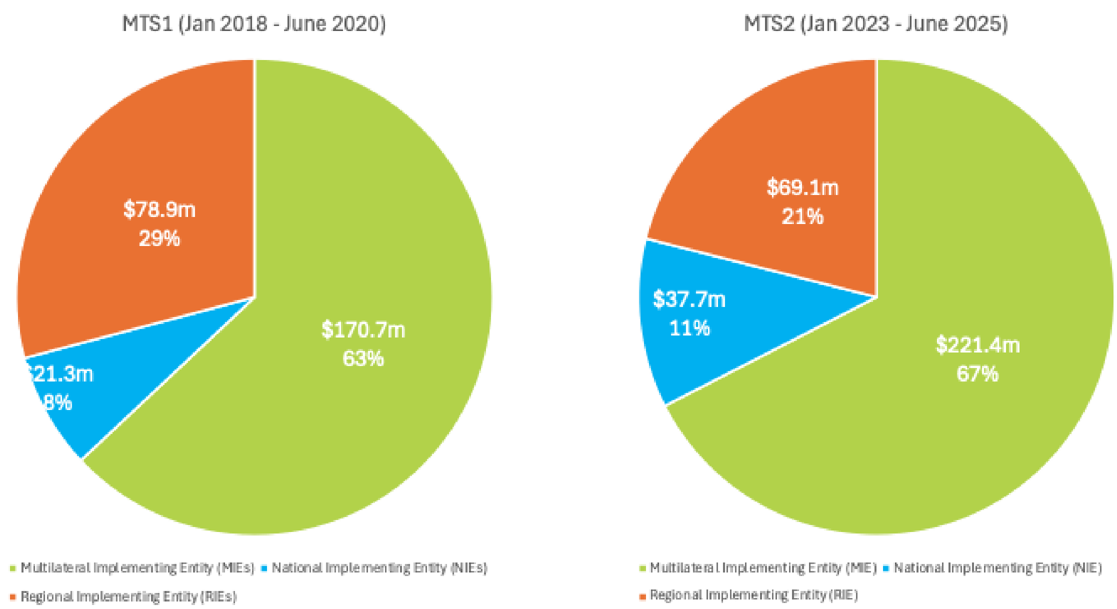
[26] This included doubling the per-country cap from $20 million to $40 million, increasing the single-country project size to $15 million, and raising the regional project size cap to $20 million.

The Africa and Asia-Pacific regions are the geographic regions that have received the greatest share of funding across both strategic periods,[27] demonstrating geographic consistency.

Implementing entities: multilaterals continue to dominate

The majority of approved concrete project funding continues to be allocated to MIEs, accounting for around two thirds (US$221 million) under MTS2. NIEs share of funding increased, though they still receive the smallest portion of approved funding for concrete adaptation projects under MTS2. This is consistent with previous years, suggesting that while the Fund remains committed to enhancing access to climate finance there is still an imbalance in funding allocations between IE types. This may be related to factors such as a lower capacity for many NIEs to channel funding. Nonetheless, it is significant that between MTS1 and MTS2, funding to MIEs increased as a share of the total. This would appear to run against the Fund's ambition, reiterated throughout MTS2, to maintain a 50/50 split between multilateral and direct access (NIE and RIE) funding.[28]

Figure 6: Percentage of funding allocated to each type of Adaptation Fund Implementing Entity for concrete adaptation projects during similar periods under MTS1 and MTS2



The Fund for Agricultural Development (IFAD) received the largest share of approved project funding at 32% (US$104 million), followed by UN Habitat (19%) and the UN World Food Programme (WFP) (10%) During MTS1, IFAD and UN Habitat were similarly among the top three IEs by share of approved project funding. The allocation of funding to a relatively small number

[27] Although during MTS1, 'Regional' programmes represented the most funded category, Africa and Asia-Pacific were the most funded geographic regions.

[28] See, for example, MTS-II Implementation Developments and Operational Updates, AFB Secretariat, 2024, p. 2, link.

of IEs suggests a preference for working with familiar partners, which may run against MTS2's stated intention to expand support for innovation and to encourage risk-taking. While the Fund benefits from MIEs being effective vehicles for securing larger funding approvals, this pattern could limit diversification. This continuing trend of high levels of funding going to MIEs suggests that while ambitions to promote direct access and to fully implement the principles of LLA[29] are underway, they remain ‘evolving’ in terms of portfolio outcomes, despite being strategically prioritized under MTS2.

Thematic grants: Increasing share of the AF’s funding profile with some funding windows growing slowly

Despite overall growth, uptake across the thematic grant funding windows has been uneven. For instance, while the AFCIA doubled in terms of numbers of grants (2 during the first half of MTS1 and 4 during the same period under MTS2), and tripled in terms of approved funding (US$10m vs US$33m), Small Innovation Grants remained more or less static, both in terms of total funding between the two periods (US$731k vs US$744k), as well as the number of approved grants (3 in each period).

There has been no uptake of Scale-Up Grants under MTS2, and no scale-up grants have been awarded since 2019. The limited uptake in Scale-Up Grants, coupled with reported gaps in strategic scaling opportunities, points to potentially weak feedback loops for scaling results from investments. The 2024 Scalability Evaluation found that where projects have scaled, they have tended to use external sources of funding, such as from the GCF or GEF.[30] However, it is not clear when, or if this happens, that this post-grant scaling is monitored and reported to the Fund. Projects often lack explicit scaling plans; 71% of sampled 2023–2024 projects did not detail how scaling would take place.

Review process: build-up of proposals

The technical review process is lengthy and requires extensive detail, even at the concept note stage, which affects the project pipeline timeline and increases costs for IEs. For LLA projects, these timelines can be particularly frustrating; long approval times create tensions where communities question why a project is not starting sooner.

NIEs have reported capacity gaps in attempting to satisfy rigorous proposal requirements, particularly concerning fiduciary and environmental and social standards. The Fund is working to

[29] It is important to note that funding to MIEs does not, in itself, run contradictory to the principles of LLA – indeed, much LLA funding continues to be delivered through MIEs across the major Climate Funds. However, as noted in this insight (iied, 2025) the principles of locally led adaptation suggest that it is important for major funds, such as the AF, to examine barriers to entry that may favor business-as-usual delivery, or disadvantage local actors.

[30] Initial management response to the thematic evaluation of scalability concepts and practice at the Adaptation Fund AFB/EFC.34/7, Adaptation Fund, 2024, p.6, link

address these challenges by introducing seminars and e-learning courses to enhance the capacity of IEs to prepare proposals more effectively.

Once a project is approved, implementation delays can also occur, often for reasons that are external and difficult to mitigate, including change of government, national policies, and capacity constraints within IEs. Nonetheless, it is noticeable that by the mid-point of MTS2, 74% of projects approved since the start of 2023 (when the MTS2 strategic period began) were still awaiting implementation, compared to 58% at the same stage in MTS1. The recent surge in project approvals has far outpaced any increase in disbursements.

In sum

The Fund's portfolio under MTS2 shows steady growth, with the structural shift toward thematic grants reflecting strategic alignment. The portfolio continues to build incrementally on solid MTS1 foundations rather than representing a more substantial pivot towards achieving some of MTS2's more ambitious goals.[31]

The AF's portfolio saw both an increase in approved funding for concrete adaptation projects and a dramatic surge in funding for thematic grants. This surge in thematic grant funding reflects strategic alignment with MTS2's emphasis on Innovation and LLA. A recent uptick in approvals volume, increases to financial limits, and efforts at demand stimulation exhibit institutional responsiveness to increasing ambition, adaptation need and the adoption of NCQG at COP29.

The continued operational dominance of MIEs (accounting for around two-thirds of project delivery), capacity challenges reported by NIEs when trying to access funding, and operational bottlenecks, such as a complex and time-consuming technical review process, contribute to procedural delays. Despite the introduction of new funding windows, and priorities under new cross-cutting themes, operationalizing these windows remains uneven.

Moving the portfolio from incremental growth toward fuller alignment with MTS2 priorities will require capacity building at the IE level, increased capacity within the Board Secretariat, and focused attention along the concept-to-implementation pathway to identify and eliminate bottlenecks.

[31] It is important to note however that many of the projects approved during the MTS2 period were designed and developed ahead of the start of MTS2, and this makes it difficult to definitively assess MTS2's influence on the portfolio's composition, strategic direction, or performance.

5.4. Pathway 4 – Positioning & Niche in Adaptation Finance Landscape

Pathway 4
Positioning & niche in climate finance
Q3.1–3.2, Q3.4–3.5

What is this pathway about?

This pathway documents the Fund's journey in consolidating its distinctive positioning within the evolving adaptation finance landscape during the first 30 months of MTS2 implementation, with a view on MTS2's strategic direction and evidence of operational differentiation.

This section draws on the CFLS, SDR, AMR, and case studies on innovation and scaling (CS2), LLA integration (CS3), and funding windows (CS4), addressing evaluation questions Q3.1, Q3.2, Q3.4, and Q3.5.

Overall picture

The adaptation finance landscape has become markedly more dynamic since MTS2 adoption. The NCQG agreed at COP29 in Baku (2024) triples the climate finance target to developing countries from US$100 billion to US$300 billion annually by 2035. Beyond volumes, emphasis has deepened on adaptation quality, with a focus on locally-led approaches, transformational change, and vulnerability. The operationalization of the GGA framework, signals that the adaptation finance architecture is becoming more specialized.

The Fund has responded to this context with concrete institutional adjustments during the MTS2 period. In April 2025, the Board doubled the per-country cap from US$20 million to US$40 million and raised single-project limits. The recently updated Resource Mobilization Strategy (2026-2029) emphasizes multi-year pledges and diversified funding sources to meet the COP29 mandate for tripling outflows. The AF Climate Innovation Accelerator (AFCIA) has grown from US$10 million to approximately US$30 million across four UN agencies. These adjustments demonstrate institutional agility and responsiveness while surfacing a strategic question requiring ongoing attention: how to scale ambition while maintaining the accessibility and local focus that define the Fund's niche.

MTS2 articulates the Fund's niche around three overarching areas: (a) catalytic financing through grant-based, direct access modalities; (b) pioneering role in piloting and testing innovative adaptation approaches; and (c) comprehensive support for LLA. This approach consolidates existing Fund strengths by anchoring them in concrete delivery mechanisms and targets, notably the expansion of the LLA windows, innovation grants, and the AFCIA aggregator model. The strategic emphasis on consolidating distinctive features represents a pragmatic approach to positioning, i.e. building on what the Fund does well rather than attempting to compete with larger funds on volume or breadth of instruments. External stakeholders recognize this positioning, with the Fund consistently identified as more accessible than alternatives and distinctively focused on local-level engagement.

Direct access and local empowerment: A maturing architecture

The Fund's direct access model continues to be its most widely recognized distinctive feature. During the MTS2 period, the Fund has moved beyond simply maintaining direct access as an operational modality to actively deepening it through the LLA cross-cutting theme. LLA-specific funding windows and review criteria are operationalizing the eight LLA principles endorsed by the Fund in 2021, creating a more systematic architecture for devolving decision-making power and resources to local levels.

The Fund’s strategic intent continues to be operationalized as part of MTS2 implementation. Integration of LLA principles varies across non-LLA windows, and guidance on operationalizing community-driven decision-making in complex institutional contexts continues to evolve, with some variability visible between national and local priorities in some contexts. Translating strategic vision into consistent practice across the portfolio represents ongoing work as LLA programming expands. The Fund has made measurable progress in establishing LLA architecture; further cross-window consistency can be expected as this approach matures.

The relational dimension: Personal engagement as a strategic asset

Beyond structural advantages, interviewees consistently point to the Fund's relational approach as setting it apart from larger climate funds. This encompasses responsive communication, willingness to engage iteratively on proposal development, and practical problem-solving orientation. Multiple IEs and stakeholders describe a personalized, partnership-oriented approach rather than purely transactional, top-down relationships. This reputational capital, while harder to quantify than funding volumes or approval timelines, represents genuine comparative advantage in a landscape where many developing country entities seem to experience distance from larger multilateral institutions.

As the Fund scales operations to meet ambitious growth targets, maintaining this personalized engagement represents a strategic consideration.

Speed and accessibility: Maintaining advantage during growth

The Fund maintains valued reputation for speed and accessibility, consistently identified by stakeholders as more approachable than alternatives, although in practice there are also challenges in this area. NIE proposals typically involve multiple review iterations, with clearance rates and timelines varying significantly by implementing entity type. Regional collaboration, while extending reach, adds coordination complexity that remains a work in progress in window design. These patterns suggest that responsiveness and speed are relative advantages, varying by window and entity type. As the Fund pursues ambitious growth targets, ensuring responsive service levels while managing increased throughput remains a continuing challenge, particularly in relation to the provision of technical support during proposal development, the clarity of guidance, and the design of funding windows.

LLA integration across windows

LLA has emerged as a defining feature of the Fund's positioning, with dedicated resources flowing through LLA-specific mechanisms. Integration of LLA principles varies across different funding windows, with most advanced operationalization in LLA-specific windows and more variable application in standard project windows. Guidance on operationalizing community-driven decision-making in complex institutional contexts continues to evolve, with variability between national and local priorities visible in some contexts. As LLA programming expands beyond dedicated windows, cross-window consistency in applying the eight LLA principles continues to develop as the Fund's distinctive LLA positioning matures.

The innovation-to-scale staircase

The Fund's innovation staircase spans AFCIA (expanded to around US$30 million), which supports early-stage and small-scale innovation, alongside the Large Innovation Grant (LIG) window (up to US$5 million), which can support more advanced innovation with potential for wider deployment. In parallel, a dedicated scale-up window was established to support the transition of proven approaches toward broader implementation. Evidence indicates that the scale-up window has seen limited uptake during the MTS2 period, with stakeholders pointing to the relatively small size of available funding, when compared with the scale of investments required for wider deployment, as a key factor reducing incentives to apply, alongside eligibility and design considerations.

At the same time, the scalability thematic evaluation highlights that AF-supported projects occupy different positions along the pilot-to-deployment continuum and are not primarily limited to early-stage pilots. Where scaling has occurred, IEs have often leveraged lessons, evidence, and proof-of-concept generated through AF-supported projects to prepare and mobilize larger-scale proposals with other funders, including GCF and GEF. Against this backdrop, some stakeholders noted perceived tensions between the Fund´s stated ambition to support innovation and scale, on the one hand, and the practical incentives and approval processes associated with different funding windows, on the other; pointing to approval criteria and risk tolerance as areas where further calibration could strengthen the Fund’s intended innovation-to-scale role as innovation programming matures.

Catalytic impact tracking

Given the Fund's catalytic positioning, the extent to which AF-supported innovations transition to wider deployment, whether through the Fund's own scale-up window, other funds, or government budgets, represents important evidence of strategic impact. The Fund has established a scaling-up framework with the GCF, through which several Fund projects have been taken to scale, and both funds are exploring options for a more portfolio-wide scaling framework. This experience suggests that scaling pathways are often multi-institutional rather than confined to a single funding window. Beyond the AF-GCF partnership, however, systematic follow-up on scaling outcomes remains limited. This risks the Fund's catalytic influence being under-documented, which constrains institutional learning about which innovations successfully transition, through which channels and under what conditions. Some stakeholders noted that while the AF-GCF scaling pathway is valuable, it is not yet being leveraged consistently, with structured discussions about scaling not taking place regularly with IEs. As innovation programming matures, more systematic tracking of these diverse scaling pathways represents an opportunity to strengthen accountability for catalytic impact and sharpen learning on how the Fund best enables innovation to move toward wider deployment.

Strategic calibration during growth

As the Fund may pursue tripling outflows by 2030 in response to the NCQG mandate, two calibration dynamics are evident in the remaining period of MTS2 implementation. First, scaling volumes while preserving distinctive local focus and responsive engagement represents an ongoing dynamic. This calibration becomes particularly important as the Fund seeks to triple outflows while maintaining the personalized approach that differentiates it from larger institutions. Second, the positioning landscape continues to evolve. As other climate funds increasingly adopt LLA and innovation modalities, the Fund's distinctive positioning enables it to complement rather than compete with larger institutions at different scales. Strategic visibility about the Fund's distinctive contributions in this evolving landscape represents an ongoing consideration, with stakeholders noting that strengthened strategic communications about LLA integration, innovation uptake, and catalytic impacts could support resource mobilization and partnership development. These positioning dynamics reinforce findings from Pathways 2 and 3 on uneven pipeline uptake and scale-up performance.

In sum

MTS2 has provided clear strategic framing for the Fund's niche, with early consolidation signals visible around LLA architecture and direct access. The Fund maintains valued positioning through its grant-only model, integrated LLA windows, innovation staircase, and relational approach – a distinctive asset that stakeholders consistently emphasize.

Evidence points to tangible progress in operationalizing the strategy during the first 30 months of MTS2, while also highlighting areas where strategic intent is still being embedded into operational practice. These patterns reflect standard implementation dynamics as the strategy moves from high-level articulation toward full operationalization. The Fund is demonstrating a differentiated value proposition even as it navigates how to scale its ambitions without losing the distinctive local focus and responsive engagement that underpin its identity.

5.5. Pathway 5: Enablers – Systems, monitoring & delivery

Pathway 5
Enablers: Systems, monitoring & delivery
Q4.1+4.7, +Q4.2–4.3

What this pathway is about

This pathway assesses whether the Fund's enabling systems – its indicators, monitoring, evaluation, data, and delivery arrangements – are adequate to support implementation of MTS2 and the IP. It focuses on how institutional functions (monitoring, learning, resource management, and Board Secretariat operations) underpin the performance patterns identified in earlier pathways. Where pathway 2 assesses how MTS2 is being *used* in decision processes, this pathway examines whether the underlying systems are *enabling* that use — through adequate resourcing, information flows, and performance tracking.

Findings draw on the SDR, PA, AMR, and relevant KIIs, addressing Q4.1 and 4.7, and partially Q4.2 and Q4.3, of this review.

Overall picture

IP indicators remain broad in formulation, with targets not consistently SMART, which creates opportunities to improve their utility for real-time performance management. Refining the indicators to better support strategic management would also respond to areas for improvement noted by some staff. The Fund's enabling systems are supporting operations, contributing to record commitments of US$137 million in Q2 2025. At the same time, the institutional scaffolding behind this progress (i.e., monitoring, staffing, and data systems) is having to evolve to keep pace with ambition. The Board Secretariat continues to operate with a lean team and partly manual systems, while modernization efforts are underway. This pathway assesses the extent to which current enabling systems support implementation of MTS2's scaling ambitions, and where further strengthening could enhance the Fund's capacity to translate strategic intent into consistent, data-driven delivery.

Indicators and monitoring: opportunities to strengthen performance tracking

The Annual Performance Report remains the Fund's principal reporting instrument and has been progressively strengthened over successive cycles. It provides valuable portfolio-level summaries, efficiency metrics, and outcome trends. However, as currently structured, the APR focuses primarily on aggregate narrative information rather than providing systematic analytics directly aligned with IP-specific milestones and sequencing. Several Board Secretariat staff highlighted a need to develop a real-time dashboard showing progress on key indicators tied directly to IP milestones. Interviews indicate that while the APR serves as an internal self-assessment tool, comprehensive tracking of all IP variables remains uneven given current capacity constraints.

About half of projects report quantitative outputs, but these are neither standardized nor consistently verified across the portfolio. The Fund's strong relational and adaptive reputation externally continues to develop alongside an evolving internal monitoring architecture, which will further expand through the upcoming guidance on the revised SRF. The Fund thus projects agility outwardly, while at the same time, continuing to build the systems needed to support data-driven strategic management.

As the Fund proceeds into the second half of the MTS2 period, strengthening indicator specificity, establishing clearer accountability for IP tracking, and ensuring monitoring tools support both annual reporting and mid-course adjustments could enhance capacity to learn and adapt systematically.

Data systems and digital modernization: progress being made, with further integration ahead

Efforts to modernize internal databases and automate workflows have produced visible progress during the MTS2 period. The Board Secretariat now operates a proposal-tracking system and has initiated integration of project monitoring, fiduciary, and knowledge functions. However, as documentary evidence notes, these systems continue to evolve, with a dedicated online platform for project reporting only recently introduced and effects still to be determined. Manual re-entry and workarounds are reported to remain common, indicating that while the foundations for modern information systems are in place, their full integration and sustained maintenance represent ongoing work.

The creation of the Knowledge Management Team (a subset of the Results, Impact and Knowledge Team) in 2024 and publication of improved web dashboards represent genuine institutional learning and investment in evidence infrastructure. Similarly, the 2023 Evaluation Policy and AF-TERG Work Programme for 2025–27 have established a coherent framework for systematic evidence generation – a notable strengthening of the Fund's evaluation architecture compared to the MTS1 period.

However, accountability for monitoring, evaluation, and learning remains distributed across functions, and there is scope to strengthen the institutional home responsible for consolidating MTS2 performance data. Staff described the challenge of a small organization that has rapidly grown from 5 to almost 30 staff while establishing functional arrangements for activities that, in larger institutions, are handled by dedicated teams. Responsibility for strategic implementation is diffuse, with no single unit having a clear mandate for tracking progress against the strategy itself.

These observations should be understood within the Fund's operational context. The Fund already maintains substantial MEL architecture relative to its size, with IEs and Board members often emphasizing the importance of keeping reporting requirements proportionate to capacity. Strengthening this area is focused on making existing systems more efficient and usable rather than adding reporting burden. The considerations raised here reflect primarily Board Secretariat perspectives on internal strategic management needs rather than calls for additional IE reporting requirements.

Digital modernization represents important progress and intent, with the Board Secretariat actively advancing multiple system improvements, including proposal tracking, fiduciary integration, and dashboard development. Ensuring tools evolve from pilots to stable, integrated systems could significantly enhance operational efficiency and strategic responsiveness for MTS3.

Strengthened evaluation architecture: building on solid foundations

Early MTS2 implementation shows that evaluations are helping to inform practice, with thematic evaluations on scalability, accreditation, and other topics contributing to policy refinements. Learning practices (e.g., readiness workshops, CPDAE exchanges, and Board Secretariat-TERG sessions), are under development and gradually evolving from isolated activities towards a more systematic and integrated approach.

Management responses to evaluations are produced, but the extent to which they are consistently used to adjust funding windows or resource allocations mid-implementation is less evident. AF-TERG members noted challenges in tracking whether evaluation insights are being applied in practice. A procedural shift towards the use of a Management Action Tracker (MAT) to track action on management responses to evaluations is expected to improve visibility of Board Secretariat progress against evaluation findings though evidence of this is still forthcoming.

There is scope to strengthen feedback loops between evaluation findings and operational decisions. While the underlying architecture is strong, efforts should focus on ensuring learning flows seamlessly and visibly from evaluation into governance, programming, and strategic course corrections.

Board Secretariat capacity: growing to meet demand

The Board Secretariat has expanded considerably during MTS2, growing to roughly 27 positions. Roles have been added across programming, accreditation, results management, and knowledge functions, with a structural shift from a flat to tiered organization underway to improve decision-making efficiency.

As the Fund scales its ambitions, capacity requirements continue to grow. Board members noted that while staff are highly skilled and committed, workloads are substantial. Much bandwidth is absorbed by essential project cycle and governance functions, leaving limited capacity for proactive strategic initiatives or systematic IP monitoring. This is not a critique of staff dedication; it is a structural observation about organizational capacity relative to growing ambitions.

Strengthening the Board Secretariat requires not only adding positions, but reorganizing workflows, adopting more efficient digital systems, and building peer-to-peer NIE networks that reduce reliance on the Board Secretariat as sole facilitator. Ensuring that MTS3 design explicitly considers capacity requirements could position the Fund to deliver more consistently on its ambitions.

Resource planning for strategic implementation: scope for explicit costing

One area where MTS2 has operated with opportunities for enhanced infrastructure is dedicated resource planning for strategy implementation. While the IP outlines numerous cross-cutting activities and strategic initiatives, there has not been a comprehensive exercise mapping these to specific resource requirements or ring-fencing implementation budgets. Board Secretariat staff explained that the Fund conducts an annual budgeting process in which teams review MTS2 to assess what level of budget is realistic, but they also noted opportunities to make this exercise more strategically driven. Staff suggested that multi-year planning could strengthen alignment between resources and strategic priorities.

With resource allocation evolving alongside strategic priorities, some IP actions advance opportunistically based on available capacity each year, rather than following deliberate sequencing aligned to strategic logic. As a result, activities may at times advance based on available capacity rather than fully deliberate sequencing aligned with strategic priorities.

Approaching MTS3 with explicit costing of strategic initiatives and capacity requirements built into planning could help to ensure the next strategy is not only ambitious in vision but realistic and systematic in execution.

Accountability and feedback loops: from events to embedded systems

Responsibility for monitoring MTS2 progress is distributed across Board committees, with scope to establish a clearer institutional anchor. The Ethics & Finance Committee (EFC) supervises fiduciary compliance, while the Project and Programme Review Committee (PPRC) reviews projects, but neither has a clear mandate to systematically track strategic alignment with MTS2 or the IP. As a result, accountability for strategy implementation would benefit from clearer definition, since no single committee or unit is explicitly charged with monitoring progress against strategic objectives.

This is not to suggest that oversight is absent. Board committees generally fulfill their governance roles effectively within their established parameters. Strategic performance monitoring, however – distinct from project-level or fiduciary oversight – still lacks a clearly defined institutional home and continues to evolve. Board Secretariat staff noted that the IP has functioned more as reference point than as an active steering tool, with tracking against IP targets occurring in a variable rather than systematic way and implementation responsibilities spread across departments.

Strengthening this for MTS3 would involve clarifying who monitors strategic implementation, how findings inform adaptive decisions, and ensuring learning operates continuously rather than episodically.

Toward integrated strategic management

The cumulative picture across these dimensions is of enabling systems that represent a work in progress relative to the Fund's scaling ambitions. Progress is evident in evaluation frameworks, Board Secretariat expansion, digital system introduction, and knowledge management investments. At the same time, there is scope to strengthen indicator quality, clarify accountability, fully modernize infrastructure, and align resource planning explicitly with strategic delivery.

These observations connect to broader themes emerging from this MTR: the Fund is building strategic muscle and external reputation, while at the same time, internal institutional scaffolding continues to catch up. While the Fund projects responsiveness and agility externally, internal systems supporting that reputation are still developing and require continued investment. Where MTS2 has served effectively as strategic framing, monitoring and capacity constraints have limited its function as an operational management tool.

In sum

Enabling systems reflect functional foundations with clear scope for further investment to enhance effectiveness. These observations represent opportunities for refinement as the Fund continues scaling ambition and impact.

Strengthening key enabling dimensions as core strategic considerations for MTS3 could substantially enhance the Fund’s delivery capacity. These include designing SMART indicators with clear accountability; completing digital modernization with stable, integrated systems; strengthening evaluation feedback loops; continuing judicious Board Secretariat expansion alongside workflow reorganization and peer-learning networks; explicitly costing strategic initiatives; and clarifying institutional responsibility for strategy monitoring.

These refinements, approached as part of MTS3 design rather than retrofitted during implementation, could position the Fund to operate not only as an effective project administrator but as a strategic learning organization equipped to lead in an increasingly complex adaptation finance landscape.

5.6. Learning Loop – From MTS1 to MTS2

Learning Loop: From MTS1 to MTS2

Q1.1+Q1.2

What is this Learning Loop about?

This section examines the Fund's institutional learning capacity by analyzing how lessons from MTS1 and its MTR shaped the design and early implementation of MTS2. This learning cycle analysis provides critical context for understanding the pathways of change examined in previous sections.

The transition from MTS1 to MTS2 provides a critical lens for understanding the Fund's institutional learning capacity. Findings reveal both meaningful progress and scope for further strengthening. Evidence suggests that the Fund demonstrates institutional memory and responsiveness in selected areas, with opportunities to deepen how lessons are systematically documented, shared, and applied across strategic cycles.

The section draws primarily on evidence from Case Study 1, as well as several other methodological tools (SDR and AMR) as well as KIIs to respond to Question 1 of the ToR.

Overall picture

MTS2 represents a deliberate continuation of MTS1's three-pillar structure (Action, Innovation, and Learning & Sharing). This strategic coherence has enabled the Fund to deepen work in areas of comparative advantage (e.g., direct access, community engagement, and innovative approaches). The explicit framing of MTS2 as "consolidation and expansion" signals the Fund’s intentionality in building on proven foundations.

Key thematic priorities from MTS1, such as gender equality, LLA, and capacity strengthening, have received reinforced attention in MTS2. The Gender Policy and Action Plan is now more systematically integrated into project review processes, while the Fund's revised Strategic Results Framework (SRF) incorporates strengthened gender-responsive elements and better indicator disaggregation. The evolution from Enhanced Direct Access to the LLA window reflects responsiveness to implementation experience. The Readiness Programme has been expanded under MTS2, now cutting across all three strategic pillars, providing increased technical support to address capacity challenges observed during MTS1. These continuities signal that AF has successfully identified and retained elements that worked well, providing a stable foundation for the current cycle.

Operational lessons: variable uptake

The management response to the MTR of MTS1 outlined commitments across resource mobilization, results frameworks, strategic positioning, and operational efficiency. Implementation of these commitments has been selective, with stronger progress visible in areas that align with existing institutional strengths or have required procedural adjustments, rather than those that have called for more significant institutional change. Good examples of operational evolution include the Fund's update to its Resource Mobilization Strategy (2022-2025) in response to MTR findings on funding predictability and reinforced gender-responsive programming through more consistent application of the Gender Policy and Action Plan in review processes.

Areas requiring deeper structural shifts remain a work in progress. Project-approval timelines, results-measurement systems, and Board-level performance data are areas that are still being progressed, with targeted measures such as capacity-building for IEs and refinements to technical review guidance underway. The practical use of the IP as a live management tool is an area that still has some way to mature. Some ambitious elements of the management response to the MTR of MTS1 representing longer-term institutional development, particularly those requiring significant shifts in organizational culture or resources, have not been progressed substantially.

Adaptive learning in funding architecture

The evolution from the EDA window to the LLA window demonstrates tangible adaptive learning within the AF's funding architecture. This transition reflects responsiveness both to implementation experience and to broader conversations on what LLA entails in practice. The subsequent replication of certain design elements, particularly the aggregator model from Innovation to LLA windows, indicates that cross-window learning is beginning to take place. LLA criteria are now robustly applied to projects submitted through the dedicated LLA Window and Aggregator, while integration of LLA criteria into regular funding windows is an ongoing process.

This iterative refinement shows the Fund's capacity to respond not only to formal evaluation findings but also to real-time signals from implementation and from the wider adaptation finance landscape. Learning continues to strengthen its systematic basis as institutional mechanisms mature.

Strengthening the learning infrastructure

While AF has demonstrated learning capacity in several areas, the learning loop from MTS1 to MTS2 continues to strengthen. Institutional memory exists and responsiveness to external feedback is evident, with structured documentation systems, portfolio analysis, and feedback pathways between implementation and strategic management developing during the MTS2 period.

The Fund has advanced its evaluation frameworks and knowledge-management functions during the MTS2 period, providing stronger foundations for evidence-based reflection. The Board Secretariat states it has developed an online platform for reporting, with the results team actively working on interactive and real-time dashboards at project level to help modernize systems, however the review team were not given access to the dashboard to verify its utility or test the strength of the data contained within. Project Performance Reviews (PPRs) and Portfolio Monitoring Missions (PMMs) have undergone refinements to be more reflective and collaborative, with the intention to embed these improvements across other aspects of results-based management (RBM). Monitoring tools are more robust, with integration into strategic management processes ongoing. Evaluation insights are increasingly used for programming and ongoing Board deliberations. Portfolio performance data is becoming more available and being analyzed in increasingly structured ways. Board oversight has strengthened through more structured reporting, with opportunities to enhance disaggregated evidence for fuller visibility on portfolio dynamics.

Overall, learning across strategic cycles shows progress, albeit uneven. The Fund has shown good capacity to consolidate operational lessons and retain elements that work well, with structural learning (i.e. turning reflection into standard management practice) advancing at a slower pace.

In sum

Taken together, the transition from MTS1 to MTS2 reflects a pattern of incremental and partial learning, with evidence of building toward more systematic and comprehensive learning approaches. The Fund has demonstrated clear continuity of good practice, integrated selected recommendations from prior evaluations, and introduced adaptive adjustments to funding modalities. At the same time, some fundamental areas already identified under MTS1, such as those concerning results measurement, data systems, and the institutionalization of feedback loops, have been addressed in less consistent ways and remain a work in progress.

Learning has been strongest where it reinforces existing strengths with deeper organizational change representing longer-term development. The Fund's experience between the two strategic cycles illustrates that adaptive learning is occurring and progressively strengthening. The result is a learning loop that is under development: one that consolidates progress while continuing to strengthen continuous, evidence-driven learning within the Fund's operational core.

Box 1: Interpreting MTR findings on the Implementation Plan (IP)

Across the pathways and learning loop, findings regarding the Implementation Plan (IP) point to differentiated use and effectiveness at three levels:

At the **architectural/design level**, the IP provides a coherent operational translation of MTS2 pillars and has enabled substantive reforms, including the establishment of LLA windows, refinement of innovation modalities, updates to the Strategic Results Framework, and related procedural adjustments. In this sense, the IP has been influential as a structural framework.

At the **operational level**, however, the IP has not consistently functioned as a routinely embedded steering instrument within Board oversight and Secretariat management cycles. Adaptive adjustments have often been advanced through parallel procedural reforms and management decisions rather than through systematic tracking against IP milestones.

At the **accountability level**, broad indicators, diffuse ownership arrangements, and the absence of simple, coordinated progress-tracking mechanisms have constrained the IP's usability as a performance management tool. Monitoring and data systems are strengthening, but structured strategic tracking remains in development.

Taken together, these findings suggest that MTS2 has influenced institutional reforms and procedural adjustments, while the IP itself has not yet fully matured into a systematically embedded operational and accountability instrument. This distinction underpins the pathway conclusions that follow.

6. Conclusions & recommendations

6.1. CONCLUSIONS

In this section we present the overview conclusions from each of the pathways above. Below each pathway section, the logical implications stemming from these conclusions are presented in pink boxes. Wholly distinct from the MTR's recommendations (see section 6.2 below),[32] these 'implications' are intended to be helpful suggestions for the Adaptation Fund and its stakeholders to consider over the remainder of MTS2 and into MTS3 to improve operational efficiency, boost strategic clarity, and identify opportunities to capitalize on the Fund's existing strengths.

[32] While the MTR's *recommendations* carry with them procedural expectations, including a formal response from the AF Secretariat, the *implications* included in the Conclusions section are only intended to support the Fund's strategic growth and do not carry such a requirement. As such, these implications should not feature in the Management Action Tracker, and no formal response to these is necessary.

Strategic quality & clarity (pathway 1)

- MTS2 maintains strong alignment with AF mandate, Paris Agreement, evolving adaptation priorities, representing consolidation and evolution of MTS1 with valued continuity and strengthened attention to LLA and cross-cutting themes.
- Core concepts (adequate protection, innovation, scaling, LLA) remain loosely defined, reflecting emphasis on country-led processes while creating some operational challenges around guidance consistency that affect proposal design and review processes.
- MTS2 has functioned primarily as vision/framing document with opportunities to strengthen its role as an active decision-making guide; ownership remains diffuse, which benefits widespread institutional buy-in, but a lack of clarity over responsibility for strategic delivery has led to uneven implementation.
- Despite being highly specific, the IP lacks role and ownership clarity, logical links from activities to results, and regular progress monitoring; the MTR team has not seen evidence that the IP has been utilized as an instrument for adaptive management.
- The Board Secretariat has embedded strategic considerations across operational planning, Board agenda setting, and partner engagement, even where formal MTS2 tracking mechanisms are still developing.

Implication: MTS3 design may present an opportunity to enhance operational utility alongside strategic coherence. Considerations for the future might include: (a) clearer operational definitions of key concepts where helpful for implementation guidance;[33] (b) designated responsibility for monitoring strategic progress (e.g., specific Board committee or Board Secretariat unit); and (c) streamlined implementation tracking that balances accountability with practical usability.

Use in decision-making & pipeline shaping (pathway 2)

- Strategic intent is progressively taking root through major reforms (LLA windows, country caps, results frameworks), demonstrating adaptive responsiveness.
- The strategy has served primarily as a strategic reference, with Board papers referencing MTS2 for framing; systematic tracking of progress against strategic objectives continues to develop.
- The Board engages primarily through specific decisions with opportunities to strengthen strategic oversight of MTS implementation as a whole.
- LLA windows show clear operationalization; innovation-to-scale architecture is coherently designed, however, uptake continues to evolve alongside an uneven experience with scaling

[33] This would not be inconsistent with the AF's country-driven approach; indeed, Case studies 2 and 3 of the MTR find that greater clarity of concepts is something that has been demanded by counties engaging with the AF.

more generally (e.g. scale-up window unused during MTS2); the IP design experience highlights lessons for future adaptive management approaches.

Implication: Over the remainder of MTS2 and into MTS3 development, the AF could consider how strategy is embedded in regular operational processes and Board oversight, with approaches that might include streamlined implementation plans (with fewer, more measurable indicators) and potential integration into Board committee work programs and Board Secretariat planning cycles.

Portfolio evolution & strategic shaping (pathway 3)

- Substantial portfolio expansion, including from a marked increase in thematic grant funding, confirms strong demand and continued relevance, with the Fund responding to external conditions through larger project sizes and increased funding caps, reflecting inflationary pressures and increased adaptation need.
- Growth reflects continuity, building incrementally on MTS1 foundations: approval patterns remain bottom-up and demand-driven rather than being steered by strategic direction-setting. This coheres with the Fund's commitment to being country-driven by nature, while creating some tension with wider strategic MTS2 ambitions.
- New funding windows show promise with implementation advancing: innovation/scale-up show limited uptake to date (scale-up window unused); regional LLA aggregator shows demand, but regional projects remain complex and costly to design and be coordinated.
- Project start-up timelines vary, with some stakeholders reporting extended periods before project start-up affecting satisfaction among IEs and local communities.

Implication: As the adaptation finance landscape evolves, opportunities exist to further clarify the Fund's niche and strengthen portfolio alignment with strategic intent; at the same time, a more directive approach to shaping the portfolio may make it easier to match operational considerations to strategic ambitions.

Positioning & niche in adaptation finance landscape (pathway 4)

- The Fund maintains its valued niche around accessibility, flexibility, innovation; integrated LLA architecture and a "personal touch" that is highly valued by end-users, enhancing reputational capital, particularly among NIEs.
- The AF is strategically positioned as the most accessible grant-only fund operating at the micro-to-meso scale within the rapidly evolving adaptation funding landscape.
- However, as peer funds increasingly adopt similar modalities, particularly on LLA and/innovation, maintaining distinctive positioning becomes important; strategic communications about distinctive contributions could enhance visibility.

- The innovation-to-scale staircase is coherent in design with operationalization continuing to develop; scaling pathways are not always systematically recorded by the Fund, presenting opportunities for structured follow-up; Board agility is illustrated by doubled country caps, although delivery capacity considerations remain evident in operational bottlenecks.

Implication: Shifting adaptation finance architecture creates opportunities to further consolidate AF's distinctive role with approaches that could include strengthening comparative advantages, systematic innovation-to-scale tracking, and strategic communication that reinforces institutional identity.

Enablers – Systems, monitoring & delivery (pathway 5)

- Board Secretariat capacity has grown to approximately 27 positions with active organizational development underway, including digital modernization initiatives, implementation of a new Strategic Results Framework (SRF), evaluation framework implementation, and workflow improvements.
- Capacity considerations remain evident relative to current and planned portfolio expansion, operational demands, and strategic ambitions; particular attention needed within the data and results team (3 staff managing project reporting from 176 active projects), where submission volumes create bottlenecks in systematic review and validation.
- IP indicators remain broad with opportunities to enhance SMART characteristics for performance measurement; while the most recent APR does contain some useful project impact stories, monitoring continues to rely largely on aggregate reporting rather than systematic tracking against IP milestones; database systems continue to develop, with further integration needed to enhance efficiency in tracking, portfolio analysis, and adaptive learning.
- Resource planning for MTS2 implementation has developed organically—activities have advanced based on available capacity with opportunities for more deliberate strategic sequencing and resource allocation.
- Responsibility for monitoring MTS2 progress is currently distributed across Board committees with opportunities to establish clearer institutional anchoring for systematic strategic performance oversight.

Implication: Capacity considerations are evident as the AF signals its intent to expand its portfolio in response to NCQG commitments. These underscore opportunities in areas such as (a) budgeting that explicitly costs strategic initiatives, (b) developing SMART IP indicators with clear targets, (c) continuing investment in integrated data systems, and (d) creating designated units or positions responsible for coordinating strategic implementation monitoring – areas that could be considered for operational planning and Board oversight informed by the ongoing GPS evaluation.

Learning Loop: From MTS1 to MTS2

- Transition from MTS1 to MTS2 reflects incremental learning, building toward more systematic approaches; AF demonstrates institutional memory and has shown itself to be generally responsive to the findings of the MTR of MTS1, although institutionalization of learning into routine IP tracking remains in development.
- The design and implementation of MTS2 incorporated several MTR of MTS1 recommendations; while maintaining the three-pillar structure of MTS1, the AF strengthened cross-cutting themes; allowance was made for more inclusive consultation during the MTS2 design period, and support for Direct Access Entities and LLA was expanded (EDA window evolution).
- Monitoring and evaluation systems are now better designed (SRF updated during the MTS2 period, 2023 Evaluation Policy, a strengthened AF-TERG programme) with utilization continuing to develop and improve over time.
- Learning mechanisms are being strengthened through active Board Secretariat investment: systems for recording and monitoring programme data are being designed and are starting to be operationalized, portfolio data is available within the Board Secretariat, the AF is developing platforms and analytical routines for using this data although fluid use and sharing of data is a process under development.

Implication: Opportunities exist to further strengthen learning with approaches that could include improved data systems, regular reflection processes embedded in operational cycles, and stronger linkages between evaluation findings and strategic adjustments supporting the AF's ongoing progression from adaptive responses to select findings toward systematic learning practices.

Readiness for transition to MTS3

- MTS3 preparation begins as MTS2 enters its final period, with a substantial evidence base from this MTR to be combined with the forthcoming Comprehensive Evaluation and Governance/Processes & Systems Evaluation results.
- The rapidly evolving external context (NCQG commitments, shifting adaptation finance architecture) creates both opportunities and considerations for the Fund to clarify its niche, strengthen delivery capacity, and ensure strategic coherence between ambition and resources.
- This transition point presents opportunity to embed lessons from MTS2 implementation into the strategic design of MTS3 from inception, particularly regarding ownership structures, operational integration, monitoring systems, and resource alignment.
- Evidence from MTS2 implementation reveals specific design lessons available for consideration: operational utility of strategy documents, ownership arrangements for

implementation, monitoring system functionality, and resource alignment with strategic ambitions.

Implication: The transition to MTS3 offers an opportunity to build on accumulated experience while responding to an evolving context, with MTS2 experience providing practical foundations for considering ownership structures, operational integration, monitoring systems, and resource alignment questions identified through this review and being further explored in ongoing CE and GPS evaluation.

6.2. RECOMMENDATIONS

The following recommendations emanate from the evidence collected through the MTR's multi-method approach, and represent a logical connection with the preceding discussion on findings and conclusions of the study. They are offered as strategic considerations for operational enhancement and improvement over the remainder of MTS2 and as the Fund prepares for MTS3 development. Recommendations are framed to build on the Fund's existing strategic work, substantial operational systems, and accumulated institutional knowledge during MTS2 implementation. Each recommendation is clearly signposted in a separate box, with bullet points underneath each recommendation indicating suggested ways in which the recommendations can be operationalized. The recommendations have been discussed with the Board Secretariat to ensure that they are seen as relevant and actionable, whilst maintaining clear connections with the evidence collected as part of the MTR. Moreover, a series of short- and long-term actions are suggested to ensure alignment with time remaining under MTS2, as well as the opportunities to inform the development of the next MTS3.

Recommendation 1: The Adaptation Fund should clarify its strategic positioning for the remainder of MTS2 and under MTS3, basing this on portfolio performance, demonstrated areas of comparative advantage and accounting for the Fund's longer-term ambitions.

Suggestions for how the Fund might achieve this:

- The AFB Secretariat should identify relevant short-term actions that can be undertaken in response to this recommendation. This can build on ongoing work by the Board Secretariat, including the development of communication, knowledge and partnership strategies to ensure alignment with the lessons learnt under MTS2.

Over the longer term, especially as part of development of MTS3, the AFB Secretariat and AF-TERG should:

- Assess the Fund’s comparative advantage in the evolving landscape (direct access, innovation mandate, LLA leadership, Kyoto Protocol/Paris Agreement linkage).
- Draw on evidence from the portfolio’s performance to identify the Fund's demonstrated strengths and areas of comparative advantage in practice (e.g., direct access effectiveness, innovation piloting, LLA implementation, sectoral/geographic patterns).
- Clarify niche relative to GCF's 50by30 expansion, bilateral funds, multilateral banks, and emerging adaptation financing mechanisms.
- Develop an options paper examining alternative approaches to portfolio balance over the remainder of MTS2 across funding windows, geographic priorities, innovation versus scaling emphasis, and modality mix, presenting potential implications for delivery capacity and resourcing transparently.

Recommendation 2: Strengthen key aspects of data gathering and monitoring systems for better strategic management of the MTS2 and its Implementation Plan, by enhancing data analysis and quality assurance processes within the Board Secretariat’s existing data and monitoring architecture to better support evidence-informed decision-making.

Suggestions for how the Fund might achieve this:

- Continue on-going efforts to enhance the quality of monitoring data across various sources. This includes current efforts to streamline reporting templates (e.g. the PPR and Board APR) and enhance data validation (for the PPRs and final evaluations (Fes)). Quality assurance processes for key reports should also be upgraded to ensure alignment with SRF.
- Continue on-going efforts to ensure easy access and utilization of quality data, including through development of and roll-out of the dashboard for MTS2.

Over the longer term, the Board Secretariat and AF-TERG should:

- Invest in development and roll-out of a quality assurance process to improve the quality of mid-term and final evaluations undertaken by IEs. This will help to enhance the quality of these evaluations and serve as an opportunity to validate monitoring data and provide better evidence of impact at the project level.
- Develop a comprehensive capacity building offer for IEs that integrates different requirements in terms of roll out of the SRF and GGA, adherence to quality standards for mid-term and final project evaluations, and facilitating adequate implementation of the Evaluation Policy (especially following its revision in the near future).

- Work to ensure that as a priority data gathering, reporting and monitoring systems are fully functional, accessible and well-integrated, and most importantly are being utilised by all relevant stakeholders not only as reporting tools but as information sources for better strategic management.

Recommendation 3: Maintain and strengthen evaluative and learning functions by scheduling relevant activities on a regular, timetabled basis to support adaptive management throughout MTS2 and under MTS3, and ensure alignment of evaluation workplans with the MTS cycle.

Suggestions for how the Fund might achieve this:

- As it is rolled out, look at opportunities to ensure consistent use of the AF-TERG's newly introduced Management Action Tracker to support organizational learning and work to adapt it as needed based on learning from its implementation.
- Develop regular learning mechanisms through strategic synthesis of monitoring data and evaluation insights (e.g., three, six and twelve-month cycles) to inform operational adjustments and strategic planning.

Over the longer term, the Fund should :

- Ensure that the AF-TERG's work programme is aligned with the key evidence requirements identified under the MTS cycles (especially under MTS3).

Recommendation 4: Strengthen strategic management over the remainder of MTS2 and under MTS3 by addressing specific challenges identified in the design and use of the IP during the current strategic period.

Suggestions for how the Fund might achieve this:

As part of development of MTS3, the Board Secretariat should:

- Given the gaps noted in to the IP under MTS2, explore opportunities for strengthening the MTS3 IP and ensuring that Expected Results (ERs) are realistic and achievable, that indicators are SMART, and that outputs and activities achieve a balance of being specific and achievable while also genuinely contributing to strategic ends.

- Ensure that the delivery of outputs and activities across the IP is clear and transparently recorded.
- Provide relevant stakeholders with an opportunity to comment on the IP under MTS3, and to sense check it for strategic relevance and operational clarity.
- Identify recurring review points for individual operational teams to take stock of delivery against the IP under MTS3.

Annex 1 – Answers to evaluation matrix questions

Q1.1: Additional lessons from implementing management response to the MTR of MTS1

[From Learning Loop] Implementation of the management response reveals selective uptake patterns. Progress has been stronger in areas aligning with existing institutional strengths—such as updating the Resource Mobilization Strategy and strengthening gender-responsive programming. *More systemic areas identified in MTS1 (project approval timelines, results measurement systems, Board-level performance data) continue to develop through targeted interventions*. Key lessons include tactical responses *advance more readily than* structural changes; ambitious commitments *benefit from* explicit tracking mechanisms; and cultural or resource-intensive changes *require* sustained institutional support *to translate* aspirations into operational practice.

Q1.2: Lessons from good practice in organizational strategy

[From Pathway 1] The successful implementation of MTS1 revealed the organizational benefit of strategic continuity and building on proven foundations. MTS2 represents deliberate continuation of MTS1's three-pillar structure, enabling the Fund to deepen work in areas of comparative advantage. This approach of consolidation and expansion, rather than transformation, has maintained policy coherence while allowing selective refinement of key thematic priorities such as gender equality, LLA, and capacity strengthening. The explicit framing of MTS2 as building on MTS1 reflects intentionality in retaining elements that worked well while introducing targeted enhancements.

[From Learning Loop] MTS1 implementation demonstrates several organizational strategy good practices captured and applied in MTS2. Strategic continuity, maintaining the three-pillar structure while deepening comparative advantages, proved effective. Building thematic continuities (gender, LLA, capacity strengthening) provided stable foundations. Adaptive learning in funding architecture (EDA to LLA evolution, cross-window replication of the aggregator model) demonstrates responsiveness to implementation signals. *Opportunities remain to* systematically *strengthen* documentation of lessons, *deepen* feedback loops, and *enhance* translation of evaluation insights into routine management practice.

Q2.1: Elements of good organizational strategy

[From Pathway 1] MTS2 supports the Fund's overall goal by articulating vision, mandate, and strategic goals while maintaining coherence with the Fund's mandate, the Paris Agreement, and the SDGs. It has proven able to flex adaptively to systemic changes in the climate finance ecosystem. The strategy's decision to leave key concepts such as innovation, scaling, and LLA

openly defined reflects emphasis on country-led, locally-based processes. This flexible approach has enabled adaptive management, while also creating some operational considerations around guidance consistency that affect proposal design and review processes. MTS2 has been most valuable as a strategic compass and high-level reference frame, with opportunities to further strengthen its role in day-to-day operational decision-making.

Q2.2: MTS2 aligned to internal and external mandates

[From Pathway 1] MTS2 is both internally and externally coherent, closely aligning with the Fund's mandate, the Paris Agreement, and the SDGs, ensuring continuity across strategic periods. Its vision is anchored in international climate policy, informed by international climate agreements, the Sustainable Development Goals (in particular SDG 13.1), and new developments such as the New Collective Quantified Goal (NCQG) adopted at COP 29. MTS2 represents an elaboration and evolution of MTS1, strengthening coherence while maintaining strategic continuity.

Q2.3: Definition and measurement of 'adequate protection'

[From Pathway 1] MTS2 establishes the overarching goal that "People, livelihoods, and ecosystems are adequately protected from the adverse impacts of climate change". Important concepts such as adequate protection, alongside innovation, scaling, and LLA, are elevated in MTS2 though remain openly defined. The decision not to formalize definitions reflects the Fund's emphasis on country-led, locally-based, and inclusive processes. While this flexible approach has enabled adaptive management, the open definitions create some operational considerations, such as measurement and accountability considerations.

Q2.4: Strategy and Implementation Plan influence on AF decision-making

[From Pathway 2] MTS2 has progressively taken root as a shared compass, with strategic intent increasingly informing decision substance across major reforms, such LLA windows, country caps, and Results Framework updates. While explicit citations remain limited, the Fund is moving from adoption to active use, with strategic priorities being addressed through delivery on core objectives. The Implementation Plan's detailed design has functioned more as reference than as the adaptive management instrument initially envisioned, offering valuable lessons for designing MTS3's management tools.

Q2.5: Quality and quantity of the concrete adaptation projects

[From Pathway 3] MTS2 has demonstrably impacted the quantity of concrete adaptation projects the Fund has supported, with a 21% increase in approved funding (US$328 million for 39 projects under MTS2 vs US$271 million for 35 projects under MTS1). More notably, funding for thematic grants experienced approximately five-fold growth, reflecting strategic alignment with MTS2's emphasis on Innovation and LLA. Strategy-specific drivers include institutional responsiveness through a surge in approvals in 2025, assisted by doubling the per-country cap and raising project

limits in response to the NCQG adopted at COP29. In terms of thematic and geographic composition, the portfolio maintains continuity with MTS1, as does the entity mix, with MIEs continuing to deliver around two-thirds of project funding. Due to the timing of the Mid-Term Review, assessment of project quality (outputs or outcomes) remains formative and provisional.

Q3.1: Adaptation finance landscape evolution and Fund positioning

[From Pathway 1] The adaptation finance landscape has become markedly more dynamic since MTS2 adoption, with the NCQG agreed at COP29 tripling the climate finance target to US$300 billion annually by 2035, establishment of the Loss and Damage Fund at COP28, and operationalization of the Global Goal on Adaptation framework. The Fund has responded with concrete institutional adjustments, including doubling per-country caps to US$40 million and expanding AFCIA to approximately US$30 million. MTS2 articulates the Fund's niche around catalytic financing through grant-based direct access, pioneering innovation piloting, and comprehensive LLA support. External stakeholders consistently recognize the Fund as more accessible than alternatives and distinctively focused on local-level engagement, representing genuine comparative advantage in the evolving landscape.

[From Pathway 4] The adaptation finance landscape has become markedly more specialized during MTS2 implementation, with COP28 establishing the Loss and Damage Fund, COP29 tripling NCQG targets to US$300 billion annually by 2035, and operationalization of the Global Goal on Adaptation framework. Within this evolving architecture, the Fund has maintained distinctive positioning through grant-based direct access, locally-led approaches, and innovation piloting. Stakeholders consistently identify the Fund as more accessible than larger institutions, with valued reputation for responsive engagement and personalized support that differentiates it from peer climate funds, representing genuine comparative advantage in a landscape where many developing country entities experience distance from larger multilateral institutions.

Q3.2: MTS2 strategic direction and Implementation Plan support for niche positioning

[From Pathway 4] MTS2 has provided clear strategic framing for the Fund's niche around catalytic financing, innovation piloting, and comprehensive LLA support, with concrete institutional adjustments operationalizing this positioning. The Fund doubled per-country caps to US$40 million, expanded AFCIA to US$30 million across four UN agencies, and developed a Resource Mobilization Strategy targeting tripled outflows. This pragmatic approach builds on existing strengths rather than competing on volume, consolidating distinctive features through LLA windows expansion, innovation grants, and the AFCIA aggregator model. The strategy surfaces an ongoing calibration dynamic: scaling ambition while preserving the accessibility and personalized engagement that define the Fund's distinctive contribution.

Q3.3: MTS2 informing balance between scaling and piloting

[From Pathway 2] The strategy has enabled construction of a coherent innovation-to-scale architecture, becoming a "staircase" from micro-grants through AFCIA to innovation and scale-up windows. This directly operationalizes the strategy's piloting-replication pathway. Uptake continues to develop: the scale-up window remains unused, and innovation proposals progress gradually. Evidence suggests that clearer procedural guidance around eligibility and evidence requirements could help translate strategic intent more fully into pipeline performance, demonstrating the Fund's distinctive innovation-to-scale niche.

Q3.4: Consolidation and optimization of niche elements

[From Pathway 4] The Fund has made tangible progress consolidating niche elements during MTS2's first 30 months. LLA architecture has matured through dedicated funding windows and operationalization of eight LLA principles, creating a coherent staircase from AFCIA micro-innovation (≤US$0.25 million) to large innovation grants (≤US$5 million) to scale-up—an integrated local innovation pathway unmatched by other climate funds. The Fund's relational approach represents strategic capital that remains important during growth. Areas where strategic intent continues embedding into practice include cross-window LLA consistency, scale-up window uptake, and catalytic impact tracking beyond the Fund's own mechanisms. Clearer guidance and alignment between innovation ambition and approval processes could strengthen the Fund's distinctive laboratory role as programming matures.

Q3.5: Strategy enabling impact maximization through comparative advantages

[From Pathway 4] MTS2 has continued to guide resource allocation toward conditions where the Fund delivers distinctive value: grant-only modalities accessible to diverse entity types, integrated locally-led innovation support, and responsive partnerships. Progress in translating positioning into operational differentiation is evident through the AFCIA-to-scale staircase, LLA principle integration across windows, and approval timelines faster than peer institutions. Two calibration dynamics are evident as the Fund may pursue tripling outflows by 2030: preserving personalized engagement and local focus during volume growth, and maintaining distinctive positioning as other funds increasingly adopt LLA and innovation modalities. Strengthened strategic communications about distinctive contributions could support resource mobilization and partnership development in this evolving landscape.

Q4.1: IP indicators, tracking, and measurement framework

[From Pathway 5] IP indicators remain broad in formulation, with targets not consistently SMART, presenting opportunities to enhance their utility for real-time performance management. Some staff noted areas for improvement in core indicators, and about half of projects report quantitative outputs that are neither standardized nor consistently verified. The APR provides

portfolio summaries with opportunities to strengthen systematic analytics against IP-specific targets. While monitoring architecture exists, it continues to develop toward the integrated tracking systems that could enable data-driven strategic management aligned with MTS2 ambitions.

Q4.2: Progress and challenges in achieving IP indicators and targets

[From Pathway 3] MTS2 has demonstrated progress against indicators related to portfolio expansion, particularly aligning with priorities in Innovation and Locally Led Adaptation (LLA), with record approvals of US$137 million in April 2025. The pace of project submissions and approvals has outpaced implementation capacity, with 74% of approved projects awaiting implementation by the mid-point of MTS2 compared to 58% at the same stage in MTS1. The continued reliance on Multilateral Implementing Entities (MIEs) alongside capacity considerations for NIEs reflects ongoing patterns affecting diversification targets. The pace of pipeline conversion has led to sustained liquidity levels (28.9% of total potential resources as of December 2024), reflecting constraints on absorption capacity.

[From Pathway 5] The Fund achieved record commitments of US$137 million in Q2 2025, demonstrating operational progress. However, systematic tracking against IP indicators continues to develop toward more continuous approaches. Capacity dynamics—including 197 review rounds in one cycle—and ongoing development of dashboards showing IP milestone progress mean comprehensive monitoring varies. The opportunity lies in establishing systematic processes for monitoring strategic implementation against IP targets and translating operational activity into measurable evidence of strategic advancement consistently across the portfolio.

Q4.3: Progress under pillars and cross-cutting priorities

[From Pathway 3] The dramatic surge in funding for thematic grants, which saw an approximate five-fold growth compared to MTS1, reflects strategic alignment with MTS2's emphasis on cross-cutting priorities such as Locally Led Adaptation (LLA). The Fund continues to benefit from strong MIE partnerships while also working to strengthen NIE pathways, with the entity mix affecting Direct Access (DA) and LLA portfolio composition. Uptake across thematic windows has been uneven; no Scale-Up Grants have been awarded under MTS2, pointing to opportunities to strengthen feedback loops between piloting and scaling. While MTS2 has seen significant growth in Thematic grants, the Action pillar remains the mainstay of the AF portfolio (representing over 80% of activity). Information on the Learning and Sharing pillar continues to develop through the APR and evaluation processes.

[From Pathway 5] Progress under pillars has been achieved operationally, with systematic monitoring of cross-cutting priorities against IP targets continuing to develop. Responsibility for strategic implementation is distributed departmentally with opportunities to strengthen

institutional anchoring. The IP functions effectively as strategic framing, with capacity considerations affecting its use as an operational management tool. This reflects opportunities to strengthen alignment between external delivery and internal infrastructure for tracking achievements systematically. The Fund delivers operationally while continuing to build monitoring architecture needed to capture strategic progress comprehensively across all pillars and priorities consistently.

Q4.4: Funding windows and support options adjusted to local needs

[From Pathway 2] The Fund has made strategic operational adjustments enhancing local responsiveness. Creation of single-country and Regional Aggregator LLA windows embedded local access structurally, with LLA-tagged proposals reaching 20% of active pipeline by mid-2025. Expanded readiness grants, workflow automation, and early advisory support have improved proposal quality and turnaround times. These reforms represent practical learning from experience, demonstrating a maturing culture of adaptive responsiveness translating MTS2's Action pillar priorities into tangible access improvements.

Q4.5: LLA-specific considerations in project approval processes

[From Pathway 2] Template revisions for LLA windows introduced explicit review criteria operationalizing strategic priorities, specifically devolved decision-making, equity, and local ownership. These procedural innovations demonstrate MTS2 being embedded in approval processes beyond standard safeguards. The regional LLA aggregator model offers important lessons about managing multi-partner coordination demands. Operational LLA definitions and practical guidance for Entities continue to develop, particularly within new modalities. Enhanced LLA guidance could help Entities designing LLA projects and assist the Board Secretariat to systematically assess locally-led dimensions, facilitating mainstreaming across funding streams.

Q4.6: Bottlenecks and lessons from funding windows

[From Pathway 2] The regional LLA aggregator reveals instructive complexities: strong demand yet significant coordination considerations requiring harmonized reporting and clearer guidance. Innovation window uptake continues to develop, with eligibility criteria and evidence requirements presenting areas for clarification. The scale-up window remains unused. Regular window proposals show improvements yet require more than review rounds on average. Key lessons emphasize matching strategic ambition with Board Secretariat capacity, clarifying procedures, and enabling systematic cross-window learning to mainstream successful practices.

[From Pathway 3] The technical review process, while ensuring quality and rigor, affects timelines across all funding windows, requiring extensive detail even at the concept note stage, which can extend approval timelines and increase costs for Implementing Entities (IEs). Capacity considerations for NIEs in satisfying rigorous proposal requirements, particularly concerning

fiduciary and environmental and social standards, shape access patterns. The Fund has recognized these challenges and is actively working to address them by offering capacity building in the form of seminars and e-learning courses introduced during MTS2. Building on recent improvements, continued attention to streamlining processes while maintaining quality standards could enhance efficiency.

Q4.7: Enabling organizational systems supporting MTS2 implementation

[From Pathway 5] Enabling systems reflect functional foundations with scope for strengthening. Digital modernization, evaluation frameworks, and Board Secretariat expansion show progress, with opportunities remaining to enhance indicator quality, accountability, and resource planning. Systems continue to develop, with opportunities to strengthen monitoring of MTS2 strategic progress. Recent assessment prompted seven new posts, addressing capacity considerations. Current systems supported record operational delivery; further integration, explicit costing of initiatives, and clarified accountability could enhance capacity to translate MTS2 ambitions into consistent, systematic implementation and measurable results across the portfolio comprehensively.

Annex 2 – Case Studies

Case Study 1 – Learning from MTS1

Introduction and Scope

This case study addresses evaluation question 1.1 of the Mid-Term Review, examining the extent to which lessons and good practices in organizational strategy were identified throughout the implementation of MTS1, and whether these were captured and reflected—particularly in the management response to the MTR—in ways that informed planning and adaptation for MTS2.

Evidence for the case study is drawn primarily from documents reviewed. Key document types include Board papers, strategy papers, options papers and past evaluations. The coding and triangulation of data was used to assess evidence against Q1.1. To support the document review, several key informant interviews were also held with members of the Adaptation Fund Secretariat and Board Members. Limitations to the methodology include an incomplete evidence base; in particular, the lack of an endline assessment of MTS1 has meant that lessons captured from its implementation are not centrally documented and have instead been collated from across several documents and sources.

Key Findings

1. *There are few clearly documented examples, in strategic documents and Board decisions, of lesson learning from MTS1 being explicitly carried forward.*

While key strategy documents note that MTS2 was a consolidation and expansion of activities and approaches employed or piloted under the MTS1 period, clearly documented evidence of how lesson learning from MTS1 informed these choices is limited. MTS2 explicitly notes that it was developed on the basis of stakeholder inputs, in line with Recommendation 6 of the MTR of MTS1, to draw on a broader set of lessons from the previous strategic period. However, instances where changes or adaptations to the strategy were directly inspired by particular lessons have not been methodically captured, and interviewees tended to describe learning between MTS1 and MTS2 in general terms rather than pointing to specific, documented examples. While discrete examples of best practice in organizational strategy are not overtly captured and reflected in strategic documents or decisions, there is evidence of implicit lesson learning, in the sense that successful approaches from MTS1 have generally been retained, expanded, and complemented under MTS2, albeit with varying degrees of success.

2. *The MTR of MTS1 and its management response played an important role in shaping the design of MTS2 but have been less influential in its execution.*

The management response to the MTR of MTS1 directly informed MTS2 by integrating key recommendations into its design, shaping the evolution of its strategic pillars, and influencing the development of its implementation plan. Beyond setting the scene, however, there is little specific documentary evidence of the MTR's influence in shaping the execution of the strategy. As reflected in other methodological components, including the AMR, even where findings and recommendations from the MTR (and other evaluations from the MTS1 period) have been accepted and responded to, the effectiveness of those responses has been mixed. Therefore, while examples of best practice in organizational strategy *were* captured as part of the management response to the MTR of MTS1, these are not always examples of *lesson learning* being applied in practice.

3. *There are some limited examples of best practice that have been identified and captured from MTS1 and applied to MTS2.*

Some good practices were identified during MTS1, and there have been attempts to integrate or respond to these under MTS2. Overall, the Adaptation Fund has introduced relevant strategic shifts and consolidations under MTS2, although their implementation has not always been effective. Pillar expansion, the introduction of new funding windows, and increases in country caps and project sizes are all issues identified during MTS1 that have been carried forward and addressed in MTS2. However, demand for new funding windows has not met supply,[34] and the links between the expanded pillars remain under-analyzed.[35] Staffing constraints at the Fund were highlighted during MTS1, and the secretariat has expanded significantly during MTS2, although even this growth has not kept pace with the Fund's rising level of ambition. The scaling framework and collaboration with GCF initiated during MTS1 has been sustained through MTS2, although concerns remain about the efficacy and consistency of the Fund's overall approach to scaling.

4. *Learning from MTS1 and beyond has tended to focus on more positive findings that validate and reinforce the Fund's existing approaches.*

MTS2 was designed to build on the strategic framework and achievements of MTS1, proposing strategic updates and adjustments to enhance the Fund's comparative advantage and optimize impact (Decision B.38/49, see AFB/B.38/11/Rev.1, p. 30). However, learning from MTS1 and throughout MTS2 (to date) has on occasion been selective, with positive findings accentuated while other important insights from evaluations are often sidelined. As a result, where changes

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[34] See case study 4 for further information on the uptake of funding windows introduced during MTS2

[35] For instance, the Fund's APRs still do not contain a dedicated section on linkages between pillars, though this was planned in the management response to the MTR of MTS1

have been made to MTS2, it is often difficult to pinpoint whether these derive from specific learnings from MTS1 or are part of a natural longer-term evolution of the Fund's approach.

5. *Several important improvement areas have not been fully addressed between MTS1 and MTS2.*

Several findings from recent evaluations – including the MTR of MTS1 – have not been fully responded to, with exceptions being justified on the grounds of relevance. Findings related to the share of funding going to MIEs (AFB/B.41-42/12, p.7), findings relating to the AF's funding model (PA2.4, 2.6, 3.2 and 3.3 in AFB/EFC.31/6; III.3 in AFB/EFC.34/7) and findings about the clarity of concepts used by the Fund (PA1.1 in AFB/EFC.31/6; I.1 in AFB/EFC.34/7) have tended to be de-prioritized or only partially accepted in management responses; evidence of a potentially selective approach to learning at the Fund. Inconsistent results tracking (AFB/EFC.30/6, p.4), delays to the accreditation process (R4 and R5 in AFB/EFC.34/6), and the slow release of funding (AFB/EFC.34/Inf.6, p. 28), were identified as ongoing issues during MTS1 an continue to be live issues under MTS2.

Conclusions

Overall, the Fund has been relatively effective at drawing tactical lessons from MTS1, consolidating good practices and capitalizing on existing strengths, while addressing some identified weaknesses in the short-to-medium term through relatively low-cost adjustments (e.g. improving operational guidelines, strengthening existing funding windows, and retaining flexibility). In some cases, lessons have been reflected in the design of the new strategy but have not been effectively implemented in practice. Furthermore, where the strategy has evolved, it is not always clear whether these changes are directly related to learning from MTS1, as strategic lesson learning is not always well documented. The Fund has been less effective at learning from MTS1 in a more strategic way, with large structural issues that would require significant operational or strategic shifts (e.g. to resource mobilization or the results frameworks) remaining only partially or insufficiently addressed.

Case Study 2 - Innovation and Scaling

Introduction and Scope

This case study addresses evaluation question 3.3 of the Mid-Term Review, examining how the Adaptation Fund's Medium-Term Strategy 2023–2027 (MTS2) and its Implementation Plan (IP) balance piloting innovative adaptation solutions with scaling proven interventions. The analysis focuses on judgment indicators I.3.3a (guidance and criteria for piloting versus scaling) and I.3.3b (stakeholder experiences of their interplay). The coding and triangulation of data was used to assess evidence against Q3.3.

Evidence is drawn from Board decisions, funding modalities, the 2024 Scalability Evaluation (AFB/EFC.34/.5/Rev.1), and interviews conducted in September 2025 with stakeholders including the Secretariat, NIEs, MIEs, CSOs, UN agencies and development agencies. Limitations to the methodology include the 2.5-year review period (January 2023–June 2025), restricting long-term impact assessment, and the absence of a formal scalability definition during much of this period, creating ambiguity in evaluating outcomes.

Key Findings

1. MTS2 establishes an innovation pathway through its Innovation Pillar but lacks a clear framework and unified metrics for scaling.

MTS2's Innovation Pillar provides strategic direction with Expected Result 1 (ER1) promoting high-risk, novel adaptation pilots and ER2 prioritizing their replication across national or regional contexts (AFB/B.40/.5/Rev.1, p. 23). The 2021 innovation vision articulated in the terms of reference for the establishment of the Fund's Technical Advisory Body for Innovation defines innovation as "the creating, testing, deployment or diffusion of new, adapted or improved adaptation solutions, developed contextually" (AFB/PPRC.32/24, p. 1). The 2022 Evaluation Policy integrates scalability as a sustainability criterion, operationalized in 2023–2024 project assessments (AFB/EFC.34/7, p. 3). However, evidence from stakeholder interviews highlights gaps in the Fund's conceptual framework for scaling, such as the lack of a unified definition for scaling. At the project level, there is no mandatory requirement for scaling indicators or dedicated scaling plans, as The Fund's position is that not all projects can, or should be scaled. Therefore, assessments often lack scaling indicators and plans, with 71% of sampled 2023-2024 projects lacking explicit scaling plans (AFB/EFC.34/7, p. 6). The 2024 Evaluation of Scalability Concepts and Practice found that it would be useful for all projects to at least consider their scaling potential, even if did not plan to scale themselves or if the outputs were not desirable for scaling (AF-TERG, p.46).[36] The absence of a unified scalability definition—combined with limited project-level metrics beyond portfolio aggregation under SRF Outcome 8—limits consistent tracking and the Fund's ability to fully achieve MTS2's scaling objectives.[37]

[36] This recommendation was 'Partially Agreed' to by the Adaptation Fund Board Secretariat, who last provided an update on progress against this recommendation in March 2025 (AFB/B.43-44/14, p.6)

[37] For this evaluation, innovation is defined as the contextual creation, testing, deployment, or diffusion of new, adapted, or improved adaptation solutions with community involvement (per the 2021 vision in AFB/PPRC.32/24). Scalability is defined as the replication or expansion of successful interventions across contexts, emphasizing sustainability, feasibility, and potential for broader impact (drawing from the 2022 Evaluation Policy's sustainability criterion)

2. Board decisions reflect MTS2's focus on scalable innovation interventions, but risk averse reviews prioritize fiduciary soundness, with scope for the Fund to better balance risk tolerance with innovation ambitions.

Some Board decisions, including $14,983,736 in 2024 approvals under the large innovation funding window, plausibly reflect MTS2's focus on scalable projects, consistent with funding guidelines that emphasize novelty, feasibility, and scalability (AFB/EFC.34/7, p. 3). However, stakeholders report that scaling is often viewed as optional by the Secretariat, while risk-averse and strict technical reviews tend to prioritize fiduciary soundness over innovation. There is scope to better balance risk tolerance with the Fund's innovation ambitions.

3. Funding windows and grant modalities have expanded with AFCIA's $40 million commitment for micro- and small-scale innovation grants and increased scale-up funding, while access has expanded through AFCIA, with ongoing work needed to simplify eligibility pathways.

The Adaptation Fund Climate Innovation Accelerator (AFCIA), a separate funding window that channels micro- and small-scale grants (up to $250,000 each) through accredited aggregator implementing entities to support the implementation of concrete locally-led adaptation (LLA) projects, allocated approximately $40 million across programs in 2023–2024 (including expansions to new partners such as WFP and UNIDO) (AFB/PPRC.35/7, p. 5). Scale-up grants—which provide readiness funding to NIEs to support planning, design, and development for scaling up existing Adaptation Fund projects/programs—increased to $300,000 per project in 2023. However, complex eligibility criteria have limited uptake, with only one project funded by 2024 (a Rwanda scale-up grant originally approved in 2019 under the previous MTS) (AFB/EFC.34/.5/Rev.1, p. 4). Although there is evidence of Adaptation Fund projects also using other climate funds' grants to prepare proposals to scale, the 2024 Evaluation of Scalability Concepts and Practice recommended that the Fund should consider looking beyond climate fund grants for this purpose, as these represent only one source of potentially finance, and in addition, to boost awareness-raising, networking and social impact (AF-TERG, p.46).[38] Accreditation and review processes have constrained efficiency in accessing funding and scaling outcomes, with re-accreditation proving to be – counter-intuitively – especially burdensome for NIEs with limited capacity. Procedural bottlenecks can restrict programming, even as some collaborations with the Green Climate Fund (GCF)—such as scaling of Adaptation Fund pilots (e.g., the Barbados flood management project expanded regionally)—demonstrate early positive impact (AFB/EFC.34/.5/Rev.1, p. 4).

[38] This recommendation was 'Agreed' by the Adaptation Fund Board Secretariat although in its latest Updated Management Response, the Board Secretariat has focused on the outreach and awareness-raising aspects of the recommendation (AFB/B.43-44/14, p.10)

4. Capacity building efforts have improved, but there remains scope to strengthen tailored support for CSOs and NIEs, including through more region-specific guidance.

Recent initiatives, such as the 2023 Technical Advisory Body (TAB), which provides recommendations on innovation partnerships and financing (AFB/PPRC.32/24, p. 4), and readiness grants that have supported 25 local entities in developing scalable and replicable proposals (AFB/EFC.34/.5/Rev.1, p. 3), have advanced capacity. The 2024 NIE Seminar also contributed by building IE capacity in innovation through targeted sessions on proposal development (AFB/PPRC.34/Inf.1, p. 4). The Secretariat is also working to revise project templates to better capture scalability approaches at the design stage, addressing a gap where 71% of sampled projects lacked such plans (AFB/EFC.34/7, p. 6). Knowledge-sharing platforms, such as the 2024 Adaptation Fund Innovation Days, further foster learning and dissemination of lessons.

However, stakeholders report that capacity building for NIEs is often too generic and lacks region-specific focus, with more tailored guidance needed to align with local adaptation urgencies and contexts. CSO representatives highlight inadequate institutional support, stating "AF efforts on building capacity of institutions is not adequate" (CSO stakeholder). The Secretariat's limited resources and low overheads —with a three-person results team among 27 staff—constrain delivery. These gaps underscore the ongoing need for robust, tailored support for CSOs and NIEs to promote innovation, scale-up, and sustainability.

5. While synergies between scaling and innovation are evident in implementation decisions, progress remains constrained by risk aversion.

Synergies are evident in external partnerships and aggregator models: GCF collaborations have enabled scaling of three pilots (e.g., the Barbados' 2023 flood management project has expanded regionally), while AFCIA support has helped grantees leverage additional financing ($200,000–$500,000 in some cases) (AFB/EFC.34/.5/Rev.1, p. 4; AFB/PPRC.34/Inf.39, p. 24). However, stakeholders highlight constraints such as limited risk appetite and limited access to affordable capital (AFB/PPRC.34/Inf.39, p. 4), with the approval process perceived as risk-averse and stringent review criteria potentially stifling higher-risk, more innovative proposals. Realizing greater synergies will require streamlined processes and exploration of diversified funding channels—such as public-private partnerships suggested by one interviewee—that the Fund, as a grants-only mechanism, cannot pursue directly (AFB/EFC.34/7, p. 3).[39]

[39] Even if the Fund does not go down the route of blended finance, requesting project proponents to think about scaling can provide an opportunity to identify that potential, and feedback can be provided in the project review process.

6. While stakeholders value AF's scaling and innovation pathways, bureaucratic hurdles slow the pace of innovation scaling.

Overall, there is a disjuncture between the project approval process and MTS2's innovation ambitions. Although stakeholders find the Fund is more accessible than other climate funds, the concept note endorsement and proposal and approval process are arduous. Bureaucratic delays undermine scaling efforts, and the need for improved CSO engagement in the approval process potentially weakens community-driven outcomes (AFB/PPRC.35/6, p. 5).

7. MTS2 has outlined innovation criteria – novelty, feasibility, and scalability, but practical tensions with risk and implementation remain.

MTS2 has shaped innovation through 2023–2024 criteria emphasizing "novelty, feasibility, and scalability," exemplified by projects like Somalia's EARNSS (AFB44/05, $5M) (AFB/B.43/16, p. 8). However, stakeholders highlight tensions as the PPR template's strong focus on risk management conflicts with the innovation pillar encouraging high-risk approaches and contradicts the Fund's innovative risk-tolerant image. Consistent application of innovation criteria remains challenging across NIE projects, and the absence of clear scalability metrics limits integration, with only a few examples such as Vietnam's IFIA demonstrating scalable innovation (AFB40/01).

Conclusions

MTS2's effectiveness is constrained by ambiguous scalability definitions, a risk-averse approvals process, and lengthy technical reviews, resulting in efficiency constraints and threatening sustainability due to weak CSO and NIE capacity and low over heads (AFB/EFC.34/7, p. 6). While impact from early GCF partnerships is promising and the Fund is demonstrating commitment to funding innovation – such as $14,983,736 in approvals for Large Innovation Projects and AFCIA's $40 million in 2024 – stringent review criteria and limited CSO engagement continue to undermine innovation and scale-up ambitions. Stakeholder insights point to pathways like AFCIA's aggregator model, but achieving resilient, needs-driven finance will require clear scalability definitions, streamlined processes, and stronger stakeholder engagement.

Case Study 3 – Locally Led Adaptation (LLA)

Introduction and Scope

This case study responds to review question 4.5 of the Mid-Term review of the Medium-Term Strategy of the Adaptation Fund: "What are the LLA-specific considerations in the Fund's project approval processes beyond the ESP/safeguards?" It examines whether locally led adaptation (LLA) considerations have been mainstreamed throughout project approval processes during the first two and a half years of MTS2 implementation, from 1 January 2023 to 30 June 2025. Evidence is drawn from a desk review of AFB.40-44 Board approvals, PPRC.31-35 screening logs, Secretariat analyses, and policy documents. Information is supplemented by key informant interviews (KIIs) with a range of stakeholders including Implementing Entities (IEs), the Adaptation Fund Secretariat, Board members and CSO Network representatives. The coding and triangulation of data was used to assess evidence against Q4.5.

LLA aims to support local actors and communities to have meaningful input into shaping decisions of when, where and how to adapt to the challenges posed by increasing climate change. The Global Commission on Adaptation developed eight LLA principles in 2021, officially endorsed by the Adaptation Fund through Decision B.35-36/14 in January of 2021 (IIED, Principles for locally led adaptation). MTS2 distinctly outlines the promotion of locally based and locally led adaptation as one of six strategic themes to guide the fund's processes and activities in the 2023 to 2027 strategic period (Adaptation Fund Medium-Term Strategy 2023-2027, p7).

Key Findings

1. LLA is a central strategic focus of MTS2, however, the strategy lacks a clear operational definition of the concept.

Despite the Fund endorsing the eight LLA principles and MTS2 acknowledging the need to devolve access and decision-making on adaptation to the lowest appropriate level, it does not provide a clear operational definition of LLA as distinct from locally *based* adaptation. This gap creates potential for uncertainty about what the Fund expects from proposed LLA projects and how the principles should be applied in practice. For example, the seventh principle - ensuring transparency and accountability – requires strong downward accountability to local stakeholders and requires robust M&E systems to monitor project effectiveness and alignment with local needs. Without a clear definition or accompanying guidance, the consistent integration of these principles into proposal and review processes is not guaranteed. The absence of a common contextually relevant understanding of LLA risks misalignment between implementing entities and reviewers, as highlighted in KII findings.

2. Changes to application and review templates through the MTS2 period are evidence of the early establishment of systems and processes to deliver the LLA ambition outlined in MTS2.

The Fund's primary vehicles to operationalize LLA support are the enhanced window for Single-Country Locally Led Adaptation (LLA Window) and the Global LLA Aggregator Program, approved through Decision B.42/36 (AFB/PPRC.33/39). The Secretariat have taken concrete steps to update funding windows, approval guidelines and templates to better reflect specific LLA considerations. While updated proposal and review requirements do not map perfectly onto the individual LLA principles, there is clear alignment. For example, the first LLA principle – decision-making being devolved to the lowest appropriate level - is reflected in updated proposals and review criteria for LLA windows. Additions to the review sheet for the LLA window and aggregator proposals also support a more comprehensive assessment of local ownership and agency. Along with the Board approved cap for project formulation grants (PFGs) for single-country LLA proposals being $150,000 and an additional PFG amount of up to $100,000 reserved for LLA projects to support decision making by local actors, a revised PFG Submission Form is available on the AF website, clearly outlining LLA specific PFG requirements (Adaptation Fund, Revised PFG Submission Form). The Fund's Website also provides further information on LLA and hosts relevant project proposal templates including details on window objectives, available PFG support, and how to apply.

3. While funding windows, approval guidelines, and templates have been updated, stronger operational guidance and practical tools are needed to embed LLA principles systematically in project and program proposals.

Given the Fund's complex architecture and varying stakeholder capacities, clearer direction on how to apply LLA in practice could support more consistent integration, lead to greater engagement with LLA windows and improve proposal quality. There is a notable gap in how LLA proposal review sheets address engagement with communities on climate risk and the limits of adaptation, increasing the risk of maladaptive outcomes. The low number of full proposals – especially from the regional LLA aggregator – likely reflects the extensive preparatory work required for genuine local collaboration and the need for more detailed guidance. Board member and IE respondents from KIIs also identified gaps in outreach and support for countries without national accredited entities. Enhancing operational guidance presents an opportunity to strengthen a community of practice that connects the Fund, IEs, and other stakeholders through knowledge exchange. Building secretariat capacity and ensuring adequate resourcing will be essential to match the Fund's ambition on LLA as outlined by MTS2.

4. There are opportunities to strengthen integration, learning exchange and mainstreaming of LLA considerations across all funding windows.

While MTS2 identifies LLA as a cross-cutting theme, proposals for non LLA-specific windows receive limited scrutiny on alignment with LLA principles (Adaptation Fund Medium-Term Strategy 2023-2027, p23). Review processes for the concrete adaptation and innovation windows assess compliance with the Fund's ESP, Gender Policy and consultation requirements but fall short of systematically embedding LLA principles. As a result, few projects genuinely cede project design and decision-making power to local stakeholders as indicated by the review of proposals and corresponding feedback. Strengthening engagement on LLA across the Fund's portfolio could not only enhance the localization of decision-making but also create opportunities to more fully integrate GESI considerations into project and program formulation, review and delivery – a key additional benefit of a more holistic approach to LLA. Strengthening mainstreaming efforts would help ensure LLA principles are embedded across the entire portfolio beyond the dedicated LLA windows.

Conclusions

The preceding analysis underscores LLA as a core strategic priority within MTS2, positioned as a cross-cutting theme intended to inform all Fund activities and processes. Notable progress has been made through revisions to application and review templates and through constructive engagement between IEs and the secretariat, as reflected in KII feedback.

However, there is a lack of a clear operational definition of LLA, practical guidance, and limited consistent application of LLA principles across funding windows. Additional tools and tailored support could help implementing partners embed LLA in practice and ensure integration across the Fund's portfolio beyond dedicated LLA windows. There is also an opportunity to foster a forum for knowledge sharing and encourage partner and community engagement to further support knowledge exchange. Ultimately, achieving the Fund's LLA ambition will require adequate secretariat capacity and dedicated resources to sustain efforts to mainstream LLA across all funding windows.

Case Study 4 – Effectiveness of Funding Windows

Introduction and Scope

This case study addresses evaluation question Q4.6 of the Mid-Term Review of the second Medium-Term Strategy 2023-2027 (MTS2) of the Adaptation Fund: What have been the bottlenecks and lessons from the funding windows? It examines how lessons move across windows and align with MTS2 priorities, particularly enhanced access and locally led adaptation.

Evidence is drawn from a desk review of AFB.40–44 Board approvals, PPRC.31–35 screening logs, and policy documents, supplemented by stakeholder interviews. A mixed-methods approach was used to assess access, design, and learning across windows during the first two and a half years of MTS2 implementation (January 2023 to June 2025).

Key Findings

1. *Bottlenecks are systematically documented, with notable progress in procedural learning, though access challenges persist for some entity types.*

Available evidence shows that while procedural learning has strengthened (particularly through standardized screening and reviews), bottlenecks continue to limit access and efficiency for certain implementing entities (IEs). The most notable progress in windows-related learning was the Enhanced Direct Access (EDA) to Locally Led Adaptation (LLA) transition, where lessons on subsidiarity, community ownership, and governance were embedded into screening and review. Early EDA pilots surfaced both what worked (e.g. direct community engagement in project design and implementation) and where governance arrangements needed strengthening (e.g. clearer sub-granting procedures and oversight frameworks). These lessons were translated into the LLA facility at Board 43, and LLA considerations have since been integrated into screening and clearance practice for multiple windows. In contrast, innovation lessons have not been mainstreamed at the same pace: the value of large innovation approvals declined from approximately $5.5 million at Board 40 to zero at Board 44, and aggregator concepts encountered clearance challenges. This suggests a need to better align the Fund's risk appetite and ambitions for innovations with processes that were originally designed for more conventional projects.

2. *Access and predictability differ significantly across implementing entity types, with scope to strengthen support for National Implementing Entities (NIEs).*

NIE proposals face heavier compliance burdens and typically require several review rounds, with clearance rates of approximately 39% in the regular window, compared to 62% for Multilateral Implementing Entities (MIEs) and 57% for Regional Implementing Entities (RIEs) during PPRC.31–35. Implementation lags of 12–18 months from approval to inception contribute to pipeline congestion and session-to-session slippage. These patterns suggest that while progress has been made (and while the Fund's processes are generally lighter than those of some peer funds), front-end processes could benefit from further refinement of initial requirements and enhanced advisory support. In particular, reducing repeated review cycles for NIE proposals, streamlining documentation for sub-granting arrangements, and simplifying coordination requirements for regional multi-partner designs could improve access for capacity-constrained entities, consistent with MTS2's emphasis on simplified and streamlined processes.

3. *Regional collaboration extends reach but adds coordination complexity, highlighting opportunities for standardized coordination tools.*

Regional collaboration is valuable for addressing cross-border adaptation challenges but comes with visible coordination requirements. Regional MIE proposals were cleared at roughly 50% during PPRC.31–35, while regional RIE proposals faced greater challenges, reflecting heavier coordination demands across countries and more limited institutional capacity to manage multi-partner fiduciary and safeguards requirements. Regional projects implemented by both MIEs and RIEs contribute approximately 10% of period funding with larger average sizes ($13.2 million). However, duplicative steps and uneven guidance across windows when coordinating multi-partner designs suggest scope to develop standardized coordination mechanisms. For example, applicants working across windows often address similar safeguards, gender, and results requirements through separate templates, and regional proposals face differing expectations on partnership structures and decision-making arrangements across windows. Overall, this suggests scope to develop standardized coordination tools and templates to reduce friction while maintaining diligence. While regional proposals are submitted through a single window, the internal coordination required to align multiple countries—such as securing valid Letters of Endorsement, harmonizing governance arrangements, and aligning safeguards approaches—creates a coordination burden that extends preparation and review cycles.

4. *The EDA to LLA transition demonstrates effective learning capture and application, benefiting from deliberate piloting, while lessons in innovation and scaling remain more selective, constrained by implicit rather than explicit risk frameworks.*

The strongest example of substantive learning is the EDA to LLA transition, which drew on deliberate piloting and sustained strategic attention. Early EDA pilots surfaced both what worked (e.g., subsidiarity, community ownership) and where governance arrangements needed strengthening, particularly around sub-granting procedures, oversight responsibilities, and monitoring arrangements. These lessons were translated into the LLA facility with clearer sub-granting arrangements and improved oversight. LLA considerations have been integrated into screening and clearance practice for multiple windows, and NIEs that initially faced challenges under EDA have re-entered under the LLA facility with strengthened governance and monitoring elements in their proposals

By contrast, lessons relating to innovation and scaling remain more selective. Innovation and scaling approaches involve higher uncertainty yet continue to be processed through procedures designed for conventional, lower-risk projects. This mismatch has limited systematic learning transfer across windows and coincided with declining innovation approvals during the MTS2 period. Enabling instruments such as Project Formulation Grants (PFGs) and Learning Grants have supported access and proposal design quality. Indeed, PFGs increased roughly three-fold between Boards 41 and 44, demonstrating clear intent to strengthen front-end support. However, this expansion has not yet translated into their systematic use as tools to unblock bottlenecks, as lessons from PFG-supported proposals have not been consistently used to address clearance challenges, particularly in innovation and regional windows.

5. *Procedural improvements have strengthened predictability, though this has not yet measurably altered portfolio composition or risk appetite, with opportunities to extend improvements to front-end processes.*

The MTS2 period saw tangible procedural gains including clearer post-approval change handling, remedies for delays, and common cost parameters, which have made expectations more predictable. Innovation indicators were also piloted and incorporated into the Strategic Results Framework, shifting monitoring toward learning-oriented metrics. However, these procedural improvements have not yet measurably altered portfolio composition or risk appetite (as stated above, large innovation approvals declined from $5.5 million to zero during this period) suggesting that front-end constraints such as multiple review cycles, fragmentation across windows, and coordination costs for complex proposals require additional attention. Addressing these through explicit risk bands by window, cross-window transfer of codified lessons, and enhanced support for project development would allow the Fund's strategic intent to translate more fully into portfolio performance.

6. *Learning transfers more effectively when challenges are well-defined and supported through enabling conditions, though such conditions are not yet consistently in place across all windows.*

Where problems and solutions are clearly defined and supported through deliberate piloting, governance attention, and dedicated resources (as with the EDA to LLA transition) lessons have transferred more effectively. However, when challenges involve risk tolerance, multi-partner coordination, or heavier fiduciary requirements, or where the enabling conditions to support solutions are not yet in place, transfer remains more selective. Existing learning exchange mechanisms such as guidance updates and knowledge events are helpful, but formal checks at concept and screening stages to capture cross-window learning are applied inconsistently. Making these cross-window checks routine rather than episodic, combined with monitoring clearance volatility as a management indicator, could support more systematic learning and improve access.

Conclusions

This case study finds that the Fund is systematically documenting bottlenecks and has made notable progress in capturing and applying lessons, particularly in the EDA to LLA transition and targeted procedural improvements. Regular windows continue to provide the portfolio backbone with stable approvals, while specialized windows (LLA, innovation) serve their strategic purpose despite their smaller scale and greater implementation complexity.

However, opportunities exist to strengthen access and learning across the portfolio. Front-end processes could benefit from simplification to reduce iteration burdens, particularly for NIEs and complex proposals. Regional and multi-partner designs would benefit from standardized coordination tools and clearer, harmonized guidance to reduce coordination burdens while maintaining diligence. Innovation risk lessons and scaling insights from enabling instruments like PFGs could be more systematically transferred across windows to improve pipeline performance.

These findings align with the MTS2 call for business processes that are relatively simple and fit for multiple purposes, and with the Implementation Plan goal to enhance developing countries' access through simplified, streamlined and efficient processes that still allow flexibility to design and implement projects using multiple windows.

Case Study 5 – Adequate Protection

Introduction and Scope

This case study responds to question 2.3 of the Mid-term review of the medium-term strategy of the Adaptation Fund: "How does the Adaptation Fund define and measure 'adequate protection' of people, livelihoods, and ecosystems from adverse impacts of climate change? How is this definition embodied in the strategy and how is it used in practice to decide funding approvals?"

Adequate Protection (AP) is referenced in the Adaptation Fund's (AF) mission statement, wherein the overarching goal is to ensure the *'adequate protection' of people, livelihoods and ecosystems from the impacts of climate change* (MTS2, p.22). This exploratory case study was initiated (formally midway through evidence gathering after discussion with AF-TERG) to examine what the AF means when it uses the phrase 'adequate protection' and how the concept of AP influences the AF's work, either by affecting decision-making processes around project approvals, or through influencing the knowledge and learning products that the AF creates and uses.

Key Findings

1. *While there are key concepts and principles linked to AP, there is no clear and measurable operational definition of AP used across the AF's strategic documents and policies.*

While the concept of AP is not explicitly defined in MTS2 or related strategic documents, proxy concepts include resilience, vulnerability and adaptive capacity, with an interviewed stakeholder likening the concept to "*locally-led principles"*. These concepts are well understood, however, how these relate to adequate protection has not been specified, leading to very broad and subjective interpretations that do not constitute a robust operational definition. Without better defining AP, this could lead to a 'vicious cycle' wherein a lack of a common and shared definition of AP leads to poorer operational outcomes, with implications for the development of a future strategy.

2. *The AF does include consideration of AP within project guidance, ESP and GP documents through the use of related concepts, although not systematically.*

Alongside the AF's 2023 evaluation policy (link), the AF-TERG has produced a set of guidance notes to help evaluators meet the evaluation requirements of the AF in their own programmes. This includes:

- The guidance note on Evaluation in Project Design (link), which is most directly relevant to adequate protection, advising project designers to incorporate resilience building, strengthening the capacity of vulnerable communities and "*contributing to protect lives and livelihoods".*
- Ex-post evaluations (EPEs), which are designed to *"help to understand how interventions contribute to building resilience and adapting to climate change",* and to this end, could be said to contribute to the knowledge base of how AF activities are contributing to AP.

These tools advise on related concepts, but how they might add up to form AP is not made explicit. The concepts are also not systematically or consistently applied, leaving them open to multiple interpretations, over-reliance on generalizations and potential for stakeholders to opt for 'minimum standard compliance'. It is also not clear how IEs should plan for and measure these related concepts to come to an overall judgement of AP.

3. *There is evidence of the consideration of AP concepts in the project funding process, notably at the stage of screening and technical review of concept notes.*

AP is considered through the screening questions which ask about proxy concepts or considerations in project design of LLA and ESS that are adjacent to AP. These screening considerations are integrated across all proposal templates, not only those explicitly associated with LLA, based on risk categorizations. They are iterative in nature and encourage IEs to consider AP principles (while not using the term). These can be brought to the Board via the PPRC and are formally requested within Board Decisions when approving concepts for full proposal. Despite this iterative screening process, however, it is unclear how AP considerations might influence the final approval and clearance of proposals for funding. Therefore, it is difficult to say what, if any, specific influence considerations of AP may have on the AF's portfolio of projects.

As one IE interviewee explained:

"*It (adequate protection) is not greatly articulated but put in practice by calling for proposals talking about LLA, ecosystem-based adaptation. It's not explained how it should be done - the intricacies and the finer details - however, the objective of local level ecosystem and protection is practiced through programs for local adaptation"*

Conclusions

While AP is a core concept in the AF's mission statement, it generally lacks the necessary conceptual clarity across the AF's strategic and operational documents for robust articulation and systematic operationalization. However, concepts associated with AP have featured within guidance and in the technical screening processes for proposals, showing potential for positive impacts.

Annex 3 – Terms of Reference for MTR of MTS2

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Annex 2 - AFB Secretariat Management Response

Management welcomes the Mid-Term Review (MTR) of MTS2 and appreciates its attempt at analyzing a complex set of activities.

The MTR finds that MTS2 is firmly grounded in the Fund's mandate and international climate architecture, noting that it *has successfully maintained internal and external coherence aligning with the AF's pre-existing mandate, the Paris Agreement, and the SDGs*. The Review finds that MTS2 is deliberately iterative, building on lessons from MTS1 rather than pursuing disruptive change, which Management sees as a strength rather than as a weakness. The Review also documents significant portfolio expansion and responsiveness to the evolving global context, including record approvals and increased thematic grant activity. It highlights that *the Fund's portfolio under MTS2 shows steady growth, with the structural shift toward thematic grants reflecting strategic alignment* and recognizes the April 2025 approvals as evidence of the Fund's ability to respond to increased ambition and demand.

The Review repeatedly affirms the Fund's specific role within the adaptation finance landscape, emphasizing its accessibility, grant-based model, and relational approach. External stakeholders are described as *consistently identifying the Fund as more accessible than alternatives and distinctively focused on local-level engagement*, and the Fund's *personalized, partnership-oriented approach rather than purely transactional, top-down relationships* is highlighted as a genuine comparative advantage.

Taken together, these findings present a picture of a Fund that is strategically coherent, operationally proactive, and institutionally responsive, even as it navigates the growing complexity and ambition of the adaptation finance landscape.

The MTR also surfaces a set of structural tensions that sit at the core of the Adaptation Fund's operating model. Management broadly agrees with many findings, while noting that several of these tensions as identified in the review reflect deliberate trade-offs inherent to the Fund's mandate, scale, and governance arrangements. These tensions are not accidental; they are inherent in the Fund's model and the systems in which the Fund operates. These tensions were discussed with the evaluators and were partly addressed in the evaluation including the addition of these points in the introduction section, however, they were not systematically taken into account in the evaluation.

In particular, management recognizes the following core areas as reflected in its operational model and surfaced by this review. Management notes that these features are not accidental as the evaluation at times alludes, but are deliberate and purposeful:

- **Country-driven, bottom-up demand versus strategic portfolio shaping, operational clarity and accountability**
  The Fund's mandate prioritizes country ownership and country-led activities. This implies that the Fund Board or Secretariat does not *steer* the portfolio toward specific targets or directions, such as sectors or geographies – it enables access through opening funding windows but consistently maintains a country-driven approach. The MTR rightly notes this tension, but the management does not see this as a design flaw. An example of this, as the evaluation itself notes, is that MTS2 intentionally leaves key concepts (LLA, innovation, scaling) open to country interpretation to enable contextual relevance and inclusivity. This is not a feature that the Fund aims to rectify, as the evaluation suggests, despite the complexities of target setting or measurement that it may bring.

- **Strategic ambition versus institutional capacity**
  The Fund is proactively aiming to scale approvals, expand thematic windows, and respond to NCQG expectations, while operating with a lean Secretariat. The resulting strain is visible and reflects at times ambition outpacing capacity rather than weak strategic intent. The Fund's lean structure, agility is why as the evaluation notes, *the Fund is consistently identified as more accessible than alternatives.* Any growth to the Fund's secretariat will need to be balanced with the advantages of its lean structure.

- **Relational, personalized engagement versus scale and standardization**
  The AF's personal touch and accessibility are widely recognized strengths. At the same time, scaling volumes and complexity inevitably pressures these relational practices. The evaluation notes the Fund's *personalized, partnership-oriented approach.* The MTR assumes that standardization is inherently superior, which management disagrees with. Standardization is not always the appropriate and/or preferred path and the evaluation is not nuanced in its assessment of where such standardization will be detrimental, instead considering standardization superior to a customized approach.

- **Strong strategic framing versus weak institutional anchoring**
  The evaluation notes that the MTS2 strategy is widely referenced and broadly owned, yet formal accountability for monitoring and implementation is diffuse. This is not due to lack of commitment but reflects governance arrangements in which strategy oversight is distributed across Board committees and Secretariat functions rather than centralized. This is a deliberate model, not an oversight as the evaluation seems to allude. Management does not agree that the IP has not been utilized as an instrument for adaptive management, when in fact the IP is used annually to develop work plans and propose budgets.

Management notes that several findings and recommendations reflect such tensions rather than discrete gaps. Where recommendations point simultaneously toward greater strategic direction and preservation of flexibility, or toward increased monitoring alongside proportionality, management interprets these as contradictions in the analysis and as evidence of the Fund's dual identity: a strategic actor in a rapidly evolving global landscape and a country-driven fund that is responsive to contextual factors and realities.

Management does not view these tensions as anomalies to be resolved entirely within the remainder of MTS2. Instead, they constitute design questions that must be addressed explicitly and holistically in the transition to MTS3, informed by MTS2, and other strategic discussions. Management will therefore prioritize approaches that acknowledge and manage these tensions, rather than attempting to eliminate them.

Further, the evaluation mentions that detailed portfolio data requests were made by the evaluation team but this data was not forthcoming. Management is not clear what these data requests were and hence does not agree that data to support this evaluation was not forthcoming. Internal portfolio management data, including parts of the project performance reports, are considered confidential and cannot be shared with evaluators.

Lastly, the evaluation mentions that accreditation and review processes have constrained efficiency in accessing funding and scaling outcomes, with re-accreditation proving to be especially burdensome for NIEs with limited capacity. However, no evidence for this claim is provided in the evaluation.

Management is responding to the broad areas of recommendation provided by the evaluators and a few of the specific suggestions on how to implement the recommendations, keeping in mind that specific actions to address each recommendation will be considered and decided on strategic and pragmatic basis.

Recommendation	Management Response
Recommendation 1: The Adaptation Fund should clarify its strategic positioning for the remainder of MTS2 and under MTS3, basing this on portfolio performance, demonstrated areas of comparative advantage and accounting for the Fund's longer-term ambitions.	**Partially Agree** Management welcomes input to improving the implementation of MTS2, however, any changes will need to be commensurate with the time available in the remainder of MTS2 as the current strategy concludes in June 2027. Any substantive change in strategic positioning would require Board approval, which could only realistically be sought at the October 2026 Board meeting. This would leave a very limited implementation period before the start of MTS3, reducing feasibility and potential impact. However, relevant analytical work has already being carried out, including through the development of the Fund's case for investment and resource mobilization strategy. Moreover, interlinked strategies that are currently under development include the communications strategy, partnerships strategy, and knowledge strategy. This strategic work will use the lessons highlighted in this evaluation with regard to strategic positioning. Further work on strategic positioning will be comprehensively undertaken as part of the development of the MTS3, the process for which was recently launched at the AF staff team retreat.
Recommendation 2: Strengthen key aspects of data gathering and monitoring systems for better strategic management of the MTS2 and its Implementation Plan, by enhancing data analysis and quality assurance processes within the Board Secretariat's existing data and monitoring architecture to better support evidence-informed decision-making.	**Agree and ongoing** Management recognizes the importance of strong monitoring, data quality, and analytical systems to support strategic direction. Management is currently undertaking multiple parallel efforts to strengthen monitoring and data gathering within the existing architecture. These efforts include the development of portfolio dashboards, enhanced data validation and quality assurance processes, and updates to project performance reports and data collection systems aligned with the revised Strategic Results Framework. Moreover, the annual report to the board has been restructured

	and streamlined, and lessons from monitoring are shared with the EFC at every meeting. The revisions to the Strategic Results Framework have been designed to streamline information collection, reduce reporting burden, and enable more consistent aggregation and analysis at the portfolio level. Together, these measures aim to improve data reliability, usability, and analytical value to better inform management and Board level decision making. Management agrees that there are lessons to be learned on how to track progress under MTS2. Management commits to piloting the use of a dashboard to track progress under the remainder of MTS2 and to use lessons from this pilot to track progress under MTS3.
Recommendation 3: Maintain and strengthen evaluative and learning functions by scheduling relevant activities on a regular, timetabled basis to support adaptive management throughout MTS2 and under MTS3, and ensure alignment of evaluation workplans with the MTS cycle.	**Agree** With regard to strengthening learning and the uptake of evaluation recommendations, management considers the Management Action Tracking tool to be an appropriate mechanism. The Secretariat has begun using this tool in the current year to systematically monitor follow up on evaluation recommendations and related management actions, with the aim of strengthening adaptive management over time. Strategic synthesis of monitoring data and evaluation data from projects is already being carried out and Management finds the suggestion to do this every three, six and twelve months overly prescriptive and burdensome. However, management plans to continue periodic synthesis of lessons, at appropriate intervals.
Recommendation 4: Strengthen strategic management under the remainder of MTS2 and MTS3 by addressing specific challenges identified in the design and use of the IP during the current strategic period.	**Partially Agree** Management recognizes the importance of effective operationalization and tracking of strategic objectives through the Implementation Plan (IP). However, management finds the specific areas identified under this evaluation problematic (refer to section above). Management commits to using lessons learned to inform the design of operational planning tools under MTS3, including development of a tracking dashboard to periodically assess the progress towards goals.