



## ADAPTATION FUND

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Adaptation Fund Board  
Project and Programme Review Committee  
Forty-second Meeting  
Bonn, Germany

Agenda Item 21

### **ANALYSIS OF THE CURRENT NEEDS FOR EXTERNAL SUPPORT FOR ADVISORY SERVICES FOR INNOVATION AND OPTIONS FOR SUPPORT**

## List of Acronyms

<b>AFB</b>	Adaptation Fund Board
<b>AFCIA</b>	Adaptation Fund Climate Innovation Accelerator Partnership
<b>AF-TERG</b>	The Technical Reference Group of the Adaptation Fund
<b>CPDAE</b>	The Community of Practice for Direct Access Entities
<b>EFC</b>	Ethics and Finance Committee
<b>EO</b>	Expected Output
<b>ER</b>	Expected Result
<b>GCF</b>	Green Climate Fund
<b>IP</b>	Implementation Plan
<b>ITF</b>	Innovation Task Force
<b>KM</b>	Knowledge Management
<b>MTS</b>	Medium-term Strategy
<b>PPRC</b>	Project and Programme Review Committee
<b>RBM</b>	Results Based Management
<b>SRF</b>	Strategic Results Framework
<b>STC</b>	Short Term Consultancy
<b>TAG</b>	Technical Advisory Group
<b>TEC</b>	Technical Executive Committee
<b>WBG</b>	World Bank Group

## I Introduction

1. This document “Analysis of the current needs for external support for advisory services for innovation and options for support”, AFB/PPRC.33/X, has been prepared for consideration by the Project and Program Review Committee (PPRC), following discussions held on paper “Terms of reference for the establishment of the Adaptation Fund Technical Advisory Body for Innovation” (AFB/PPRC.32/24), during the thirty-third meeting of the PPRC and the subsequent Adaptation Fund Board (the Board) decision B.41/22. Specifically, the Board decided to:

*(a) Request the secretariat, in consultation with the Innovation Task Force, to undertake an analysis of the current needs for external support for advisory services for innovation, taking into account the developments and progress under the medium-term strategy (MTS II) and its implementation plan;*

*(b) Request the secretariat to present options for supporting any such needs, as identified in paragraph (a) above, including potential budget implications and governance arrangements;*

*(c) Report the findings from (a) and (b) above to the PPRC at its thirty-third meeting.*

*Decision B.41/22*

2. The document builds on the Fund's Implementation Plan for MTS II, and previous work presented to the PPRC, specifically:
  - i. Innovation Pillar, Implementation Plan for Medium-term Strategy of the Fund for the period 2023 to 2027 (AFB/B.40/5/Rev.1);
  - ii. Further analysis on elements related to innovation: mapping finance for innovation, risk appetite, and options for the innovation advisory body (AFB/B.39/10).
  - iii. Thematic evaluation of the Adaptation Fund's experience with innovation conducted by the Technical Evaluation Reference Group (TERG) of the Adaptation Fund (AFB/EFC.30/10);
  - iv. Updated management response and action plan – thematic evaluation of the Adaptation Fund's experience with innovation conducted by the Technical Evaluation Reference Group (TERG) of the Adaptation Fund (AFB/EFC.31/6);

## II. Background

3. The Board at its thirtieth meeting adopted its first Medium-Term Strategy (MTS) in order to guide the work for the Adaptation Fund (the Fund) from 2018 until 2022. MTS outlined three pillars of work: Action, Innovation, and Learning and Sharing. The Fund has embarked on its second strategic period based on a new Medium-Term Strategy for 2023-2027 (MTS II), in which the innovation pillar has been strengthened in order to support the development and diffusion of innovative adaptation practices, tools, and technologies.

4. The Innovation Facility under the Fund's innovation pillar was approved at the thirty-first meeting of the Board as part of the Implementation Plan of the MTS (Decision B.31/32). The Facility offers small and large grants through three different windows. It builds on the Fund's core strengths and comparative advantage as a highly functioning and innovative fund established to finance concrete adaptation projects in developing countries that are particularly vulnerable to climate change.

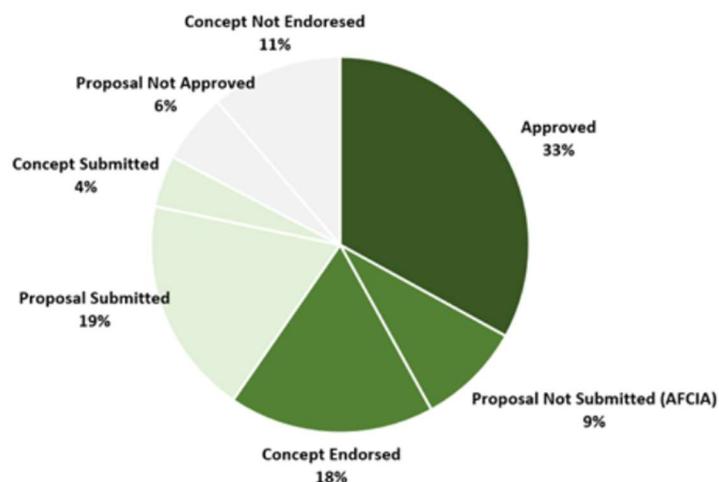
5. Since the launch of MTS II, new strategic developments have been seen such as the new Expected Results established under the Innovation Pillar including i. New innovations and risk-taking encouraged and accelerated; ii. Successful innovations replicated and scaled up; iii. Access and capacities enhanced for designing and implementing innovation; iv. Evidence base generated and shared. Other notable developments and progress under the MTS II and its implementation also include the expansion of the Adaptation Fund Climate Innovation Accelerator (AFCIA) Partnership.

6. Subsequent to the approval of the Implementation Plan of the first MTS, the three windows under the Innovation Facility were operationalized and launched, first of which was the Small Grants for Innovation funding window, followed by the multilateral implementing entity aggregator, and, lastly, Large Innovation Projects' funding window.

7. Since their operationalization, the three windows have all received submissions at a steady and growing pace, and for all the windows there are projects that have achieved proposal approval stage. Figure 1 displays a list of all the innovation submissions received; at this time, about a third of those submissions have been approved. This indicates a progression that is increasingly reaching the anticipated milestones set at the beginning of the establishment of the Innovation Pillar.

8. In parallel, further significant policy developments under the Innovation Pillar have taken place, supporting and enhancing the operationalization of the funding windows, such as “Further clarification of vision and definition of innovation under the Adaptation Fund: Analysis of relevant elements and guidance on review criteria” (AFB/B.36/8), and, “Further analysis on elements related to innovation: Mapping finance for innovation, risk appetite, and options for the innovation advisory body” (AFB/B.39/10).

Figure 1: Innovation Portfolio 2023 (Total USD112M)



*\*\* Proposal Not Submitted" refers to specific proposals within the AFCIA Programme invited by the Board that have not yet been submitted (Decision B.40/57)*

9. Notably, at its thirty-fifth meeting, the Board decided to request the secretariat to establish the Innovation Task Force (ITF) composed of Board members to guide the Fund’s work on innovation (Decision B.35.b/9), and then at the thirty-sixth meeting, the Board requested the secretariat to develop “[a] proposal on the piloting of the establishment of an advisory body to support the Adaptation Fund’s work on innovation on an on-going basis” (Decision B.36/39).

10. Furthermore, the TERG carried out and presented at the thirty-ninth meeting of the Board the “Thematic evaluation of the Adaptation Fund’s experience with innovation conducted by the Technical Evaluation Reference Group (TERG) of the Adaptation Fund” (AFB/EFC.30/10).

11. This document was followed by an accompanying document AFB/EFC.31/6, *Updated management response and action plan – Thematic Evaluation of the Adaptation Fund’s experience with innovation* conducted by the Technical Evaluation Reference Group of the Adaptation Fund”. The action plan contains several concrete areas where the Fund is seeking to improve its approach.

12. Meanwhile, the secretariat coordinated a process of several consultations with the Innovation Task Force of the Board as well as the TERG, which eventually resulted in the draft Terms of Reference for the Innovation Task Force.

13. On the basis of all the developments that had taken place since the first discussion on the advisory body for innovation, the Board adopted the Decision B.41/22 “to undertake an analysis of the current needs for external support for advisory services for innovation.”

### **III. Vision for the Innovation Pillar in MTS-II**

14. According to the MTS-II, “the Adaptation Fund will fund innovative practices that demonstrate potential to help the most vulnerable communities adapt to the impacts of climate change through its innovation facility and through other modalities. It will fund a broad range of projects and programmes underpinned by a strong innovation rationale, thus creating a portfolio of diverse and locally appropriate innovation projects and programmes. It will support projects and programmes that encourage multi-stakeholder partnerships by including e.g., youth, women, disabled people, researchers, civil society, and the private sector. It will support rolling out and scaling up successful innovations, encourage and accelerate new adaptation practices, tools, and technologies, and generate evidence on the conditions that lead to successful innovation. It will encourage, as part of an innovation approach partnerships, iteration, learning and adaptive management.” Representing a continuation and expansion of the innovation pillar that was launched and developed during the MTS 2018-2022 period, the MTS-II outlines the delivery model and the main activities for the Fund under this strategic pillar. They are as follows:

- Support innovation projects and programmes with the aim of unlocking higher-risk, higher-reward opportunities in adaptation.
- Support innovation in line with UNFCCC mission and drawing upon resources and processes that can support the Fund’s effectiveness in this area (such as through alignment and synergies with UNFCCC technology framework incl. Technology Needs Assessments and Technology Action Plans).
- Expanding and encouraging access to innovation grants, including by non-accredited actors.
- Exploring further opportunities and modalities that can create space for innovation and risk-taking.
- Explore options to mobilize additional finance towards climate change adaptation and in support of social innovators and entrepreneurs, in line with the efforts underway to explore optional co-financing to enable scaling up. (This could include the establishment or use of additional innovative financial instruments to enable blended-financed arrangements.)
- Support innovation projects and programmes that involve new and non-conventional actors, underserved areas and beneficiaries, or emerging themes.
- Seek to support and involve innovation ecosystems<sup>11</sup>, globally and at country level by embedding elements towards this in both executing the Innovation Facility, and in the project design and implementation.

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<sup>11</sup> According to the International Development Innovation Alliance (IDIA), a favorable innovation ecosystem supports productive relationships between different actors and other parts of an ecosystem. It comprises enabling policies and regulations, accessibility of finance, informed human capital, supportive research markets, energy, transport and communications infrastructure, a culture supportive of innovation and entrepreneurship (IDIA, 2021). (AFB/B.39/10)

- Seek and explore partnerships with the possibility to provide support particularly in terms of technical assistance for Fund’s innovation projects/programmes.
- Support 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, youth, indigenous people and NIEs.

#### **IV. Needs assessment – findings**

15. The analysis that follows is based on documents referenced under paragraph 2 above and focuses on how the remaining gaps of implementing the vision under the innovation pillar under MTS III as outlined in para 14 could be filled, bearing in mind budget implications and governance arrangements.

#### **A. Innovation Pillar, Implementation Plan for Medium-term Strategy of the Fund for the period 2023 to 2027 (AFB/B.40/5/Rev.1):**

16. Table 1 below presents the items under the Innovation Pillar in the MTS II IP that were assessed to be in need for external support for advisory services for innovation, where internal capacity constraints were identified, to deliver the activities needed for the achievement of expected results.

17. An overview of all items that were assessed and evaluated under the Innovation Pillar in the *MTS-II Implementation Plan* is presented in Annex I.

*Table 1: Gaps identified to enable the fulfillment under the Innovation Pillar in the MTS II Implementation Plan*

<b>Item</b>	<b>Where a gap/need has been identified in the MTS II IP under Innovation Pillar</b>	<b>Comment (See Annex I for more details)</b>
<b>1.</b>	<p>Expected Result (ER) 2: “Successful innovations replicated and scaled up”</p> <p>Output indicator 1.1.1: <i>Number of innovation projects monitored applying pilot innovations indicators</i></p> <p>Output indicator 1.1.2: <i>Innovation specific updates to the Strategic Results Framework, Results Tracker, Core Indicators and PPR Template proposed and approved.</i></p>	<p>A more encompassing review of how the SRF should reflect the work under the Innovation Pillar (based on more evidence generated in the portfolio) could be prepared for and launched in midterm of MTS II once the innovation indicators have been piloted. This would entail updates to SRF that are specific to innovation, Results Tracker, Core Indicators and PPR Template etc.</p> <p>External support is deemed to be needed, including specific expertise in innovation results frameworks and indicators (ideally embedded within a broader corporate results framework)</p>
<b>2.</b>	<p>ER 2: “Successful innovations replicated and scaled up”,</p> <p>Output indicator 2.2.1: Assessment of a Scale up approach completed</p> <p>Output indicator 2.2.2: Assessment of co-financing and/or blended finance instruments for innovation scaling up completed.</p>	<p>The need for conceptualization and operationalization of any potential future recommendation of co-financing and/or blended finance and scale up approach into the innovation funding windows (pending Board’s decision, particularly in the context of the Full Cost of Adaptation discussion) are deemed to be in need of external support and expertise.</p>
<b>3.</b>	<p>ER 3: “Access and capacities enhanced for designing and implementing innovation”</p> <p>Expected Output (EO) 3: “Closer involvement of national innovation ecosystems”.</p>	<p>There is a need for external support to promote innovation ecosystem focus. This also coincides with the need of a more thorough review and update of the Innovation Pillar’s integration into SRF mid-term (beyond the most recent review).</p>

	Activity 3.1: "Options for elements of innovation ecosystem role in Innovation Facility and in the project design and implementation".	
4.	<p>ER 4: Evidence base generated and shared (linkage with learning and sharing pillar).</p> <p>EO 2: Enhance learning and sharing of knowledge on innovation in adaptation</p> <p>EO 3: Enhance linkages and synergies between innovation, learning and sharing and project scale up</p>	<p>The secretariat, across teams supporting different pillars, is exploring how AF could serve its mission and clients better through the enhancement of internal processes and digital interfaces and solutions that more efficiently and interactively could serve AF's beneficiaries/clients and partners on various levels.</p> <p>External support is needed to assess the internal and external needs to serve the nexus of Innovation, KM/Learning &amp; Sharing and Communication &amp; IT, and Action most efficiently and strategically.</p>

**B. "Areas of work" as proposed in the document *Further analysis on elements related to innovation: mapping finance for innovation, risk appetite, and options for the innovation advisory body (AFB/B.39/10)***

18. Below are the findings of an ex-ante assessment of the "Areas of Work" which are depicted and proposed in document AFB/B.39/10. The proposed areas of work are the outcome of the assessment and analytical work undertaken in document AFB/B.39/10 including the examples of three other organizations with advisory boards or panels as benchmarks, as well as the outcomes of several Innovation Task Force workshops and consultations.

19. The potential mandate and set of goals that these "Areas of Work" outlined were seen as a relevant starting point in discussing and evaluating the current and future needs of the Adaptation Fund's innovation work from an operative and strategic perspective, irrespective of what in the end would be the most fitting form and means of carrying out these mandates and set of goals in terms of expertise and governance.

20. Only those identified items under the proposed "Areas of Work" that were deemed to face internal capacity constraints for its continuous work and fulfillment are presented in Table 2 below. An overview of all items that were assessed and evaluated under the proposed areas of work is presented in Annex II.

*Table 2: Gaps identified to enable the fulfillment of "Areas of Work"*

Item	Area of Work	Comment (See Annex II for more details)
	<b>Technical – Innovation, Strategy, Project reviews &amp; Operational strengthening</b>	
5.	<b>Direction:</b> Providing expert guidance in the implementation of the innovation pillar of the MTS, design, and balance of the portfolio of projects, including suggestions for future strategic directions.	There are some promising developments, but a significant gap still remains in this domain at this time.
6.	<b>Processes:</b> Seek to improve the effectiveness of operations and processes to encourage and support more innovation projects, including the design funding windows	While improvements have been made, further improvements will likely require external support.
	<b>External - External Engagement &amp; Alignment, Project Pipeline Development &amp; Horizon Scanning</b>	

7.	<b>Project Pipeline:</b> Attracting more diverse and higher quality projects through engagement with Implementing Entities & supporting organizations, in collaboration with the Readiness team.	Collaboration with the Readiness team on building innovation capacity is ongoing, along with external partnership, with a focus on supporting innovative ecosystems, however, this is an area with untapped potential and much more work remains.
8.	<b>Visibility:</b> Help to increase the visibility of the innovation work with international stakeholders and partners.	The identified gap in the area originates from the assessed need to 1) attract clients/potential clients, 2) attract partners and articulate partnership mechanisms, with financiers who can scale up promising initiatives further and other actors in the innovation space.
9.	<b>Complementarity &amp; Coherence:</b> Help to ensure alignment with the UNFCCC and other international climate funds to maximize effectiveness.	External coordination support would likely be required to facilitate complementarity and coherence on innovation in adaptation among the Climate Funds. However, this would also depend on the willingness of the other funds to prioritize this initiative.

***C. Thematic evaluation of the Adaptation Fund's experience with innovation conducted by the Technical Evaluation Reference Group (TERG) of the Adaptation Fund (AFB/EFC.30/10); and Updated management response and action plan (AFB/EFC.31/6)***

21. The assessments under sections A, in particular, and B above were the primary means of determining outstanding gaps that would have been relevant in deciding whether additional, external resources (including but not limited to forming an advisory body) are needed *currently or in the medium term*, i.e., for the MTS-II period. In addition, an assessment of the Thematic Evaluation and the subsequent updated management response and action plan was also considered.

22. As a background, the Thematic Evaluation was prepared in time to reflect the relevant findings into the MTS-II and Innovation Pillar's Implementation Plan. Therefore, the analysis of gaps and needs in section A above automatically addresses many of the items that were identified by examining the Thematic Evaluation and the Management Response. However, the Thematic evaluation and the Updated Management Response provide additional detail to a number of items listed under MTS II and the IP, that have been identified, through our analysis of the MTS-II and IP, as potential gaps. The complementing information on such items is therefore presented in Annex III, as it could be deemed relevant and supportive in the work of achieving the Implementation Plan under the Innovation Pillar.

23. While all recommendations under the Thematic Evaluation were assessed, only the identified items that were deemed relevant (insofar that they provide additional insights of interest, beyond what was already found through the assessment of the MTS-II & IP) are presented in Annex III.

**V. Assessment of options for external support, potential budget implications and governance arrangements**

24. Below follows an assessment and discussion of suitable options for external support based on gaps identified under the above Section III *Needs assessment – findings*. Table 3



displays a consolidated list of items from tables 1 and 2, along with proposed options for external support, potential budget implications and governance arrangements. The proposed options were determined based on previous experience of engagement of external support and considered fitness-for-purpose, administrative efficiency, and flexibility.

25. The budgetary implications were estimated based on previous and current budget items and anticipated effort required for any given item from the table below. Accordingly, governance implications were deduced based on the type of contract or relationship with the provider of the proposed option.

*Table 3: Proposed options for external support, potential budget implications and governance arrangements.\**

Item	Description	Options for external support	Budgetary implication (for MTS-II)	Governance arrangements	Comment
1.	Update of Strategic Results Framework mid-term MTS-II based on the piloting innovation indicators and more evidence under the Innovation Pillar.	Individual consultant	\$5-10 K	Standard reporting arrangement for consultants, as per WBG rules.	The hiring of an individual consultant with RBM expertise may need to be complemented by an innovation expert with RBM expertise to carry out the work.
2.	Scale-up approach and co-finance for adaptation innovation.	STC/Firm	\$15 -20 K	Standard reporting arrangement for consultants/firms, as per WBG rules.	Specialized expertise is anticipated to be needed.
3.	Support to country innovation ecosystems.	Partnership arrangements, STC	\$10 K	Depending on the partnership arrangement, standard reporting arrangement for consultants, as per WBG rules.	The need is seen as extensive given the perceived lack of capacity at country level to developed projects that helps support and develop the national systems of innovation, particularly for adaptation. Various ways of satisfying the current gap will be explored.
4.	Strengthening the <b>linkages and synergies</b> between <b>innovation, learning and sharing</b> .	Firm/STC	\$40-50 K	Standard reporting arrangement for consultants, as per WBG rules.	Specialized expertise to respond to some of needs in this Nexus area.  <u>Note:</u> The amount represents a one-time intervention expense.
5	<b>Direction:</b> Providing expert guidance in the implementation of the innovation pillar of the MTS-II.	Technical Advisory Group (TAG)	\$10 K	TAGs are normally gatherings of experts, on a voluntary basis and do not entail a contract or reimbursement. As a relatively light structure, there is no formalized governance arrangement. The Secretariat would present the recommendations/advice from the TAG to the PPRC.	A “brain trust” like constellation is proposed, as this gap is unlikely to be filled by an individual consultant (or several consultants working independently). This could bring a sustained, coordinated, and collaborative dialogue. The recently launched Community of Practice (for innovation) could be explored for this purpose.  <u>Note:</u> The amount refers to convening and coordination services, via STC or in-house resources.
6	<b>Processes:</b> Seek to improve the effectiveness of operations and processes to encourage and support more innovation projects, including the design of funding windows.	Firm	\$40-50 K	Standard reporting arrangement for firms, as per WBG rules.	The need to improve the effectiveness of operations and processes is deemed to be filled by a firm rather than an individual consultant.  <u>Note:</u> The amount represents a one-time intervention expense.

<b>7</b>	<b>Project Pipeline:</b> Attracting more diverse and higher quality projects through engagement with Implementing Entities & supporting organizations, in collaboration with the Readiness team.	Partnerships	Unclear.	Depending on the type of partnership.	This could be supported by the Partnership and Countries Unit. In-house resources could potentially be complemented by external support services.  <u>Note:</u> Amount unclear and varies depending on the scale of ambition/appetite as well as resource availability etc.
<b>8</b>	<b>Visibility:</b> Help to increase the visibility of the innovation work with international stakeholders and partners.	Firm	\$15 K	Standard reporting arrangement for firms, as per WBG rules.	Communications support is needed, preferably a firm.  <u>Note:</u> Per FY25 budget request.
<b>9</b>	<b>Complementarity &amp; Coherence:</b> Help to ensure alignment with the UNFCCC and other international climate funds to maximize effectiveness.	STC	\$5-10 K	Standard reporting arrangement for STCs, as per WBG rules.	If needed an STC could be contracted to support complementarity and coherence activities with the other climate funds.
			<b>\$110-135 K</b>		

*\*The amounts are per annum if not otherwise specified. The estimates were based on FY25 projected needs, though some may be recurring.*

26. To set up and maintain a permanent Advisory Body to serve innovation work at the Adaptation Fund would involve a significant cost<sup>2</sup> without being justified. Through this analysis, which revisits the needs of the innovation program, given its most current state, alternative options have been identified as the preferred means of addressing them. Hence, the option to set up a permanent Advisory Body is not preferred as other feasible options are available.

27. To explore the option of establishing an ad hoc Advisory Body as suggested under item five in Table 3, would mainly serve the need of expert guidance regarding the direction of the innovation programme in line with the implementation plan of the Innovation Pillar of the MTS-II. However, this kind of “checking in” in the form of a Technical Advisory Group meeting, could be done once a year, at the margins of a major forum likely to attract a critical mass of experts (e.g., Innovation Days at Adaptation Futures), and/or virtually. There is minimal cost implication associated with this approach, and mostly having to do with organizing and managing such gatherings, and potentially some travel costs to ensure good representation of foremost experts.

28. The ad hoc Advisory body (Technical Advisory Group) would, however, not be the preferred means to address any of the other main gaps identified. Rather, the analysis has found that the other gaps would be best addressed through an approach that mainly draws upon consultants and/or firms, combined with in-house resources. As such, the governance arrangements would entail such consultants and/or firms to report directly to the secretariat per normal practice.

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<sup>2</sup> The aggregated annual cost by the Accreditation Program (while excluding non-relevant budget items) is \$400 K serves as an indication.

29. Conclusively, the combined menu of options that Table 3 proposes is assessed to appropriately respond to the needs that innovation work presents under MTS-II, including from a budgetary and governance point of view.

## **VI. Recommendation**

30. Having considered the analysis of the secretariat as set out in the document AFB/PPRC.33/XX, the PPRC may want to consider and recommend to the Board:

- a) To endorse the document and its findings concerning the proposed way forward to address the needs of the innovation programme;
- b) To request the secretariat to proceed with addressing the needs as identified in Table 3;
- c) To request the secretariat to report to the PPRC at its 35<sup>th</sup> meeting on the item in subparagraph (b) above.

**ANNEX I:****Needs assessment of MTS2 Innovation Pillar Implementation Plan - Analysis of the current needs for external support based on internal capacity.**

In the first four columns (left to right) all items under the Innovation Pillar's Implementation Plan are outlined. In the fifth column (Progress & Outlook) a progress update of the IP is provided for each item including a future outlook of what is planned or expected. In the last column to the far right, it is indicated whether the achievement of the particular item in the IP is deemed to be in need of external support (man hours and expertise).

*Table 5: MTS-II Innovation Pillar Implementation Plan – Analysis of the current needs for external support*

<b>Expected Result</b>	<b>Expected Outputs (delivery methods)</b>	<b>Activities</b>	<b>Output indicators</b>	<b>Progress &amp; Outlook</b>	<b>Gap</b>
<b>1) New innovations and risk-taking encouraged and accelerated.</b> 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	1. Large grants for innovation of up to US\$ 5 million per project to roll out innovative solutions (with the possibility of bundling).	1.1 Develop options for enhancing Innovation Large Grants to encourage risk-taking and encourage multi-stakeholder partnerships.	1.1.1 Revised modalities for Large Innovation Grants enabling risk taking and Partnerships.	<p><b>Progress:</b> Not yet implemented.</p> <p>Submitted proposal/s showcase multi-partnership approaches to underpin adaptation innovation.</p> <p><b>Outlook:</b> Increased awareness-raising regarding risk-taking through readiness is planned. Modalities can be revised to allow for bundling and existing criteria can be enhanced to encourage multistakeholder partnerships.</p>	<b>NO</b>
	2. Small grants for innovation to NIEs (with the possibility of bundling).	2.1 Further simplify access of small grants for innovation for NIEs.  2.2 Develop options and policies for bundling innovation grants with other small grants.	2.1.1 Guidance on project structure, including a menu of innovation elements + readiness support.  2.2.1 Options and policies developed and considered.	<p><b>Progress:</b> Tools and guidance are underway based on Board decision. The Readiness Team has also hired a consultant to develop training material for NIEs. (2.1.1)</p> <p>Initial discussions held with Climate KIC (EU's main climate innovation initiative) about collaborating in building NIE's innovation capacity/readiness. (2.1.1)</p> <p><b>Outlook:</b> This is in progress, both 2.1.1 and 2.2.1 would be prepared in time for the next meeting.</p>	<b>NO.</b>
	3. Adaptation Fund Climate Innovation Accelerator (AFCIA) expanded.	3.1 Explore options for coordination particularly on TA, KM and scaling-up processes and pathways.	3.1.1 Processes developed, e.g., TA support via innovation partners.	<p><b>Progress:</b> In progress, AFCIA partnership will also collaborate on this.</p> <p><b>Outlook:</b> With the recent expansion of the AFCIA partnership, it is expected that there will be sharp gains on this front.</p>	<b>NO.</b>

Expected Result	Expected Outputs (delivery methods)	Activities	Output indicators	Progress & Outlook	Gap
<b>2) Successful innovations replicated and scaled up.</b> Innovative adaptation practices, tools and technologies that have demonstrated success in one country spread to new countries/ regions or are scaled.	1. Existing large grants for innovation of up to US\$ 5 million per project to roll out innovative solutions (with the possibility for bundling with other funding options)	1.1 Pilot indicators for Innovations and inform the updates to the Fund's Strategic Results Framework and Core Impact Indicators – in consultation with the AF-TERG	1.1.1 Number of innovation projects monitored applying pilot innovations indicators.  1.1.2 Innovation specific updates to the Strategic Results Framework, Results Tracker, Core Indicators and PPR Template proposed and approved	<b>Progress:</b> Pilot indicators are not yet monitored (1.1.1) and could therefore not inform the recent SRF update (1.1.2).  SRF including innovation indicators have been reviewed by RBM expert together with Innovation Team (1.1.2)  <b>Outlook:</b> The review needed to fulfil 1.1.1 and then subsequently 1.1.2 is anticipated to need external expertise and support.	<b>YES</b> (1.1.1 and 1.1.2).
	2. Enhance support for scaling up innovation projects through exploring establishment or use of additional innovative financial instruments to enable blended-financed arrangements.	2.1 Consider developing a scale up approach for innovation & innovation ecosystem assessment (based on AF-TERG evaluation of innovation)  2.2 Consider possibility for co-financing and/or blended finance instruments for innovation scaling up	2.1.1 Assessment of a scale-up approach completed  2.2.2 Assessment of co-financing and/or blended finance instruments for innovation completed	<b>Progress:</b> In reference to 2.1.1 some analytical work has been conducted led by the RBM Team.  Under 2.2.2 the Innovation Pillar contributes to the work w. "Draft guidance on optional co-financing in the context of the Adaptation Fund".  <b>Outlook:</b> Based on findings a recommendation in 2.2.2, a scale-up approach in-between Innovation funding windows but also in-between Action Pillar to be explored (2.2.2).	<b>YES.</b> (2.1.1.)  <b>YES.</b> (2.2.2)
	3. Enhance partnerships with other Funds and support providers	3.1 Explore partnerships with other funders for scaling up	3.1.1 Assessment of partnerships with other funders for scaling-up completed	<b>Progress:</b> On-going dialogue with the GCF.  Some dialogues with other funds regarding scale-up have been initiated (exploratory).  <b>Outlook:</b> Dialogue with the GCF/GEF on how to synergize and learn in the area of innovation/private sector.  Initiate dialogues with actors/platforms (Incubators, Accelerators, philanthropies, Impact Funds, MDBs) e.g., ADB's IF-CAP that target climate change adaptation and AFCIA. Also, linkages between AFCIA graduates and other external	<b>NO.</b>

Expected Result	Expected Outputs (delivery methods)	Activities	Output indicators	Progress & Outlook	Gap
				networks and accelerator programs could be explored.	
<b>3) Access and capacities enhanced for designing and implementing innovation.</b> Access and capacities enhanced, knowledge generated, and awareness raised, for implementing entities and non-accredited actors to design and implement innovative adaptation solutions	1. Expanding access to existing small innovation grants for NIEs to encourage and accelerate new innovations in adaptation	1.1 Expand and simplify access for NIEs to small innovation grants	1.1.1 Updated guidance for NIE small innovation grants	<p><b>Progress:</b> Initial discussions with Climate KIC (EI's main climate innovation initiative) to collaborate on building innovation capacity among NIEs.</p> <p>Development of training for CPDAE underway. The STC is hired and innovation to guide content development for the innovation grants training.</p> <p><b>Outlook:</b> Any activity that could strengthen NIEs capacity/knowledge to enhance quality of preparatory work and proposals?  Update guidance templates to make it clearer for NIEs, perhaps also more prescriptive in some areas?</p>	NO.
	2. Expand existing AF Climate Innovation Accelerator micro-grant mechanism through additional delivery partners and by increasing to US\$ 5 to 10 million	2.1 Launch Request for Proposals for additional delivery partners	2.1.1 Number of AFCIA projects approved during the first and second Requests for Proposals	<p><b>Progress:</b> "Launch request" propelled expansion through new partners on-board (UNIDO, WFP) and more in the pipeline (UNEP). (2.1.1)</p> <p><b>Outlook:</b> Awaiting SPREP and SPC proposals.</p>	NO.
	3. Closer involvement of national innovation ecosystems	3.1 Options for elements of innovation ecosystem role in Innovation Facility and in the project design and implementation.	3.1.1 Number of innovation projects approved	<p><b>Progress:</b> Increase of proposals with a more dedicated focus on the strengthening of the national innovation ecosystem is noted.</p> <p><b>Outlook:</b> Project templates to be updated based on the innovation elements and fee caps etc., that were recently approved.</p>	YES.
	4. Partnerships for support, namely technical assistance for Fund's innovation projects/programmes.	4.1 Identify partners and establish partnerships e.g., collaborate with UNFCCC TEC on activities that target both NDEs and DAs & with the GCF on innovation	4.1.1 Number of events, trainings or materials developed jointly with partners (e.g., TEC and GCF)	<p><b>Progress:</b> AF attended TEC meetings and NDEs Forums. TEC Secretariat was invited to review AFCIA proposals. Readiness events through CPDAE (with GCF) undertaken.</p> <p><b>Outlook:</b> GCF dedicated discussion about innovation needed and planned. Dialogue and collaborative work</p>	NO.

Expected Result	Expected Outputs (delivery methods)	Activities	Output indicators	Progress & Outlook	Gap
		readiness through CPDAE		with AF Readiness Team on Output 4.1.1 is underway.	
<b>4) Evidence base generated and shared (linkage with learning and sharing pillar).</b> Evidence on the conditions that lead to successful innovation generated and shared, and partnerships, iteration, learning and adaptive management encouraged. Evidence of effective, efficient adaptation practices, products and technologies generated as a basis for implementing entities and other funds to assess scaling up.	1. Expand access to existing small grants for innovation for NIEs to generate and share an evidence base on new innovations	1.1 Innovation Learning Missions (between NIE projects, NIE to MIE projects)	1.1.1 Minimum 5 Learning Missions to Innovation Projects Under Implementation	<b>Progress:</b> Mission to Armenia undertaken.  <b>Outlook:</b> Joint missions with RBM Team planned.	<b>NO.</b>
	2. Enhance learning and sharing of knowledge on innovation in adaptation	2.1 Make use of learning grants for innovation specific learning  2.2 Establish community of practice for innovation  2.3 Enhance learning and sharing of knowledge on innovation in adaptation through establishing or contributing to relevant innovation-adaptation for a on a regular basis.  2.4 Develop joint knowledge products with partners (e.g. AFCIA partners, but also UNFCCC TEC, Climate KiC) to share lessons and best practices	2.1.1 Number of Innovation Grant proposals (small and large) approved alongside Learning Grants (available to NIEs only)  2.2.1 Community of practice for innovation established.  2.3.1 Two-three conferences on Innovation for Adaptation organized/co-organized with partners.  2.4.1 number of publications and side events (with a recording or summary)	<b>Progress:</b> AF implemented a series of Innovation Days event at 2023 Adaptation Futures Conference. (2.2.1/2.3.1). KM work, web, “playbook” from AF Innovation Days produced. (2.4.1)  <b>Outlook:</b> Web-platform to be developed based on Innovation Days. (2.4.1)  Other KM products of AFCIA grantees?  Readiness support for innovation is planned and budgeted.  Joint development work planned with KM/Learning & Sharing which at some stage likely would need external support and expertise.	<b>YES</b>
	3. Enhance linkages and synergies	3.1 Linkage between	3.1.1 Number of projects that	<b>Progress:</b>	<b>YES</b>

Expected Result	Expected Outputs (delivery methods)	Activities	Output indicators	Progress & Outlook	Gap
	between innovation, learning and sharing and project scale up	innovation, learning, and scale up grants  3.2 Open scale up grants for innovation projects	combine small grants  3.1.2 Innovation projects that draw scaleup funding  3.2.1 Number of innovation grants (Small and Large) scaled up	Dialogue initiated about how to synergize work with KM/Learning & Sharing, and Communication, as well as Action Pillar.  <b>Outlook:</b> Joint development work planned with KM/Learning & Sharing which at some stage likely would need external support and expertise.	



**ANNEX II:****Recommended “Areas of Work – Analysis” of the current needs for external support.**

In the last column to the far right, it is indicated whether the achievement of each of the items of the Subareas of work is deemed to be in need of external support (man hours and expertise).

*Table 1: Recommended Areas of Work - Analysis of the current needs for external support*

Area of Work	Subareas	AF's work progress	Gap
<b>Technical – Innovation, Strategy, Project reviews &amp; Operational strengthening:</b> Technically focused Advisory Body, concentrating on strengthening the Adaptation Fund's innovation direction, reviewing, and providing quality assurance for project selection, as well as reviewing and recommending improvements to design of funding windows and processes.	<b>Direction.</b> Providing expert guidance in the implementation of the innovation pillar of the MTS, design, and balance of the portfolio of projects, including suggestions for future strategic directions.	There is no systematic “brain trust” that provides guidance on the implementation of the innovation pillar, particularly regarding the suggestions for future strategic directions. At the same time, there have been notable developments: 1.) the expanding AFCIA partnership with a more prominent coordination function will at least partially cover this, and 2.) Innovation Community of Practice, initiated at Innovation Days under Adaptation Futures provides an opportunity to, via a consultative process, provide feedback to the Fund, including suggestions for strategic directions. The drawback is that this CoP is very new and underdeveloped, and there are no plans to meet outside the biennial conference.	<b>YES.</b>
	<b>Project.</b> Support the reviewing of projects to aid the identification and selection of the most innovative proposals, as well as conducting quality assessments	There has been a notable improvement and advancement on this front in the secretariat. The secretariat, with policies and guidance developed over the past years in hand, is better capacitated to support the technical review, readiness and capacity building in the domain of proposal preparation and quality assessment.  Residual gaps can be addressed by retaining additional individual consultants.	<b>NO.</b>
	<b>Processes.</b> Seek to improve the effectiveness of operations and processes to encourage and support more innovation projects, including the design funding windows	The effectiveness of operations and processes is assumed to have been positively affected by major strides in: <ul style="list-style-type: none"> <li>- Establishing a more fluid review process (rolling basis submission). This has been implemented and has already shown initial results in terms of speeding up the approval of projects.</li> <li>- Readiness: The work of enhancing country and NIE capacity for innovation is underway. Support of potential application for accreditation.</li> </ul>	<b>SOMEWHAT.</b>
<b>External - External Engagement &amp; Alignment, Project Pipeline Development &amp; Horizon Scanning:</b> Focus on driving the Adaptation Fund's external engagement to grow the pipeline of projects, scan the horizon of new developments, improve the visibility of the innovation program and ensure alignment with the UNFCCC and peer organizations.	<b>Project Pipeline –</b> Attracting more diverse and higher quality projects through engagement with Implementing Entities & supporting organizations, in collaboration with the Readiness team.	Collaboration with the Readiness team has been initiated which eventually could support the quality of pipelines. Other partnerships arrangements will continue to be explored to serve anticipated large need of promoting the project pipeline.	<b>YES.</b>
	<b>Driving Mission –</b> Scanning the horizon for new innovation thinking and solutions as well as the changing needs and context-specific challenges of the communities the	The secretariat will continue to increase its presence and agency within major relevant innovation fora and networks which will help exposure to new innovation thinking and solutions. This has already begun to take shape – for instance at Adaptation Futures & Innovation Days (which led to some early thinking on the role of AI in innovation and learning). The Fund has been more active	<b>NO.</b>

Area of Work	Subareas	AF's work progress	Gap
	Adaptation Fund seeks to support.	in other relevant fora – e.g., TEC and other fora TBD. In progress.  At this time, the direction is promising to yield major gains. The main limiting factor is staffing, but this is partly due to the Secretariat's delay in filling positions already approved.	
	<b>Visibility</b> – Help to increase the visibility of the innovation work with international stakeholders and partners.	This was not deemed a priority by the Innovation Task Force in the past, but the niche of the Fund as a provider of seed funding and exclusively grant-based funding requires an enhanced effort at visibility.	YES.
	<b>Complementarity &amp; Coherence</b> – Help to ensure alignment with the UNFCCC and other international climate funds to maximize effectiveness	This is on-going but the state of play is that the Fund continues to strengthen complementary and coherence with other climate funds and UNFCCC bodies. There is potential to do more here if there is interest among all the funds.	YES.

\* *Strategy, Projects, Processes and Driving Mission* were areas suggested to be especially useful to focus upon due to the added value their expertise and contacts can bring (AFB/B.39/10 para 52 c).

### ANNEX III:

#### Addressing recommendations of AF-TERG Thematic Evaluation - Analysis of the current needs for external support.

This annex compiles the recommendations under the Thematic Evaluation that are considered to contain a Gap for its fulfillment which also are corresponding to and underpinning the work already undertaken or anticipated under the Implementation Plan under MTS-II. Comments from Adaptation Fund's Updated management response is also included as to give the Fund's understanding and view of the recommendations. In the last column to the far right, it is indicated whether the achievement of the particular recommendation is deemed to be in need of external support (man hours and expertise).

Table 7: Addressing recommendations of AF-TERG Thematic Evaluation – Analysis of the current needs for external support

Recommendations (AF-TERG)	AF Draft Management Response & Explanation	Progress and Outlook	Gap
<p><b>A12</b> The conceptualization of innovation underlays and steers fundamental operational issues and would, hence, benefit from a more pronounced focus, adopting good practices of other organizations who support innovation, many of whom focus more on the organizational capacities of innovators and the ecosystems they operate in, amongst other aspects.</p>	<p><b>Agree.</b> <b>Explanation:</b> Organizational aspects and innovation ecosystems are planned to feature more prominently in the innovation programming in the MTS-2 period.</p>	<p><b>Progress:</b> Significant innovation capacity among new MIE partners (WFP, UNIDO, UNEP, IFAD) has translated into the approval of several (more) progressive innovation programmes emphasizing the innovation process and the ecosystem.</p> <p><b>Outlook:</b> New programmes have the potential to enrich the innovation work under the portfolio while bringing ideas of how to conceptualize innovation but also serve as a valuable foundation for the planned enhancement of Learning and Sharing under the pillar.</p>	<p><b>YES.</b> One or several assessments are needed to proactively niche the innovation portfolio windows, to clarify AF’s take on innovation, remains important. Alignment and consideration of AF’s other funding windows is needed.</p>
<p><b>PA2.1</b> For innovation-focused projects, the type of IE should be reconsidered, and potentially, new channels for accreditation should be opened up. Alternatively, the selection of non-accredited entities as recipients of funds (as already practiced under AFCIA) should be further encouraged, establishing partnerships with institutions and organizations with proven experience and innovation culture. This could include innovation support hubs and centers and apex organizations for social entrepreneurship. The Fund should be ready to also fund innovation brokers beyond the innovators themselves, following initial good practice.</p>	<p><b>Agree with caveats.</b> <b>Explanation:</b> The secretariat is prepared to focus more efforts on assisting developing countries in identifying potentially suitable entities to implement innovation projects and on developing the capacity of such entities, and to explore the feasibility of vetting innovation capacities of applicant IEs in the accreditation process. It is planned that AFCIA will be expanded, by addition of IEs that will implement programmes (alongside UNDP and UNEP-CTCN) which will increase the reach towards non-accredited grant applicants/recipients. Funding of “innovation brokers” would need to be carefully considered in view of Fund’s mission, resource implications and opportunity costs.</p>	<p><b>Progress:</b> New partners under the AFCIA Partnership (WFP, UNIDO, UNEP) bring extensive experience and know-how of innovation acceleration processes and the innovation ecosystem and hold the potential to enrich the continuous conceptualization of innovation.</p> <p><b>Outlook:</b> Coordinator(s) of AFCIA and IEs could be encouraged to be driving the development of AFCIA based on the portfolio’s evolution, and AFCIA is expected to garner continued interest through outreach and KM, and capacity building, and development of innovation community.</p> <p>Improved digital interfaces towards innovation partners for Learning and Sharing and distribution.</p>	<p><b>YES.</b> Accreditation support needed. This could be advanced by engaging networks and enhancing partnerships with networks and organizations that coordinate them. This could be done either in-house (with the Partnerships and Accreditation team’s support) and/or individual consultant or consultancy firm that could support the identification and accreditation process.</p> <p>A particular emphasis on NIE is anticipated to be needed.</p>
<p><b>A13</b> ‘The Role of Private and Public Sector as a (Social) Innovator and Their Interactions’ Public and private sector involvement is widely understood as</p>	<p><b>Noted with reservations.</b> <b>Explanation:</b> Currently, the evidence is lacking. However, the Innovation Programme is rapidly evolving, and the</p>	<p><b>Progress:</b> The Private Sector is seen playing an important role in the on-going submissions</p>	<p><b>YES.</b> Assessment and analytical work in exploring the</p>

Recommendations (AF-TERG)	AF Draft Management Response & Explanation	Progress and Outlook	Gap
<p>necessary for innovation, particularly social innovation. However, while some progress has been made, this remains a challenge for the Fund.</p>	<p>portfolio is expected to generate evidence and offer some clarity in MTS-2 period.</p>	<p>under the innovation pillar to drive innovation in adaptation.</p> <p><b>Outlook:</b> Social innovation is closely related to adaptation innovation and the concept's role for AF could be valuable to explore.</p>	<p>value and meaning of social innovation and the role of the private sector and public-private-partnerships would need external support.</p>
<p><b>PA4.1</b> During the project design phase IEs should be encouraged (among others, via available guidance) to use the Theory of Change and other project planning results/ impact frameworks and to integrate enhanced thinking on potential innovation scaling pathways from the outset. More attention and possibly funding (in the form of project preparation grants) for the project design stage is required.</p>	<p><b>Agree.</b> <b>Explanation:</b> IEs are already encouraged to use Theory of Change, as the guidance for innovation programming attests. However, more training/capacity building would be useful, and this is already in process, with support of the Readiness.</p>	<p><b>Progress:</b> In progress, more readiness in innovation is planned and budgeted for.</p> <p><b>Outlook:</b> AF's planned efforts in MTS2 to build country capacity for innovation among NIE's combined with gradually increasing experience in the portfolio should prove to contribute to continued enhanced access and interest.</p>	<p><b>YES.</b> Extensive support is assessed to be needed. This can partly be addressed through the readiness program.</p>
<p><b>PA4.2</b> Project management approaches (and associated management and reporting tools) should embrace and implement adaptive and iterative management principles.</p>	<p><b>Agree.</b> <b>Explanation:</b> Same as above.</p>	<p><b>Progress:</b> Not yet started.</p> <p><b>Outlook:</b> This may entail a broader reexamination of the Fund's policies, for example, restrictions in relation to "corrective actions" in projects/programming as driven by the 10 % budget change parameter (necessitating board decision). Current policy risks being restrictive that may lead to that adaptive management of AF's programs is not being exercised. Board approval is required for changes, modifications and deletion of targets, outputs, outcomes etc.</p>	<p><b>YES.</b> This could be addressed with the support of an individual consultant.</p>