



ADAPTATION FUND

AFB/PPRC.26.b/16
8 October 2020

Adaptation Fund Board
Project and Programme Review Committee
Twenty-Sixth Meeting
Bonn (Virtual), 13 – 14 October 2020

Agenda Item 8

**PROGRAMME ON INNOVATION:
LARGE GRANTS FOR INNOVATION**

Introduction

1. This document presents a proposed financing window for Large Grants for Innovation under the Adaptation Fund Programme on Innovation, as outlined in 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 grants of up to \$5 million. 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 (AF-TERG) 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 the items outlined in (b)(iii) above for the financing window that would provision large grants for innovation.

7. It should be noted that the MTS implementation plan outlines broadly the features of the Innovation Facility, which would fund large proposals, Multilateral Implementing Entity (MIE) aggregators for small grants to non-accredited entities, and small grants for innovation. This document concerns the large grants for innovation funding window. The small grants for innovation window and MIE aggregators were launched at the UNFCCC COP 24 and 25, respectively.

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. All implementing entities of the Fund that have the status of “accredited” (as defined in document AFB/B.34/5) will be eligible to receive large grants for innovation.

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

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, out of which particularly the following were highlighted and 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; and,*
- (b) *Advancing gender equality and the empowerment of women and girls.*

Review Criteria

12. All accredited implementing agencies, whether national, regional or multilateral, will be eligible to receive large grants for innovation. The large grants for innovation may fund single-country, regional or multi-regional projects and programmes.

13. In reviewing the large grants proposals on innovation, some of the review criteria used will be taken or adapted, as appropriate, from the single-country and regional projects’ and programmes’ criteria. Those include:

- (a) *Country Eligibility: Is the beneficiary country/countries a developing country/countries Party/Parties to the Kyoto Protocol?*
- (b) *Country Eligibility: Are all the participating countries developing countries particularly vulnerable to the adverse effects of climate change?*

- (c) Project/Programme Eligibility: *Have the governments' designated authorities for the Adaptation Fund endorsed the project?*
- (d) Project/Programme Eligibility: *Does the project/programme support concrete adaptation actions to assist the country or countries in addressing adaptive capacity to the adverse effects of climate change and build in climate resilience? In case of regional project/programme, is there added value using the regional approach, compared to implementing similar activities in each country individually?*
- (e) Project/Programme Eligibility: *Does the project/programme 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?*
- (f) Project/Programme Eligibility: *Is the project/programme cost-effective? In the case of regional project/programme, does the regional approach support cost effectiveness? Does the project engage, empower and/or benefit the most vulnerable communities and social groups?*
- (g) Project/Programme Eligibility: *Is there duplication of project/programme with other funding sources?*
- (h) Project/Programme Eligibility: *Does the project/programme have a learning and knowledge management component to capture and feedback lessons?*
- (i) Project/Programme Eligibility: *Has the sustainability of the project/programme outcomes been taken into account when designing the project?*
- (j) Project/Programme Eligibility: *Is there duplication of project/programme with other funding sources?*
- (k) Project/Programme Eligibility: *Does the project /programme provide an overview of environmental and social impacts / risks identified, in compliance with the Environmental and Social Policy and Gender Policy of the Fund? Does the project advance gender equality and the empowerment of women and girls?*
- (l) Implementation Arrangements: *Is the project submitted through an Implementing Entity accredited by the Board?*
- (m) Implementation Arrangements: *Is the Implementing Entity Management Fee at or below 8.5 per cent of the total project budget before the fee?*
- (n) Implementation Arrangements: *Is the timeframe for the proposed activities adequate?*
- (o) Implementation Arrangements: *Are there measures in place for the management of for environmental and social risks, in line with the Environmental and Social Policy of*

the Fund? Proponents are encouraged to refer to the Guidance document for Implementing Entities on compliance with the Adaptation Fund Environmental and Social Policy, for details.

(p) Implementation Arrangements: Are arrangements for monitoring and evaluation clearly defined, including budgeted M&E plans and sex-disaggregated data, targets and indicators, in compliance with the Gender Policy of the Fund?

(q) Implementation Arrangements: Is a summary breakdown of the budget for the proposed activities included?

14. In addition, a few specific review criteria are applied:

(r) Rolling out successful innovations:

Does the project/programme help spread innovative adaptation practices, tools and technologies that have demonstrated success in one country to another country, countries or regions; and/or

(s) Scaling up viable innovations:

Does the project/programme pilot at larger scale innovative adaptation practices, tools or technologies generated that have demonstrated viability at a small scale?

15. In order to solicit a diverse set of innovative proposals, the following thematic areas will be identified in the Request for Proposals:

- (a) Disaster risk reduction*
- (b) Focus on vulnerable communities and groups*
- (c) Food security*
- (d) Gender equality (women and girls' empowerment)*
- (e) Inclusion of youth*
- (f) Innovative finance*
- (g) Nature-based solutions*
- (h) Protection and enhancement of cultural heritage*
- (i) Social innovation*
- (j) Urban adaptation*
- (k) Water resources management*

16. However, this is not an exhaustive list and therefore these thematic areas will not be emphasized as criteria for proposal review.

Expected Grant Sizes

17. According to the Implementation Plan of the MTS, the innovation facility will provide at least six large grants of up to US \$5 million through:

- (a) First request for proposals under a set-aside of US \$30 million;*

(b) Second request for proposals under a set-aside of US \$60 million.

18. It is expected that the programming large innovation grants will inform, and be informed by, the ongoing programming of the small innovation grants, both through NIEs and MIE Aggregators.

Implementation Modalities

19. The implementation modalities will be similar to that which apply to the single-country and regional concrete adaptation projects and programmes under the Action pillar of the MTS. It is recommended that a two-step process will apply to single-country projects/programmes and a three-step process to regional proposals. Furthermore, the proposal submission timelines with respect to Board meetings or intersessional review cycles are similar to those of regular projects and programmes.

20. The Board may open a structured call for IEs for innovation large grant proposals, which will include application materials, guidance, and other related information on the process and deadlines. These project proposals, will be screened and technically reviewed by the secretariat, and subsequently reviewed by the PPRC, and considered for endorsement or approval.

21. The large grants for innovation would not count against the country cap approved by the Board in decision B.13/23 or, in the case of regional or multi-regional proposals, the regional provision. However, they would count towards the MIE cap as established by the Board in decision B.12/9.

Review Process

22. Large grant proposals will be reviewed according to the same broad areas of criteria as project proposals, in addition to the innovation-specific criteria mentioned in the section on criteria above. The process of review will be similar to that which is routinely conducted during review cycles for projects and programmes, as applicable and as appropriate.

Learning and Knowledge Sharing

23. Monitoring and reporting in on the large grants will be done annually, at mid-term, and at the end of the project, including potentially portfolio monitoring missions conducted by the secretariat for a strategic sample of the projects approved by the Board, and using the Fund's results framework and its regular monitoring and reporting process. The secretariat will assess the need to develop specific objectives and indicators for the innovation aspects of the projects, beyond what is included in the regular project performance reporting process, and will make relevant recommendations to the Board, as necessary.

Timeline of submissions

24. Implementing entities are invited to submit their funding proposals for projects and programmes following the same deadlines as regular projects and programmes. Therefore, the Board can consider the first proposals submitted by the first proposal submission deadline after the launch of the Request for Proposals.

Recommendation

25. The PPRC may want to consider document AFB/PPRC.26.b/16 and recommend the Board to decide:

(a) To approve the process for providing funding for innovation through small grants to Implementing Entities (IEs) as described in document AFB/PPRC.26.b/16; including the proposed objectives, review criteria, expected grant sizes, implementation modalities, review process and other relevant features as described in document;

(b) That the large grants for innovation would fall outside the country cap approved by the Board in decision B.13/23 or, in the case of regional or multi-regional proposals, the regional provision, whereas they would count against the Multilateral Implementing Entity cap as per decision B.12/9;

(c) To request the secretariat to prepare the first Request for Proposals to IEs for US \$30 million to be launched by the first quarter of calendar year of 2021; and

(d) To request the secretariat to consider the need to develop specific objectives and indicators for the innovation aspects of the projects, beyond what is included in the regular project performance reporting process, and make relevant recommendations to the Board at its thirty-seventh meeting.

Annex I

Innovation: MTS Implementation Plan

Objective: Support the development and diffusion of innovative adaptation practices, tools, and technologies

Expected results:

- ER1 – Successful innovations rolled out. Innovative adaptation practices, tools and technologies that have demonstrated success in one country spread to new countries/regions
- ER2 – Viable innovations scaled up. Innovative adaptation practices, tools and technologies that have demonstrated viability at a small scale piloted at larger scales
- ER3 – New innovations encouraged and accelerated. Development of innovative adaptation practices, tools and technologies encouraged and accelerated
- ER4 – Evidence base generated. Evidence of effective, efficient adaptation practices, products and technologies generated as a basis for implementing entities and other funds to assess scaling up

Outcome: Innovation for effective, long-term adaptation to climate change accelerated, encouraged and enabled

Main activities:

- Launch Innovation Facility
- Build awareness of the Fund’s Innovation Facility across adaptation and climate change innovation networks
- Build effective relationships with potential partners and collaborators
- Explore unique/niche opportunities to mobilize public and private resources for the Innovation Facility
- Establish appropriate processes for supporting and reviewing SF2 proposals
- Monitor, evaluate and learn from process-related experiences during current MTS cycle
- Monitor whether activities under SF2 are being implemented and crosscutting themes advanced in-line with the MTS, standards are being met, risks and being managed, targets are being reaches and resources are being used efficiently
- Communicate learning from ER 1 & 2 projects, as well as knowledge outputs from ERs 3 & 4, across the international community of adaptation practitioners

Table 1. SF2-ER1 and ER2: INNOVATION – Support the development and diffusion of innovative adaptation practices, tools and technologies

Expected Results	Expected Outputs (delivery methods)	Activities	Output indicators	Tentative timeline	Tentative budget
ER1 – Successful innovations rolled out. Innovative adaptation practices, tools and	1. A large grant (up to US\$ 5 M/ grant) mechanism established to roll out proven solutions	1.1 Develop and launch a relevant, efficient, effective and sustainable Large Grant Mechanism through two pilot versions	Numbers of proposals funded under the RFPs: at least 9* Quantity and quality	Development of 1st RFP: Mar 2018 – Mar 2019. Launch of 1st RFP: Mar 2019. Launch of	Development of 1st RFP: Mar 2018 – Mar 2019. Launch of 1st RFP: Mar 2019.

<p>technologies that have demonstrated success in one country spread to new countries/regions</p>	<p>in new countries/regions At least two proposals supported under the 1st Request for Proposals (RFP) and at least four proposals supported under the 2nd RFP link with cross cutting themes 1 (vulnerable groups) and 2 (gender) Understanding of possibilities and challenges in rolling out financing for innovative action improved and recorded Link with SF3.</p>	<p>1.2 Assess and if feasible, pilot co-financing innovative action by private sector entities 1.3 Assess and if feasible, target innovative action by local governments, with or without collaboration private sector entities. 1.4 Assess and if feasible, target innovative action in new sectors 1.5 Collaboration with other institutions/ funds/ IEs to roll out new/ innovative adaptation practices/ tools/ technologies 1.6 Improved M&E reporting aimed at capturing innovation from projects (links with SF1)</p>	<p>of key findings on possibilities and challenges in rolling out financing for innovative action: at least 5 reports Number of monitoring reports outlining lessons learned: at least 18*</p>	<p>2nd RFP: Mar 2020.</p>	<p>Launch of 2nd RFP: Mar 2020.</p>
<p>ER2 – Viable innovations scaled up. Innovative adaptation practices, tools and technologies that have demonstrated viability at a small scale piloted at larger scales</p>	<p>1. A large grant up to US\$ 5 M/ grant) mechanism established to scale up innovations already demonstrated to work at a small scale; At least two proposals supported under the 1st Request for Proposals (RFP) and at least four proposals supported under the 2nd RFP</p>	<p>1.1 Develop and launch a relevant, efficient, effective and sustainable Large Grant Mechanism through two pilot versions 1.2 Collaboration with other institutions/ funds/ IEs to scale up new/ innovative adaptation practices/ tools/ technologies 1.3 Improved M&E reporting aimed at capturing innovation from projects (links with SF1)</p>	<p>Numbers of proposals funded under the RFPs: at least 9* Quantity and quality of key findings on possibilities and challenges in scaling up financing for innovative action: at least 5 reports Number of monitoring reports outlining</p>	<p>Development of 1st RFP: Mar 2018 – Mar 2019. Launch of 1st RFP: Mar 2019. Launch of 2nd RFP: Mar 2020.</p>	<p>Projected grant funding: 1st RFP: ca. US\$ 15 M. 2nd RFP: ca. US\$ 30 M. Grant administration will be done initially with existing resources.</p>

	link with cross cutting theme 1 (vulnerable groups) and 2 (gender) Understanding of possibilities and challenges in rolling out financing for innovative action improved and recorded Link with SF3.		lessons learned: at least 18*		
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