



ADAPTATION FUND

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Adaptation Fund Board
Project and Programme Review Committee
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Agenda Item 17

**PROGRAMME ON INNOVATION: OPERATIONAL POLICY AND
GUIDANCE TO THE ADAPTATION FUND CLIMATE
INNOVATION ACCELERATOR (AFCIA) IMPLEMENTING
ENTITIES**

Introduction

1. This document presents the Adaptation Fund Programme on Innovation: Operational Policy and Guidance to Adaptation Fund Climate Innovation Accelerator (AFCIA) Implementing Entities, in line with the Medium-term Strategy (MTS II) 2023-2027 that was adopted by the Adaptation Fund Board (the Board) at its thirty-ninth meeting, and which calls to expand and encourage access to innovation grants, including by non-accredited actors, as per AFB/B.39/5/Rev.2.

2. The AFCIA was originally established according to the implementation plan of the first Medium-term Strategy (MTS) of the Adaptation Fund, covering the period 2018-2022, adopted by the Adaptation Fund Board (the Board) in its thirtieth meeting, which called for the implementation of the Multilateral Implementing Entity (MIE) small innovation grants' "aggregator". At this time, AFCIA comprises one of the main components of the Fund's Innovation Facility under the Fund's strategic pillar on Innovation.

3. At the thirty-second meeting of the Board, the secretariat presented document AFB/PPRC.23/5/Rev.1, Programme on Innovation: Selection of the Multilateral Implementing Entity to administer small grants projects, and the Board decided:

(a) To select and invite both the United Nations Development Programme and United Nations Environment Programme to serve as the multilateral implementing entity (MIE) aggregator(s) for small grants for innovation;

(b) To request the secretariat to prepare a joint announcement of the initiative in conjunction with the twenty-fourth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change;

(c) To request the secretariat to develop guidance to the MIE aggregators for preparing proposals for small grant programmes for innovation;

(d) To establish a task force that would advise the secretariat on the development of the guidance¹; and

(e) To invite the two MIE aggregators to prepare respective proposals for the consideration of the Board.

(Decision B.32/5)

¹ Although the AFB secretariat made an effort to constitute a Task Force, ultimately this was not feasible during the intersessional period between the thirty-second and thirty-third meetings of the Board.

4. The MIE aggregator was identified in the Implementation Plan of the first MTS (2018-2022) as a delivery mechanism through which small grants for innovation could be administered to the entities that are not accredited to the Fund. The “non-accredited entities” could include universities, research institutes, public agencies, civil society organizations, non-profit groups, local governments and small and medium-sized enterprises (including start-ups) in developing countries that are eligible to receive funding from the Adaptation Fund. The objective was to cast a wide net over the eligible vulnerable countries in order to competitively source opportunities for promoting locally-led innovation for adaptation in line with the desired results and themes and the Fund’s broader mission to support concrete adaptation action.

5. Subsequently, the programmes approved for implementation by the United Nations Development Programme (UNDP) and United Nations Environment Programme (UNEP) formed a partnership under the name of Adaptation Fund Climate Innovation Accelerator or AFCIA.

6. Under the first MTS, the Fund has successfully established the “Innovation Facility” with different types of grant modalities for developing and diffusing innovative adaptation practices, tools and technologies: large grants of up to US\$ 5 million for all IEs, small grants of up to US\$ 250,000 for National Implementing Entities (NIEs), along with the AFCIA administered by UNDP and UNEP. The funding windows have received significant response and a successful roll-out. With regards to AFCIA specifically, the Fund and partners have received clear signals to continue and build upon the programme^{2 3}.

7. The second Medium-term Strategy of the Fund confirms the continuation and expansion of the Innovation Facility, including expanding and encouraging access to innovation grants, including by non-accredited entities. It further affirmed the following:

- Supporting innovation projects and programmes that encourage multi-stakeholder partnerships by including e.g., young people, women, people with disabilities, researchers, civil society, indigenous people and the private sector;
- Exploring further opportunities and modalities that can create space for innovation and risk-taking;
- Supporting capacity-building and readiness for innovation to increase countries’ and entities’ awareness and capacity for developing and implementing innovation projects, including for target groups such as women and young people, and NIEs;
- Enhancing learning and sharing of knowledge on innovation in adaptation;
- Exploring alignment and synergies with UNFCCC technology framework (incl. Technology Needs Assessments and Technology Action Plans);
- Exploring and creating new partnerships for innovation in adaptation.

8. In line with the MTS II, and following the consultation with the members of the Innovation Task Force, the secretariat has issued a Call for Expression of Interest with a view of the

² Decision -/CMP.17: Fourth review of the Adaptation Fund and Decision 15/CMA.3: Enhancing climate technology development and transfer to support implementation of the Paris Agreement

³ Document AFB/EFC.30/10: Thematic Evaluation of the Adaptation Fund’s Experience with Innovation (AF-TERG)

continuation and expansion of AFCIA to include additional multilateral and regional implementing entities (IEs) with capacity to administer small innovation grants in vulnerable regions and in relevant sectors.⁴ This document provides the operational policy and guidelines to serve the implementing entities (IEs) selected to submit applications for AFCIA programmes.

Objectives

9. The objective of the innovation pillar under the second MTS is that the modalities for funding the development and diffusion of innovative adaptation practices, tools and technologies are expanded, risk-taking encouraged, and linkages to learning strengthened.

10. The MTS II also outlines the following expected results for innovation:

- a) New innovations and risk-taking encouraged and accelerated: Development of innovative adaptation practices, tools and technologies encouraged and accelerated, including solutions with high impact potential even if it comes with a higher risk of failure;
- b) Successful innovations replicated and scaled up: Innovative adaptation practices, tools and technologies that have demonstrated success in one country spread to new countries/regions or are scaled up from smaller to larger scales;
- c) Access and capacities enhanced for designing and implementing innovation: Access and capacities enhanced, knowledge generated, and awareness raised, for implementing entities and non-accredited actors to design and implement innovative adaptation solutions;
- d) Evidence base generated and shared (linkage with learning and sharing pillar): evidence on the conditions that lead to successful innovation generated and shared, and partnerships, iteration, learning and adaptive management encouraged; and evidence of effective, efficient adaptation practices, products and technologies generated as a basis for implementing entities and other funds to assess scaling up.

11. An IE that accepts the invitation of the Board to submit a proposal to join the AFCIA partnership is expected to prepare, for the consideration by the Board, a programme proposal, using one-step process, that will elaborate on the design and implementation arrangements for the approach that will enable the administration of the small grants for innovation. Previously, in line with the document AFB/PPRC.23/5/Rev.1 approved by the Board at its thirty-second meeting, such proposals were rereviewed against the criteria for fully-developed regional project or programme proposals, with some modifications.

12. The current document proposes an approach that builds upon the previously employed process, described in Document AFB/PPRC.24/4, *Guidelines for MIE Aggregators*, including review criteria. It has been further modified in line with the more recent developments, namely the

⁴ Document AFB/B.40/5 "Draft implementation plan for the Medium-Term Strategy of the Fund for the period 2023 to 2027" proposes a funding envelope of \$100 M for two funding rounds of AFCIA during the 2023-2027 period.

launch and operationalization of the Large Innovation Programme modality, as per Document AFB/PPRC.26.b/16, and the adoption MTS II.

Review Criteria

13. The following review criteria will be employed in reviewing the AFCIA IE proposals. Those include:

(a) Country Eligibility: Does the proposal include a mechanism that will ensure that the participating countries are party to the Paris Agreement and/or the Kyoto Protocol?

(b) Country Eligibility: Does the proposal describe how the IE will involve the participation of developing countries particularly vulnerable to the adverse effects of climate change? Does it specify countries, a region, or two or more regions?

(c) Programme Eligibility: Does the proposal describe how the IE plans to secure governments' endorsements of the initiative?

(d) Programme Eligibility: Encouraging and accelerating innovation: Does the programme contribute meaningfully to the Expected Results under the Innovation Pillar:

- i. New innovations and risk-taking encouraged and accelerated*
- ii. Successful innovations replicated and scaled up*
- iii. Access and capacities enhanced for designing and implementing innovation*
- iv. Evidence base generated and shared*

(e) Programme Eligibility: Does the proposal describe how it will source innovation small grant proposals, and screen them for the potential to support concrete adaptation actions to assist the participating countries in addressing the adverse effects of climate change and build in climate resilience?

(f) Programme Eligibility: Does the proposal describe how it will screen innovation small grant proposals for their potential to provide economic, social and environmental benefits, particularly to vulnerable communities, including gender considerations, while avoiding or mitigating negative impacts, in compliance with the Environmental and Social Policy of the Fund?

(g) Programme Eligibility: Is the programme cost-effective and does the regional or multi-regional approach support cost-effectiveness?

(h) Programme Eligibility: Does the proposal describe how it will screen innovation small grant proposals for consistency with national or sub-national sustainable development strategies, adaptation planning processes, national or sub-national development plans, poverty reduction strategies, national communications and adaptation programs of action, national adaptation plans (NAPs), nationally

determined contributions (NDCs), adaptation communications, and other voluntary adaptation reports, where they exist, as well as with the UNFCCC technology framework, and other relevant instruments?

(i) Programme Eligibility: Does the proposal describe how it will screen innovation small grant proposals for meeting the relevant national technical standards, where applicable, in compliance with the Environmental and Social Policy of the Fund?

(j) Programme Eligibility: Is there duplication of programme with other funding sources?

(k) Programme Eligibility: Does the programme have a learning and knowledge management system to capture and disseminate evidence, particularly of effective, efficient adaptation practices, products or technologies generated, as a basis for potential scaling up?

(l) Programme Eligibility: What consultative process will take place, and how will it involve all key stakeholders, and vulnerable groups, including gender considerations?

(m) Programme Eligibility: Is the programme aligned with AF's results framework?

(n) Programme Eligibility: Has the sustainability of the programme outcomes been taken into account when designing the programme, including in the screening of the innovation small grants projects? Does the programme include pathways to scale up successful small grants projects?

(o) Programme Eligibility: Does the programme provide an overview of environmental and social impacts/risks identified?

(p) Resource Availability: Is the requested programme funding within the funding provisioned by the Board for this initiative?

(q) Resource Availability: Are the administrative costs (Implementing Entity Management Fee and Programme Execution Costs) at or below 20 per cent of the total programme budget?

(r) Resource Availability: Is the programme submitted through an eligible Multilateral or Regional Implementing Entity that has been accredited by the Board? Is the programme submitted by an entity that has been invited by the Board to do so?

(s) Eligibility of the Implementing Entity: Is there adequate arrangement for programme management at the multi-regional/regional and national level, including coordination arrangements within countries and among them? Has the potential to partner with national institutions, and when possible, national implementing entities (NIEs), been considered, and included in the management arrangements?

(t) *Implementation Arrangements*: Are there measures for financial and project/programme risk management?

(u) *Implementation Arrangements*: Are there measures in place for the management of environmental and social risks, in line with the Environmental and Social Policy of the Fund?

(v) *Implementation Arrangements*: Is a budget on the Implementing Entity Management Fee use included?

(w) *Is an explanation and a breakdown of the execution costs included?*

(x) *Implementation Arrangements*: Is a detailed budget including budget notes included?

(y) *Implementation Arrangements*: Are arrangements for monitoring and evaluation clearly defined, including budgeted M&E plans and sex-disaggregated data, targets and indicators?

(z) *Implementation Arrangements*: Does the M&E Framework include a break-down of how implementing entity IE fees will be utilized in the supervision of the M&E function?

(aa) *Implementation Arrangements*: Does the programme's results framework align with the AF's results framework? Does it include at least one core outcome indicator from the Fund's results framework?

(bb) *Implementation Arrangements*: Is a disbursement schedule with time-bound milestones included?

Additional Guidance

14. *Adaptation innovation sectors*. The programme can have a thematic focus or foci, such as the following (i.e. this is not an exhaustive list):

- i. *Agriculture and food security*
- ii. *Disaster risk reduction and early warning systems*
- iii. *Forests and land use management*
- iv. *Human health*, including maternal and child health and welfare etc.
- v. *Innovative adaptation financing*
- vi. *Local traditional ecological knowledge solutions*, including harnessing or revival of indigenous, traditional solutions
- vii. *Marine, fisheries, and oceans adaptation*
- viii. *Nature-based solutions*, including ones that are biodiversity-supporting, in various settings (e.g. urban, peri-urban and non-urbanized)

- ix. *Urban adaptation*
- x. *Water management*

15. *Country-drivenness*. No letters of endorsement are needed for the proposals that will be submitted to the Board. However, evidence of country-drivenness should be provided at a later stage. The letter of endorsement could be requested, for instance, following a call for expressions of interest for countries to participate in the provision of small grants opportunities. The AFCIA IEs should provide copies of such letters in the reports to the secretariat (cf. the section on reporting arrangements below).

16. *Eligibility*. Developing countries vulnerable to climate change which are Parties to the Paris Agreement and/or Kyoto Protocol will be eligible.

17. *Programme Design*. The programme will administer small grants which should not exceed US\$ 250,000. The proposal should provide details on the planned outreach effort and sourcing of innovation proposals, such that it would be ensured that innovation would not be restricted, and that the initiative would allow for various types of innovation (technologies, techniques, innovative finance for adaptation, practices, mechanisms and other.) Innovation may include the involvement of new or non-conventional stakeholders in the innovation process and/or the project develops incorporate new ideas “ways of doing things”, create or enhance social relationships or form new collaborations/ partnerships to address the adaptation challenge etc. (i.e. social innovation.) The proposals should include details on the process for awarding small grants, such as the approach, criteria, and timeline. Details on the proposed monitoring and evaluation arrangements of the small grants, results management, and, very importantly, the learning and sharing aspect of the programme. Provision of technical assistance should also be detailed in the design.

18. *Co-financing*. Neither the programme as a whole, nor the individual small grant projects will be required to provide co-financing, in line with the Fund’s mandate to finance the full cost of adaptation. However, co-financing would generally be considered a positive addition to the initiative, including top-ups of the programme.

19. *Sustainability of outcomes and scaling up*. The programme should include, in its design, pathways for scaling up, i.e. the process by which successful or promising innovations will be directed towards replication and/or scaling up, including for Adaptation Fund’s financing window *Large Innovation Projects/Programmes* for the exceptionally promising small grants.

20. *Knowledge Management and Learning*. The learning and sharing knowledge management mechanism developed should be useful, accessible, sustainable, and, to the extent possible, minimize inefficiencies and duplication. The AFCIA MIEs and RIEs are expected to coordinate closely to help bring about the optimal solution that would best serve the eligible recipient countries’ innovation-for-adaptation knowledge needs.

21. *Implementing and Executing Fees*. As per Document AFB/B.25/6/Rev.2, regional project and programme proposals are allowed a higher and more flexible maximum level for administration costs, to help ensure regional cooperation, and, as such, the maximum level for the implementing entity management fee. For regional projects/programmes, the administrative costs (Implementing Entity Management Fee and Project/ Programme Execution Costs) at or below 10 per cent of the project/programme for implementing entity (IE) fees and at or below 10 per cent of the project/programme cost for the execution. In case the IE is serving as EE, which is acceptable

only under exceptional circumstances and must be well-justified, the execution cost should be limit to 1.5% of the part of the project/programme executed by the implementing entity. If the actual execution costs of the IE exceed the 1.5% cap a justification should be provided. As with regional projects and programmes, proposals for AFCIA programmes need to provide budgets for these two categories.

22. Environmental and Social Policy and Gender Policy Compliance. The safeguard policies of the Fund will apply to the programmes. The small grant can be considered unidentified sub-projects (USP) and, as such, the Fund policies regarding USPs, namely as per the “Guidance document for Implementing Entities on compliance with the Adaptation Fund Environmental and Social Policy” and “Updated Guidance for Implementing Entities on the Use of Unidentified Sub-Projects” (Document AFB/PPRC.30/54) will apply. This includes, for example, that, “for projects/programmes with activities/sub-projects unidentified at the time of submitting a proposal for funding, the IE will develop an Environmental and Social Management System (ESMS) for the project/programme and describe it with details in the proposal. In such cases, the project/programme ESMS will contain a process for identifying environmental and social risks for the unidentified activities/sub-projects and, when needed, the development of commensurate environmental and social management elements that will complement and be integrated in the overall ESMP. The project/programme ESMS will specify any other related procedures, roles, and responsibilities.”

23. Reporting arrangements. The proposed reporting arrangements should also include the provision of evidence of country-drivenness (i.e. Letters of Endorsement) at the specified earliest milestone during the implementation of the programme.

24. Duration of the programme. The duration of the programme should be up to five years.

25. Proposal Structure. The proposal will follow the structure used for the regional innovation projects and programmes.

Coordination Services

26. The AFCIA partnership can be envisaged as consisting of a number of IEs who are implementing small grant innovation programmes, financed by the Fund, with the common mission that is in line with the four strategic-level expected results under the Innovation Pillar of the Fund’s MTS II. The implementation of programmes by partner IEs should be coordinated in such a way that it leverages strengths of each IE as well as synergies from the partnership. In addition to contributing to the mission of the AFCIA, the IEs share the responsibility for the image of the AFCIA.

27. It is foreseen that there may be need for at a minimum a “light-touch” coordination of the partnership. If coordination services are to be provided by one IE, it would be towards ensuring that there would be regular opportunities for information exchange, planning, and any coordination needed; providing a common platform for the submission process; providing a common platform for KM system(s), building on and integrating the AFCIA results/outputs so far; cooperation on

matters such as regional coverage, timing of calls for proposals, provision of technical assistance, trainings, events, communications, and any other matters of relevance.

Recommendation

1. The PPRC may want to consider document AFB/PPRC.31/59 and recommend to the Board:
 - (a) To approve the Document AFB/PPRC.31/59 as a basis for implementing entit[y][es] to, upon invitation by the Board, prepare [its][their] programme proposal.