



## ADAPTATION FUND

AFB/PPRC.25/34  
30 September, 2019

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Adaptation Fund Board  
Project and Programme Review Committee  
Twenty-Fifth Meeting  
Bonn, Germany, 7-11 October, 2019

Agenda Item 6 b)

### **OPTIONS FOR THE LAUNCH OF THE LARGE GRANTS FOR INNOVATION**

## Background

### Introduction

1. This document presents the Options for the Launch of the Large Grants for Innovation under the Adaptation Fund Programme on Innovation, as per the Medium Term Strategy that was adopted by the Adaptation Fund Board (the Board) in its thirtieth meeting, and specifically the establishment of a dedicated Innovation Facility in order to (a) roll out successful innovations; (b) scale up viable innovations; (c) encourage and accelerate innovations; and, (d) generate evidence of effective and efficient innovation in adaptation; which would include support via large grants of up to \$5 million as well as small grants of up to \$250,000. The background and rationale of the programme is more fully explained in the documents AFB/B.30/5/Rev.1 and AFB/B.31/5/Rev.1.

2. At its thirtieth meeting, the Adaptation Fund Board discussed the draft medium-term strategy, and members of the Board proposed amendments to the document. The secretariat then presented a revised draft, in document AFB/B.30/5/Rev.1. Having considered that document, the Board decided:

*(a) To adopt the medium-term strategy as amended by the Board, as contained in the Annex 1 of the document AFB/B.30/5/Rev.1 (the MTS); and*

*(b) To request the secretariat:*

*(i) To broadly disseminate the MTS and work with key stakeholders to build understanding and support;*

*(ii) To prepare, under the supervision of the MTS task force, a draft implementation plan for operationalizing the MTS, containing a draft budget and addressing key assumptions and risks, including but not limited to funding and political risks, for consideration by the Board at its thirty-first meeting; and*

*(iii) To draft, as part of the implementation plan, the updates/modifications to the operational policies and guidelines of the Adaptation Fund needed to facilitate implementation of the MTS, for consideration by the Board at its thirty-first meeting.*

*(Decision B.30/42)*

3. Pursuant to decision B.30/42, subparagraph b (ii), the secretariat prepared a draft implementation plan for the MTS, including an assessment of assumptions and risks. The secretariat shared a version of the draft with the MTS task force for comments.

4. The draft implementation plan also contains suggestions for specific funding windows that might be opened under the MTS in complement of the Fund's existing funding windows for single-country and regional adaptation projects and readiness support projects. Following the approval of the implementation plan, the secretariat would present specific proposed details for each new funding window at subsequent meetings of the Board for its consideration, in accordance with the timeline contained in the implementation plan.

5. At its thirty-first meeting, the Adaptation Fund Board discussed document the draft implementation plan for the MTS, and members of the Board proposed amendments to the document. The secretariat then presented a revised draft, in document AFB/B.31/5/Rev.1. Having considered that document, the Board decided:

- (a) *To approve the implementation plan for the medium-term strategy for the Fund for 2018–2022 contained in the Annex I to document AFB/B.31/5/Rev.1 (the plan);*
- (b) *To request the secretariat:*
  - (i) *To facilitate the implementation of the plan during the period 2018–2022;*
  - (ii) *To include the administrative budget for implementing the plan in the secretariat's annual administrative budget during the strategy period, for consideration by the Fund's Ethics and Finance Committee;*
  - (iii) *To prepare, for each proposed new type of grant and funding window, a specific document containing objectives, review criteria, expected grant sizes, implementation modalities, review process and other relevant features and submit it to the Board for its consideration in accordance with the tentative timeline contained in Annex I to document AFB/B.31/5/Rev.1, with input from the Board's committees;*
  - (iv) *Following consideration of the new types of support mentioned in subparagraph (b)(iii), to propose, as necessary, amendments to the Fund's operational policies and guidelines Fund to better facilitate the implementation of such new types of support; and*
  - (v) *To monitor the progress of implementation of the MTS and report on it annually as part of the annual performance reports of the Fund, and if necessary, propose possible adjustments to the plan during its implementation in conjunction with consideration of the annual work plan; and*

*(c) To request the Technical Evaluation Reference Group of the Adaptation Fund (AFTERG) to undertake a mid-term review of the medium-term strategy and the plan and report to the Board at its thirty-sixth meeting.*

*(Decision B.31/32)*

6. The following sections present some preliminary options in order to enable the development of the items outlined in (b)(iii) above for the financing window that would provision large grants.

7. It should be noted that the MTS implementation plan outlines broadly the features of the Innovation Facility, which would also fund large proposals, as well as a Multilateral Implementing Entity (MIE) aggregator for small grants to non-accredited entities. This document does not discuss the NIE small grants for innovation or the MIE aggregators.

### **Objectives**

8. The objective of the innovation pillar of the MTS is to support the development and diffusion of innovative adaptation practices, tools, and technologies. This objective will be supported through the establishment of an Innovation Facility, which will include small and large grants.

9. For the large grants specifically, two expected results have been identified by the MTS implementation plan:

*(a) Successful innovations rolled out. Innovative adaptation practices, tools and technologies that have demonstrated success in one country spread to new countries/regions (under "Expected Results 1", or ER1); and,*

*(b) Viable innovations scaled up. Innovative adaptation practices, tools and technologies that have demonstrated viability at a small scale piloted at larger scales (ER2).*

10. The MTS implementation plan also states that the expected outcome of the innovation pillar will be that innovation for effective, long-term adaptation to climate change will be accelerated, encouraged and enabled.

11. The MTS implementation plan recalls the cross-cutting themes identified in the MTS, which are expected to be linked to the award of the large grants for innovation:

*(a) Engaging, empowering and benefitting the most vulnerable communities and social groups;*

*(b) Advancing gender equality and the empowerment of women and girls;*

*(c) Strengthening long-term institutional and technical capacity for effective adaptation;*

*(d) Building complementarity and coherence with other climate finance delivery channels.*

## **Activities**

12. As elaborated in the MTS implementation plan, the activities will include the following, Under ER1:

- Develop and launch a relevant, efficient, effective and sustainable Large Grant Mechanism through two pilot versions;
- Assess and if feasible, pilot co-financing innovative action by private sector entities;
- Assess and if feasible, target innovative action by local governments, with or without collaboration private sector entities;
- Assess and if feasible, target innovative action in new sectors;
- Collaboration with other institutions/ funds/ IEs to roll out new/ innovative adaptation practices/ tools/ technologies;
- Improved M&E reporting aimed at capturing innovation from projects.

Under ER2:

- Develop and launch a relevant, efficient, effective and sustainable Large Grant Mechanism through two pilot versions;
- Collaboration with other institutions/ funds/ IEs to scale up new/ innovative adaptation practices/ tools/ technologies;
- Improved M&E reporting aimed at capturing innovation from projects.

## **Financing**

13. The tentative financing envelope, according to the MTS implementation plan, projects \$15 million for each of ER1 and ER2, or \$30 million in total, for the first Request for Proposals (RFP). For the subsequent RFP, an envelope of \$30 million for each of ER1 and ER2, or \$60 million is projected.

## **Timeline**

14. The tentative timeline, according to the MTS implementation plan, sets the launch of the first RFP for March 2019, whereas, for the subsequent RFP, the tentative date is in March 2020. However, given the reasoning that the large grants deployment would benefit from the experience of launching small grants for innovation, the tentative timeline has not been followed. Instead, it may be more feasible to change the timeline, for example, to make the first RFP ready by March 2020, and the second by March 2021.

## Options

14. *Revising the timeline*: as mentioned above, a change in timeline should be considered.
15. *Confirming the funding envelope*: The Board may request the secretariat to prepare the first RFP for \$30 million, as per the MTS implementation plan, or for another amount.
16. *Meeting the Decision B.31/32*: The Board may wish to request the secretariat to develop a document containing objectives, review criteria, expected grant sizes, implementation modalities, review process and other relevant features and submit it to the Board for its consideration, with input from the Board's committees, at a future meeting of the Board.
17. *Announcement of the planned launch*: the intention to launch the \$30 million envelope for large grants for innovation could be announced at an occasion where publicity and dissemination of information to the relevant stakeholders is maximized, for example at the COP25 in Chile.
18. *Focus on particular vulnerable groups, sectors, or themes*: While the four cross-cutting themes highlighted by the MTS<sup>1</sup> are taken into consideration, along with the list of activities under ER1 and ER2 (where, for example, targeting new sectors, or co-financing from the private sector are highlighted), the Board may wish to specify or further focus on particular groups, sectors, themes or other, for example youth, regions (LDCs or SIDs), and other.
19. *Further guidance on external engagement*: The Board may wish to provide more specifics on ER1 and ER2 activity "Collaboration with other institutions/ funds/ IEs to roll out new/ innovative adaptation practices/ tools/ technologies" as well as with the cross-cutting objective of the MTS cross-cutting theme of "Building complementarity and coherence with other climate finance delivery channels.
20. Any other options, for example criteria, process (i.e. requiring a particular number-step process) or modalities (i.e. option to allow regional programming).

## Recommendation

21. The PPRC may want to consider document AFB/PPRC.25/40 and recommend the Board:

- (a) To request the secretariat to prepare the document containing the process for providing funding for innovation through large grants to

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<sup>1</sup> *Engaging, empowering and benefitting the most vulnerable communities and social groups; Advancing gender equality and the empowerment of women and girls; Strengthening long-term institutional and technical capacity for effective adaptation; and, Building complementarity and coherence with other climate finance delivery channels.*

Implementing Entities (NIEs); including the proposed objectives, review criteria, expected grant sizes, implementation modalities, review process and other relevant features, taking into account the views and considerations expressed by the members of the Project and Programmes Review Committee at its twenty-fifth meeting and Board at the thirty-fourth meeting, for the consideration of the Board at its thirty-fifth meeting;

(b) To request the secretariat to prepare the first Request for Proposals (RFP) to IEs for US \$30 million to be launched at the fifty-second session of the Subsidiary Body for Implementation in 2020;

(c) To announce the impending intention to launch at the at twenty-fifth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP25) in December of 2019, with a view to seeking partnerships with relevant stakeholders in line with the expected results.