

Adaptation Fund Board
Forty-Seventh Meeting
Bonn, Germany

Process for Preparing the third Medium-Term Strategy of the Adaptation Fund

Strategic Issues

- a) The effects of climate change continue to have a significant impact on vulnerable communities, making the need for adaptation and resilience even more urgent than ever.
- b) Climate financing, and especially financing for adaptation, has and continues to fall behind what is needed to meet the need for adaptation and resilience among communities.
- c) The second Medium-Term Strategy (MTS II) of the Adaptation Fund will conclude at the end of 2027 and the Fund finds itself in a context that is different from when the Board approved MTS II in October 2022.
- d) A new Medium-Term Strategy (MTS III) would enable the Adaptation Fund Board to identify its key priorities within the Fund's existing mandate and in the current context in which it operates, articulating a growth path for the Fund to meet a tripling ambition, stronger clarity on the Fund's value proposition in the current context, and sharpen its impact for all its stakeholders.

Purpose

This Board paper presents to the Board an outline of a process to develop the new MTS III, provisionally for the period 2028–2032, for consideration by the Board at its 47th meeting.

Recommended Decisions

1. The Adaptation Fund Board, having considered document AFB/B.47/6, decides:
 - a. To request the Secretariat to draft a third Medium-Term Strategy (MTS III), considering guidance received at the Board's 47th meeting, and undertaking structured consultations with the Adaptation Fund's key stakeholders in the process;
 - b. To establish a Board Task Force to provide guidance to the drafting of the MTS III, and to elect the following members to it:
 - i. [name]
 - ii. [name]
 - iii. [name]

- iv. [name];
- c. To request the Secretariat to present a draft MTS III for the Board's consideration at its 48th meeting.

Background

2. Established under the UNFCCC, the Adaptation Fund (the Fund) was set up to address a clear need among developing countries regarding climate adaptation. It finances concrete, country-driven adaptation action in vulnerable developing countries. Through Direct and Enhanced Direct Access, simplified processes, institutional capacity support and international governance, the Fund enables national and local institutions to deliver effective, innovative and locally led adaptation. The need for adaptation finance has not diminished; rather, it has increased drastically over the Fund's lifetime, including in recent years.¹
3. The current, second Medium-Term Strategy (2023–2027) of the Fund was developed following Decision B.37/38, building on the Fund's achievements and experience with implementing the first MTS, with the aim to further consolidate the Fund's comparative advantage and optimize its impact. The Fund continued its strategic focus on financing adaptation action, innovation and learning and sharing, while increasing the ambition under each of these strategic pillars, strengthening the linkage and synergies between them.²
4. Over the period, amidst rising demands for adaptation finance, the Fund saw record levels of approvals and pipeline generation demonstrating a consistent, strong upward trajectory in both scale and ambition among the Parties. Reflective of the ambition was the decision 1/CMA.6 by the Parties at COP29 to at least triple annual outflows from the funds under the UNFCCC, including the Adaptation Fund, from 2022 levels by 2030 at the latest (as part of the New collective quantified goal on climate finance (NCQG)), and the decision 1/CMA.7 by the Parties at COP30 to call for efforts to at least triple adaptation finance by 2035 (as part of the Global Mutirão: Uniting humanity in a global mobilization against climate change). The Board enacted an important decision to double the country caps to respond to the rapidly increasing demand, the window for Locally Led Adaptation was launched illustrating a deliberate further shift towards locally grounded action, and the Fund continued its work of preparing for the transition to the Paris Agreement.
5. Since the Board approved MTS II in 2022, there have been significant changes in the Adaptation Fund's operating environment. Alongside operational achievements, the period has unfolded against persistent structural challenges facing the Fund and the vulnerable countries it serves including but not limited to the broader difficulties surrounding constrained budgets for development and climate finance, the expected overshoot of the 1.5 C warming threshold in the next few years, and a rapidly increasing adaptation finance gap.³ Further developments – geopolitical, policy, technological, social and more – are poised to occur potentially at an accelerated rate, necessitating strategic positioning that builds on the Fund's proven strengths and ensures its continued relevance.
6. Against this backdrop, the Fund—guided by its Board—is attempting to navigate a new and challenging context. MTS III would serve the pivotal task of continuing assisting the most

¹ [The Adaptation Gap Report 2025 \(UNEP\)](#)

² [AF Medium-Term Strategy 2023-2027](#)

³ [Limiting Overshoot - Navigating exceedance of 1.5 C and pathways towards return \(UNEP\)](#)

vulnerable countries while charting a path toward more accessible, accountable, and effective adaptation finance.

Objectives and Scope of the MTS III

7. There is a multi-layered rationale for developing an MTS III for the Adaptation Fund beyond 2027, grounded in both structural transitions and operational momentum. A new Strategy could:
 - i. Establish how the Fund will scale its operations and resources to meet the NCQG call to at least triple annual outflows from 2022 levels by 2030 at the latest.
 - ii. Enable the Fund to respond at greater scale and with greater urgency to the rapidly growing adaptation needs and financing gap in developing countries.
 - iii. Guide an intensified response as the anticipated overshoot of the Paris Agreement's 1.5°C goal increases climate impacts, adaptation needs and pressure on vulnerable countries.
 - iv. Reposition the Fund following the decline of CDM revenues and capitalize on the emerging Article 6.4 mechanism and its mandated 5 per cent share of proceeds, among other sources, as a more predictable, demand-driven revenue source.
 - v. Provide institutional direction through the Fund's transition to the Paris Agreement, address legal and governance uncertainty, and safeguard its distinctive Direct Access modality and majority developing-country governance model.
 - vi. Convert record approvals, higher country caps and a project pipeline approaching US\$2 billion into sustainable growth by aligning resource mobilization, contributor engagement and strategic prioritization with the ambition to triple outflows by 2030.
 - vii. Sustain and deepen the Fund's alignment with countries' evolving Nationally Determined Contributions and National Adaptation Plans beyond the current 2023–2027 strategic period.
 - viii. Strengthen the Fund's strategic positioning and direction while building on proven strengths, enabling it to navigate emerging challenges and opportunities, and ensuring its continued relevance while remaining flexible enough to respond to changing circumstances over the strategy period.
8. The objective of MTS III (2028–2032) could potentially aim to scale urgent, country-driven adaptation finance and results—particularly for vulnerable communities—while charting a pathway to triple annual outflows from 2022 levels by 2030. Its scope could strengthen the Fund's comparative advantage across adaptation action, innovation, and learning; connect operational growth, resource mobilization, and country priorities; deepen locally led adaptation and Direct Access; align support with NDCs and NAPs; and guide the transition from CDM revenues to Article 6.4 financing, without reopening the Fund's mandate, access model, or governance structure.
9. Furthermore, MTS III could consider whether a sharper focus is warranted in selected areas of interest, emerging and persistent challenges, strategic approaches and modes of working. This could involve examining where greater prioritization, differentiation or innovation would enable the Fund to respond more effectively to evolving country needs, strengthen the quality and scale of results, and reinforce its distinctive contribution within the wider climate finance architecture. Possible areas for consideration could include the balance between depth and breadth of

support; approaches to reaching particularly vulnerable countries, communities and groups; the role of locally led adaptation and Direct Access; opportunities to strengthen complementarity and partnerships; and the use of innovation, knowledge and learning to inform more effective and scalable adaptation action. Any such focus should emerge from evidence, stakeholder consultations and Board guidance, rather than predetermine the outcome of the strategy-development process and should retain sufficient flexibility for the Fund to respond to changing circumstances over the strategy period.

10. The convergence of accelerating and increasingly complex climate risks, rapid technological change, and the Fund's expanding operational footprint makes it necessary to revisit how its strategic direction is set. More frequent and compounding impacts, widening adaptation finance needs, and evolving national priorities call for greater urgency, scale and flexibility, while advances in climate information, digital tools, data analytics and innovative finance create new opportunities—as well as risks relating to access, capacity, equity and climate justice. At the same time, the growth and diversification of the Fund's portfolio, implementing partners, financing windows and geographic reach increase both its potential influence and the complexity of delivering coherent, high-quality results. MTS III should therefore provide a forward-looking framework that enables the Fund to anticipate change, make deliberate choices about where it can add the greatest value, and align its resources, partnerships and operating model with its distinctive mandate and comparative advantages.
11. Key strategic questions that MTS III could be guided by and seek to respond to while considering changes and trends in the external environment could include:
 - i. What is the Fund's value proposition/key strength;
 - ii. What is the Fund's unique contribution within climate finance architecture;
 - iii. How should the Fund differentiate itself;
 - iv. How could the Fund maximize impact;
 - v. What does ambition look like at the Fund;
 - vi. What is the outlook for growth of the Fund.

Process and approach for developing the MTS III

12. Development of the new MTS would draw on robust evidence and analysis, including reviews of MTS II, Board decisions, evaluations, studies, annual reports, relevant climate finance analyses, CMA/CMP outcomes, and related policy and political developments. It would assess portfolio performance, operational efficiency, pipeline trends, funding allocations, results, and implementation lessons across the Fund's project, innovation, and readiness portfolios. It would also consider developments in the broader climate finance landscape and their implications for the Fund, including its influence on climate discourse, media coverage, and reputation.
13. Structured stakeholder consultations would gather perspectives on the Fund's future role, comparative advantages, priorities and strategic direction. Engagement would include Board members, Implementing Entities, recipient countries, contributors, relevant UNFCCC mechanisms, constituencies, civil society organizations, partner institutions, and multilateral climate funds. Opportunities for broader public consultation and written submissions could also be considered to strengthen the inclusiveness of the process.

14. The process would be coordinated by the Secretariat responsible for the analytical work, stakeholder engagement and preparation of outputs. A Board Task Force is proposed to provide strategic guidance, ensure Board ownership and receive periodic updates alongside relevant committees. Where appropriate, external consultants or facilitators could be engaged to support research, consultations, strategic analysis and drafting.

Deliverables and timeline

15. The proposed deliverables and timeline are as follows:

16. **Initial stage:** At its 47th Board meeting, launch the process of developing the MTS III and confirm the Board's guidance regarding the objectives, scope, and key strategic questions of MTS III (2028–2032), as well as establishing a Task Force of three Annex I and three non-Annex I members.

17. **Second stage:** Between the 47th and 48th meetings, develop a draft MTS III based on the MTR, MTS II experience, and stakeholder submissions, surveys, interviews and any other inputs.

18. **Third stage:** At its 48th Board meeting, the Board considers a draft MTS III (2028–2032).

19. The table below presents an overview of the proposed process and its timeline.

Timeline	Possible process	Responsible body
AFB.47 (Deliverable)	Launch of MTS III (2028-2032)	Board
AFB.47- AFB.48 Intersessional	Open and inclusive initial consultations on elements and options for MTS III (2028–2032) and preparation of a document	Secretariat (under guidance of the Board Task Force)
AFB.48 (Deliverable)	Consideration of draft MTS III	Board