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AF-TERG INFORMATION UPDATE ON PHASE ONE OF THE THEMATIC EVALUATION OF INNOVATION

Background

1. Having considered the comments and recommendation of the Ethics and Finance Committee (EFC), the Adaptation Fund Board (hereafter ‘the Board’) decided at its thirty-first meeting in March 2018:

a) To approve the terms of reference of the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) as contained in Annex III to the report of the Board (AFB/B.31/8);

(Decision B.31/25)

2. In June 2020, the Board approved, through inter-sessional decision B.35.a-35.b/29, the strategy and multi-year work programme of the AF-TERG contained in Annex 1 of the document AFB/EFC.26.a-26.b/3, which includes several workstreams.
3. The AF-TERG strategy and work programme included in Workstream I an assessment of the experience on how the concept of innovation is applied by the Adaptation Fund (hereafter ‘the Fund’) as well as of examples of innovative climate change actions.
4. As part of this assessment, the AF-TERG commissioned a thematic evaluation that aims to review how a series of organisations from the broader sustainable development sphere apply the concept of innovation and assess how it is done within the Fund within its supported projects

Introduction

5. The purpose of this document is to update the Board on progress for the thematic evaluation of innovation commissioned by the AF-TERG.
6. The thematic evaluation of innovation is expected to:
 - identify the potential for innovation in all aspects of the Fund to achieve greater scale and impact given the urgency of climate change adaptation (CCA) actions;
 - input to the current discussion on innovation at the Fund and within the CCA community such as (i) the Adaptation Fund process to develop the next Medium-Term Strategy (MTS) which may include (as the previous one did) a focus on innovation and (ii) the need to understand what is working and what is not, to learn to further invest, replicate and scale-up; and
 - input to the overall evaluation of the Fund.
7. The evaluation is implemented in a three-phase process structured around three questions:
 - What is current thinking and practice on fostering innovation for social impact and, more specifically, CCA among development institutions? (Phase one)

- What progress has the Fund made in fostering innovation for CCA and what lessons (what has worked and what has not worked as well) can be drawn from experience to date? (Phase two)
- How might the Fund most strategically leverage its assets and position to effectively foster innovation for CCA (Phase three)

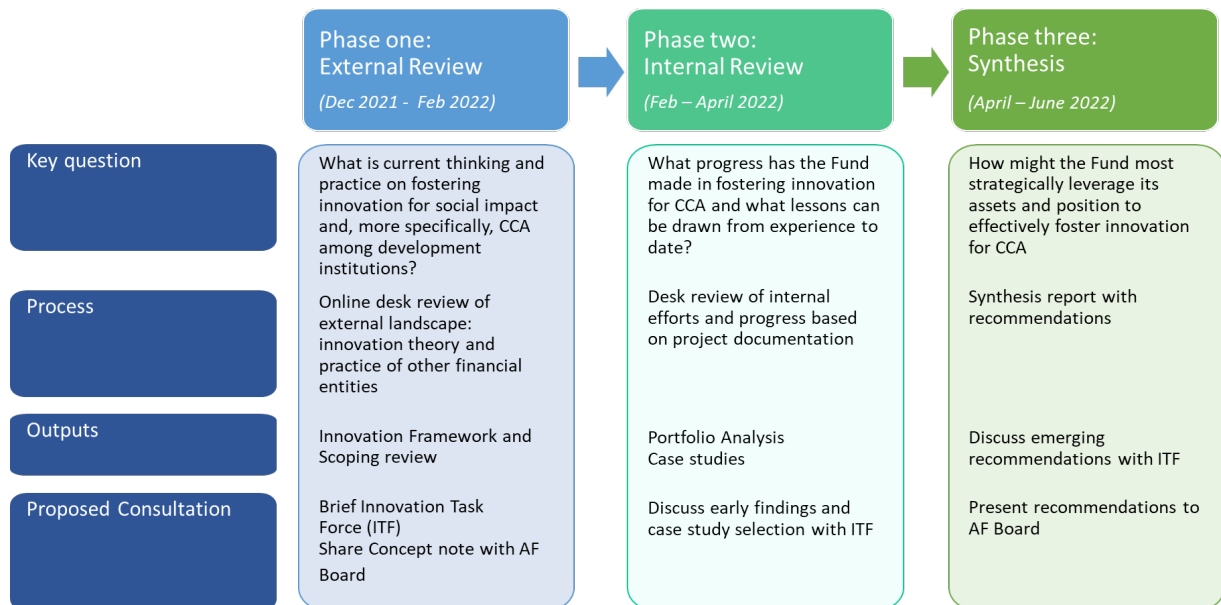


Figure 1. Phases for the implementation of the evaluation of innovation

8. The document presents the report for Phase one of the thematic evaluation. It presents the innovation framework to be used in the subsequent phases of the evaluation. Additionally, it presents a scope review and evidence base of the field of innovation in sustainable development.

9. The report complements the ongoing work of the Adaptation Fund Board secretariat and in particular the document AFB/B.38/9 to be discussed by the Board in April 2022.

10. The final evaluation report and synthesis of innovation lessons and evidence from the Fund and other institutions that support innovation for development and CCA will be submitted for consideration by the Board at its thirty-ninth meeting (October 2022).

Overview of Phase one: external review

11. The focus of this report brings to the Fund experiences in the field of innovation from the broader sustainable development sphere. Specifically, the report looks at other multilateral climate finance mechanisms such as the Green Climate Fund (GCF), the Climate Investment Funds (CIF), and the Global Environment Facility (GEF), as well as other funding organisations that have climate financing within their mandates. By including institutions from the broader field of development, the analysis allows one to learn, consider examples, and draw inspiration from practice beyond the adaptation-focused landscape of institutions.

The review's framing of innovation

12. The purpose of this section is to frame the scope and to define the focus of the review of innovation concepts, theory and practice in the Fund (Phase two) and the learning outcomes derived from the review (Phase three). The framework covers the following areas:

- Definition of innovation: exploring the relationship with the concept of adaptation.
- Types of innovation: products, practices, processes, services, technologies, business models.
- Stages of innovation: processes starting with user needs or other drivers, to generating ideas to diffusion, scaling-up, mainstreaming.
- Drivers of innovation: recognised need, failure of existing system/process, individual or public drive for improvement.
- Barriers to innovation: economic, knowledge, markets, motivation.
- Outcomes of innovation: distinguishing between monetary and non-monetary values.
- Actors in innovation processes: beneficiaries, innovators, funders and financiers, governments and public sector, considering the interplay between private and public action.

Scoping review

13. A desk-based review of 38 institutions operating at the international, regional and national levels that promote and fund innovation for development was undertaken. Sixteen of them were selected for further in-depth review (still following a desk-based review approach), based on the six thematic areas:

- conceptualisation of innovation
- institutional policies, guidelines and structures
- results and measurement frameworks
- funding instruments
- non-financial instruments
- risk and innovation

14. The list of institutions considered in the scoping review is in Annex I – Appendix I. Findings are summarised below.

Findings of the scoping review

15. *'Conceptualisation of innovation'*:

- Innovation is a relatively amorphous and broad concept for many institutions.

- It is defined often in a flexible way to accommodate the range of innovations and avoid a prescriptive approach.
- The innovation stage(s) to be targeted are well identified.
- Focus is either on a concrete type of innovation (e.g. a particular product, technology, or process), or on understanding the innovation ecosystem and supporting an enabling environment.
- The private sector (i.e. businesses, start-ups, 'social' entrepreneurs) is considered the 'powerhouse' of innovation.

16. *'Institutional policies, guidelines and structures'*: Institutions with innovation as a core element of their organisational mandate or purpose have mainstreamed innovation to different degrees:

- Institutions that focus on private sector actors and businesses as innovators (commercially viable, market-based innovations) have largely mainstreamed innovation in their policies, guidelines and overall organisational culture and structure.
- Institutions that look at social and environmental public benefits as primary outcomes or at least co-outcomes of innovation (social innovations¹) have seemed to lag behind, possibly due to higher levels of complexity in integrating for-profit and not-for-profit outcomes.
- A few institutions supporting social innovations have established stand-alone innovation strategies.
- The agility of decision-making processes may be a relevant indicator for high innovation potential.

17. *'Results and measurement frameworks'*: Many of the institutions reviewed do not have clear or readily available results frameworks that incorporate innovation as part of the project/program logic, although there was an acknowledgement that this was needed. Overall, the existing frameworks use rather ambiguous definitions of key terms relating to innovation.

- Institutions that pursue market-based, commercially viable innovations use frameworks focused on the financial success of companies.
- Social innovators and investors often use or are subject to ESG (Environmental, Social, and Corporate Governance)-based results frameworks at the company or portfolio level.
- Development Financial Institutions (DFIs) and Monetary Financial Institutions (MFIs) tend to refer to innovation measurement frameworks, or indices, at the country level that consider selected innovation sectors and types.

¹ Depending on the field of practice and desired outcomes (predominantly social or environmental), these types of innovations may be labeled as eco-innovations, sustainable innovations or green innovations.

18. *'Funding instruments':*

- The majority of funders use a combination of grant and non-grant financing instruments (even DFIs and MFIs). Grants are used to incubate and accelerate new climate solutions in combination with other de-risking instruments such as anchor investment, first loss equity/first loss position, and guarantees. Co-financing is a usual practice for most reviewed DFIs and MFIs.
- The review also focused on financial risk from an innovation investor perspective. From this perspective, grants are used as de-risking instruments provided mainly by public innovation investors, mostly DFIs, MFIs, philanthropists and national governments. Grants are often focused on research and knowledge generation.
- While some grant-making public innovation funds and investment fail to acknowledge the inherent level and complexity of risk in funding innovation, private (equity) investors and lenders that invest in innovation are systemically assessing and incorporating risk as risk mitigation instruments. Risk diversification (i.e. portfolio approaches) are common practice to manage this risk.

19. *'Non-financial instruments':*

- Practically all business-focused innovation investors and a large majority of DFIs and MFIs provide non-financial support to innovation in a range of formats that are used at different stages of the innovation process. These include accelerator and incubator programmes; mass competition and innovation prizes; advisory services and technical assistance; match-making instruments and networking between innovators and potential investors; education, mentoring and training programmes for rising entrepreneurs (e.g. innovation labs).

Framework for conducting Phase two

20. The second phase of the evaluation (outlined in paragraph 2 of this document and detailed in Annex I – Appendix II) will ask: **What progress has the Fund made in fostering innovation for CCA and what lessons can be drawn from experience to date?** The team will undertake a portfolio analysis: a desk-based review of the experience of innovation within the Fund, based on the Innovation Framework developed in Phase one. Sub-questions to be considered when reviewing Adaptation Fund supported projects are:

- 1) How and to what extent do Adaptation Fund operations support innovation?
- 2) Is the Adaptation Fund innovation practice consistent with its organisational strategy (MTS)?
- 3) What lessons about paths, drivers, enabling conditions and barriers of innovation can be identified from Adaptation Fund experience?

Framework for conducting Phase three

21. The third phase of the evaluation (outlined in paragraph 7) will ask: **How might the Fund most strategically leverage its assets and position to effectively foster innovation for CCA?** The team will produce a synthesis report, incorporating recommendations for how the Fund can more effectively foster innovation for CCA, based on the learning outcomes from Phase one and Phase two of the evaluation.

Timeline and engagement

22. This Phase 1 has been completed. Under Phase 2, the Portfolio Analysis will be completed between February and April 2022. Two consultation points are anticipated: in March, with the Adaptation Fund Innovation Task Force to share findings of deep-dive, assess interest and consult on case studies selection; and in mid-April with Adaptation Fund stakeholders (Implementing Entities, Adaptation Fund Board secretariat staff, Innovation Task Force) to verify findings. Phase 3 will involve the final synthesis and report development from April to June 2022. The findings and recommendations will be presented to the EFC at its thirtieth meeting.

Annex I.



**REPORT ON PHASE ONE OF THE EVALUATION OF INNOVATION:
THE REVIEW'S FRAMING OF INNOVATION AND SCOPING REVIEW
OF INSTITUTIONS SUPPORTING INNOVATION**

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Acronyms

AF-TERG	Adaptation Fund Technical Evaluation Reference Group
BNP Paribas	Banque Nationale de Paris Paribas (Bank)
CCA	Climate change adaptation
CIF	Climate Investment Funds
CSR	Corporate Social Responsibility
CTCN	Climate Technology Center and Network
DFI	Development Finance Institution
EIT	European Institute of Innovation and Technology
EIT Climate-KIC	European Institute of Innovation and Technology's Climate Knowledge and Innovation Community
ESG	Environmental and Social Governance
EU	European Union
GCF	Green Climate Fund
GCIP	Global Cleantech Innovation Programme
GEF	Global Environment Facility
GIF	Global Innovation Fund
IFAD	International Fund for Agricultural Development
IPCC	Intergovernmental Panel on Climate Change
KfW	Kreditanstalt für Wiederaufbau (Bank)
MFI	Monetary Finance Institution
MTS	Medium Term Strategy
PL4G	People's Lab for Good (BNP Paribas)
PPRC	Project/Programme Review Committee
SDGs	Sustainable Development Goals
SME	Small and Medium-Sized Enterprise
UNIDO	United Nations Industrial Development Organization
USAID	U.S. Agency for International Development
WAI	We are Innovation (BNP Paribas)
WWF	World Wildlife Fund

I. Introduction

The Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) is an independent evaluation advisory group accountable to the Adaptation Fund Board, established in 2018 to ensure the independent implementation of the Fund's evaluation framework. The first AF-TERG strategy and work programme was approved intersessionally in June 2020, between the first and second part of its thirty-fifth meeting. Having considered the document AFB/EFC.26.a-26.b/3 and the recommendation by the Ethics and Finance Committee, the Board decided to approve the draft strategy and work programme of the AF-TERG contained in Annex I of the document AFB/EFC.26.a-26.b/3 (Decision B.35.a-35.b/29).

The AF-TERG Strategy and Work-Programme (Workstream 1) focuses on the review and evaluation of the Medium-Term Strategy (MTS), thematic evaluations and the overall model and performance of the Fund, centred around the core features and niche of the Fund. Thematic evaluations of Fund performance will provide perspectives on core features of the Adaptation Fund, such as the country-driven and innovative character of Fund operations with a view to assessing the potential for scaling-up and having longer-term impact.

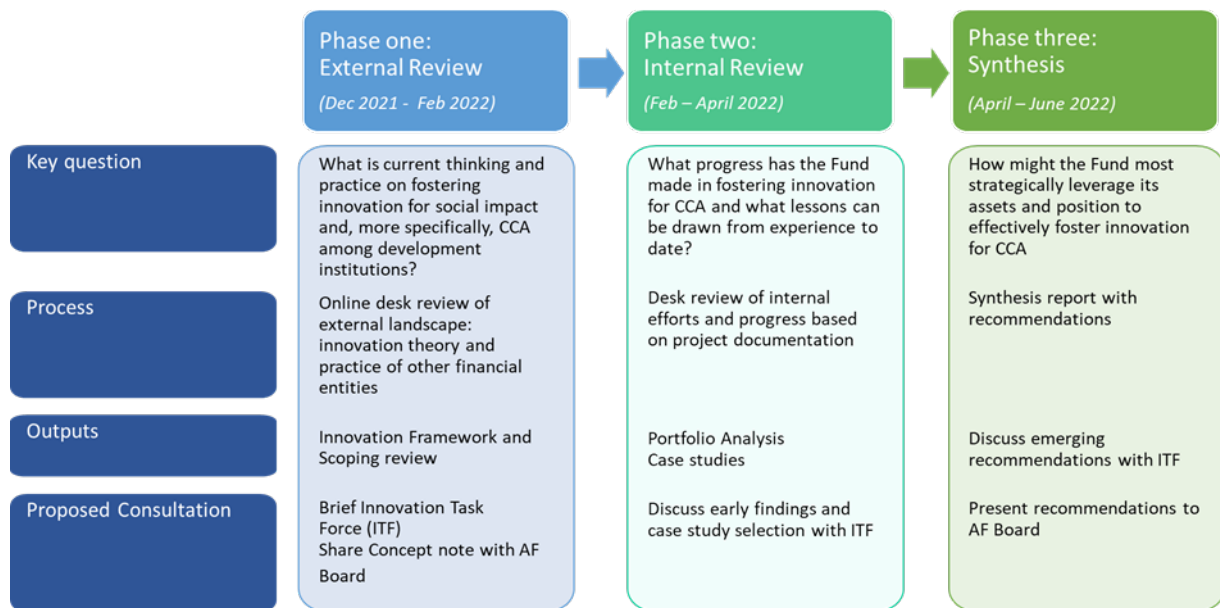
Following the AF-TERG Strategy and Work-Programme (Workstream 1), the first thematic evaluation was approved with the aim to assess how the concept of innovation is applied by the Fund as well as to identify examples of innovative climate change actions.

The rationale for the evaluation of the use of innovation in the Fund is as follows:

- To harness the potential of innovation in all aspects of the Fund to lever, catalyse scale and transformation.
- To provide input to the current discussion on innovation at the Fund and within the climate change adaptation (CCA) community given (i) the urgency to respond to climate change impacts; (ii) the Adaptation Fund process to develop the next Medium Term Strategy (MTS) which may include (as the previous one did) a focus on innovation and (iii) the need to understand what is working and what is not, to learn to further invest, replicate and scale-up.
- To provide input to the overall evaluation of the Fund.

The evaluation is implemented in a three-phase process structured around three questions presented in Figure 1.

Figure 1. Phases for the implementation of the evaluation of innovation



This current document is the report of Phase one of the evaluation, which attempts to clarify, within the framework of the evaluation, key concepts in the innovation field and highlight practices on financing and supporting innovation in a group of selected organisations. By doing so, the report aims to contribute to the ongoing discussion within the Adaptation Fund regarding the role of innovation as a critical catalyst to accelerate, encourage and enable innovation for effective, long-term adaptation to climate change.

The first part of the document presents the innovation framework to be used in the subsequent phases of the evaluation. Following, the scoping review and evidence base of the field of innovation in sustainable development is presented. The final evaluation report and synthesis of innovation lessons and evidence from the Fund and other institutions working on supporting evaluation within development and CCA will be submitted for consideration by the Board at its thirty-ninth meeting (October 2022).

This report complements the ongoing work of the Adaptation Fund Board secretariat and in particular the document AFB/B.38/9 to be discussed by the Board in April 2022.

II. The Review's Framing of Innovation in Adaptation and the Diversity of Innovation Typologies

This section presents the innovation framework to be used in the subsequent phases of the evaluation. It establishes a common language by identifying key elements and components related to innovation that feed into the evaluation design. In the process of understanding how different organizations conceptualize innovation, the team, and this section, outlines the conceptual and operational similarities and differences found in the literature. Later phases of the evaluation will review how the Adaptation Fund has defined innovation and how it applies it (see Innovation Section of the Adaptation Fund website).

This section is organised as follows. The first part defines the concept of innovation in the sphere of development and specifically of climate adaptation, section (2.1) elaborates on the

interconnections between innovation and climate adaptation. Next, it outlines the different types of innovation to further unpack if and how innovation and adaptation can be meaningfully distinguished in practice (2.2). Sections (2.3) and (2.4) identify typical innovation drivers (motivations and sources) as well as barriers that can hamper innovation performance, respectively. Section (2.5) categorises the range of potential outcomes of innovation. The process of innovation, innovation cycle and related stages are discussed (2.6). Last, section (2.7) presents the role, types and characteristics of a range of actors in innovation.

2.1 Characteristics of innovation in climate adaptation - is adaptation innovative by default?

While the two key concepts at hand – innovation and climate change adaptation – are multi-faceted, amorphous and broad concepts, there are significant similarities. Disregarding the sectoral and thematic focus, the majority of definitions of innovation contain the following elements:

- Newness/novelty (also new location);
- Improvement/adjustment; and
- Spread of use, application or practical implementation (scaling-up) (OECD, 2019a)

Given that adaptation is defined by the IPCC (2014) as *'the process of adjustment to actual or expected climate and its effects. In human systems, adaptation seeks to moderate or avoid harm or exploit beneficial opportunities. In some natural systems, human intervention may facilitate adjustment to expected climate and its effects'*, it becomes apparent that the two terms, innovation and adaptation, are interconnected.

Climate change impacts often exceed the existing adaptation capacity of socio-ecological systems. The most recent IPCC report (2022) once again highlights the fact that the adaptation gap exists in all world regions and for all hazard types. To fill up the adaptation gap and reduce vulnerability, systems will require novel and improved solutions occurring at a greater scale and at a faster rate than in the past. Here, innovation can act as a catalyst of system transition in adaptation processes. Adaptation can be facilitated by innovation in science, technology, culture, policy, finances, among others.

In order to better target support towards innovation, it will be essential to identify clearly which aspects or actors need to be particularly targeted (in view of innovation support) as opposed to promoting 'just' good practice in bringing about adaptation. In other words: What makes promoting and fostering innovation in adaptation different from promoting non-innovative adaptation? The review will take this into account, particularly looking towards institutions that specify the promotion of climate adaptation as an institutional objective.

2.2 Types of innovation

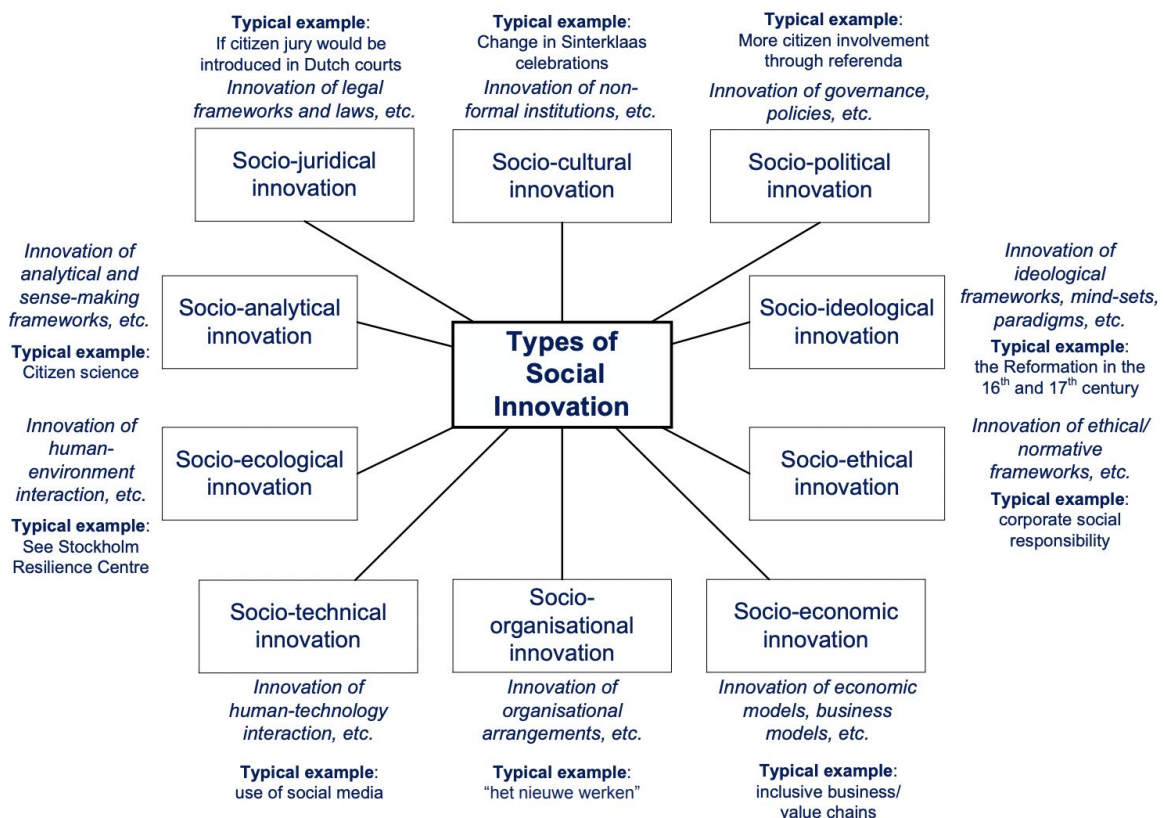
The range of innovation types are generally considered to encompass the following:

- products

- practices
- processes
- services
- technologies
- business models (Edwards-Schachter, 2018)

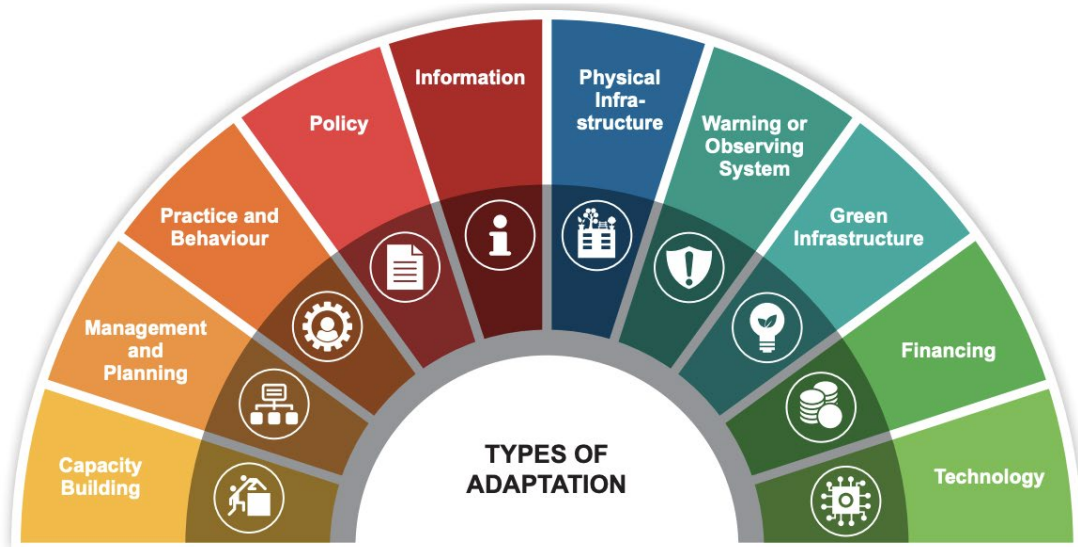
These types are derived from a profit-/ market-focused understanding of innovation (see also chapter 2.5, category A). There is, however, an increasing recognition of the relevancy of innovation in view of social and environmental outcomes (see also chapter 2.5, category B). Each of the above-mentioned types of innovation can potentially feature in both outcome 'spheres'. The types of social innovations are covering a wider range (see Figure 2) of societal dimensions, clearly going beyond markets as intervention spaces (e.g. cultural, juridical, ideological, political).

Figure 2. Types of social innovations (source: Wigboldus, 2016)



Similarly, to the definitions of adaptation and innovation, there is a substantial overlap between what is considered to be a type of innovation and what is considered to be a type of adaptation (see Figure 3).

Figure 3. Types of adaptation (source: Biagini et al. 2014)



2.3 Drivers of innovation (motivations and sources)

Another classifying element of innovation is the type of driver, sometimes referred to as the motivation or source for innovation. Commonly, there are three types of drivers in any innovation process:

- A recognised need
It is important to look at the process or stakeholder group that expresses a need and who supports the identification of such a need.
- A response to the failure of existing systems/ approaches
Loss or damage is a typical outcome of failure in view of 'new' climate risks, e.g. decrease of yield, damage of protecting infrastructure (dykes, river embankments).
- A diffuse quest for (individual or social) improvement
The motivation may be related to private benefits that can be reaped (by innovators, entrepreneurs or businesses) through the commercialisation of the innovation or in the case of social innovation, a motivation of a social group to change the status quo (OECD, 2019b)

2.4 Barriers to innovation

Innovation performance varies depending on sector and type and is influenced by a number of factors, both internal and external and both stimulating and restrictive, which can exert a significant impact on the design, implementation and diffusion of innovation.

Such limiting factors to innovation, also called barriers, obstacles or hindrance factors to innovation, hamper the innovation process of an organisation and consequently influence its

innovation performance. These barriers may be classified and grouped in different ways into external (or exogenous, that arise when organisations acquire resources or knowledge externally) and internal (or endogenous, normally associated with difficulties to implement internal changes in their organisational processes) (Hadjimanolis, 1999; Thakur and Hale, 2013; Lewandowska, 2014).

According to Saatçioğlu and Özmen (2010) the internal barriers include: (i) lack of qualified personnel; (ii) bureaucracy; (iii) lack of research and development, design, test and other technical problems in organisations; (iv) long time for returns from innovation; (v) perception of innovation as risky; (vi) difficulty to control innovation costs; and (vii) finance of innovation. The external barriers include: (i) patent and license policy; (ii) lack of incentives applied by the government; (iii) foreign trade policy; and (iv) competition policy. As expressed in Table 1, the barriers to innovation are classified into (i) economic factors, (ii) knowledge factors, (iii) market factors and (iv) reasons not to innovate (Madeira et al. 2017).

Table 1. Barriers to innovation (source: Madeira et al. 2017)

Barriers to innovation	Factors
Lack of funds within your enterprise or group	Economic Factors
Lack of finance from sources outside your enterprise	
Innovation costs too high	
Lack of qualified personnel	Knowledge Factors
Lack of information on technology	
Lack of information on markets	
Difficulty in finding cooperation partners for innovation	Market Factors
Market dominated by established enterprises	
Uncertain demand for innovative goods or services	Reasons for not innovate
No need due to prior innovations by your enterprise	
No need because of no demand for innovations	

2.5 Outcomes of innovation

The drivers of innovation are closely related to its expected outcomes, which range across a wide spectrum. Outcomes can be divided into improvements that are reflected (A) in financial markets or accounting systems or (B) the ones that are neglected or only partially reflected:

Category A (for-profit, market-focused, mostly private benefits for the innovator and the beneficiary):

- improved product quality
- creation of new markets
- extension of the product range
- reduced labour costs
- improved production processes
- compliance to regulations and laws (e.g. avoiding fines or penalties)
- reduced consumption of materials

- reduced energy consumption
- replacement of products/services

Category B (non-commercial/ not-for-profit, mostly public benefits):

- reduced environmental damage/ pollution
- enhanced social justice
- reduced climate vulnerability
- increased climate resilience
- reduced inequality
- reduced resource use
- improved enabling environments for innovation and adaptation

Given the overall focus of outcomes and benefits promoted by the Fund, the focus of the review will be on category B. Category A will only be considered in cases where there are co-benefits relating to category B. This overlapping area of private and public benefits and hence, the aspects related to public-private partnerships and blending of public and private finance is, however, considered a core review theme and initially identified as a prioritised area of learning.

There is increasingly more attention to innovations that produce category B outcomes, referred to as social innovation, sustainable innovation, green innovation, eco-innovation and responsible innovation. The extent to which these subcategories can be covered within this thematic review is to be determined.

2.6 The process of innovation

Another way of classifying innovation is to focus on the processes within an innovation, i.e. the steps, stages and cycles. Innovation that is pursuing Category A outcomes typically follows certain stages (see Figure 4).

These stages vary according to the type of innovation, industry or sector, planned outcome of innovation etc., however, they follow certain patterns that the review will examine. This will be done from an (a) innovator/entrepreneur perspective as well as from (b) a funder/investor perspective.

The stages and dynamics of the innovation category B process are distinctively different from innovation in category A. Building on the concept of the 'adaptive cycle', Figure 5 depicts a social innovation cycle, similar to the stages of innovation that would be undertaken in pursuit of Category B outcomes. As opposed to the innovation cycle in Figure 4, Figure 5 better demonstrates the dynamics of social innovation and conceptualises changes as overlapping cyclical processes. The figure illustrates that social innovations are triggered by a desire to satisfy unmet social needs, while also demonstrating the non-linearity of social innovation, compared to the typical innovation cycle.

Figure 4. Innovation cycle (source: Dorn, 2021)

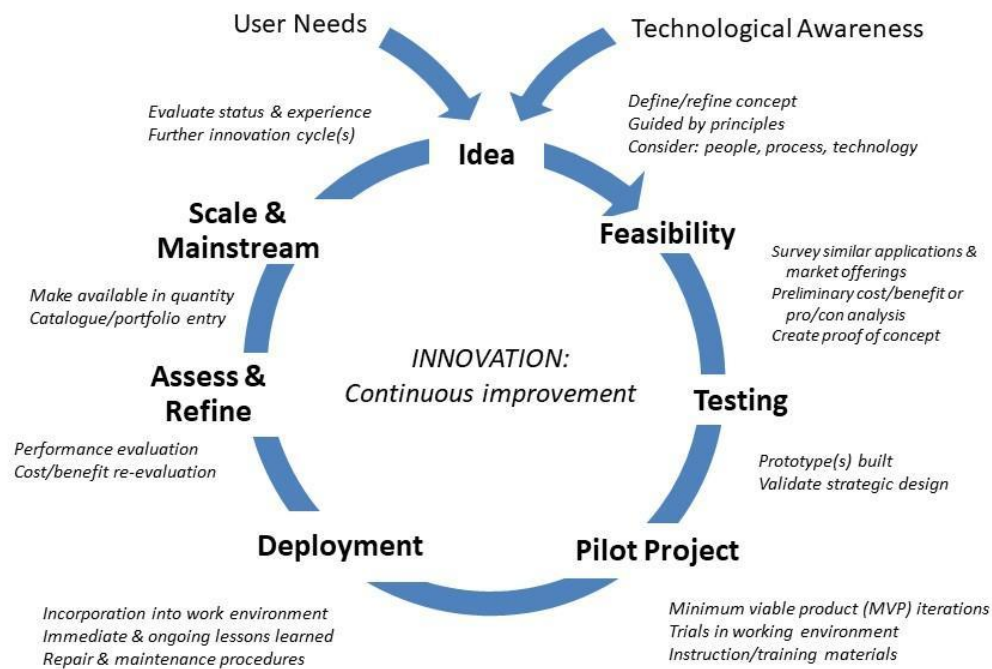
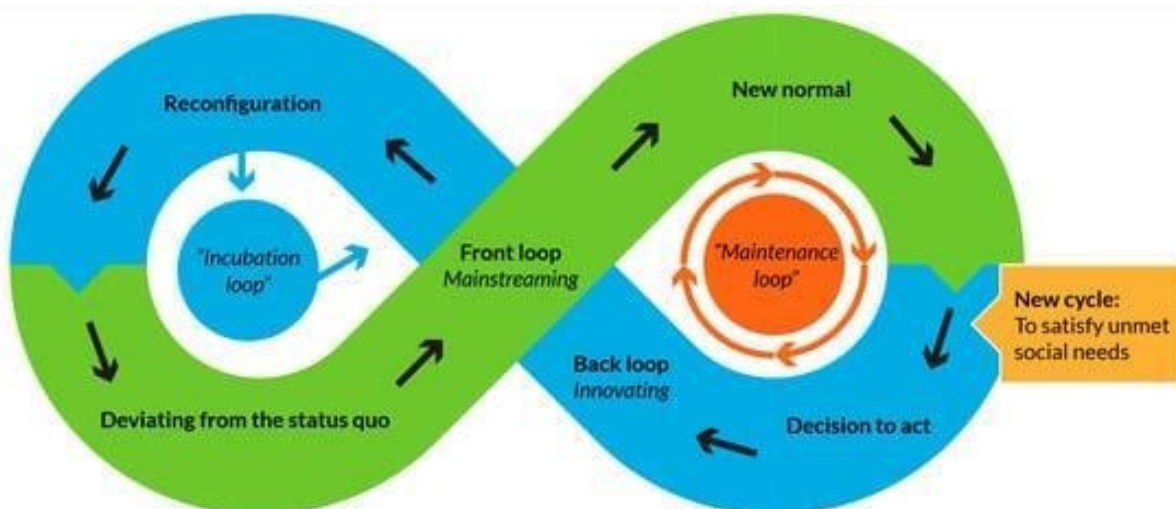


Figure 5. Social Innovation Cycle (source: Sarkki et al. 2021)



The nature of innovation processes strongly varies depending on the envisaged outcomes, and hence, special attention will be given to innovation processes related to category B innovation, e.g. social and environmental outcomes. There is a large body of literature covering the processes associated with transformational or system change that can be referred to (Doughnut Economics – Kate Raworth, 2017; Great Mindshift – Maja Göpel, 2016, etc.). The theory and practice behind social entrepreneurship and social impact investing (Perrini and Vurro, 2006) will be another field relevant to these aspects of the review. The evolution of the review and its focus areas (also following upcoming consultations with key stakeholders such as the Adaptation Fund Board secretariat, Adaptation Fund Innovation

Task Force, international experts in the field), will further help to refine the depth and scope of the review in this area of learning.

2.7 Roles and actors in innovation

When considering how to support innovation, it is important to consider the actors involved in the innovation process. There are generally four key actors and who hold different roles in the process of innovation:

- a. beneficiaries and users
- b. innovators/entrepreneurs
- c. funders, financiers and investors
- d. governments and public sector

The review will shed more light on the key actors involved in innovation processes including exploring their typical characteristics, needs, and interactions and how they impact each other.

a. *Beneficiaries and users*

With reference to the abovementioned drivers and outcomes of innovation, it is important to distinguish between the various types of interactions between providers and beneficiaries of adaptation services and goods. The interplay between private and public action, costs and benefits in the realm of adaptation innovation and adaptation more widely can be categorised in four domains (see Table 2), each entailing specific institutional arrangements and challenges:

- public provision of adaptation goods for public benefit;
- public provision of adaptation for (largely) private benefit;
- private adaptation for private benefit; and
- (largely) private provision of adaptation goods for public benefit.

Table 2. Domains of adaptation (source: Tompkins and Eakin, 2012)

		Beneficiaries	
		Private	Public
Providers	Private	e.g. buying sand bags to limit home flood damage	e.g. urban flood risk reduction via intentional rural flooding
	Public	e.g. grants for house insulation to reduce cold / heat stress	e.g. global climate models; "Em-dat" hazards database

This typology is a caricature of the process of adaptive action. Each domain of action is, in essence, a 'fuzzy' category with degrees of public and private interaction and co-production. Nevertheless, while there are some adaptation services and goods in which either public or private action is typical and expected, there are others in which some degree of co-production is not only desired but also necessary.

In the review, these domains will be considered to the extent possible, taking into consideration that the relationship between the public and private sectors is complex and dynamic. Furthermore, the role of users and beneficiaries as drivers and initiators of innovation will be reflected (see also the section on drivers of innovations).

b. Innovators and (social) entrepreneurs

To understand how to best support (financially and non-financially) individuals and organisations with innovation potential, the review will seek to identify their needs. There is generally a consensus among senior executives of the need for innovative leaders: leaders who can turn new ideas and technologies into assets that will transform their businesses and, by extension, the economy, and as an objective of social entrepreneurs/innovators, society more generally. Forbes (2014) has identified ten key characteristics innovative business leaders embody (see Table 3).

Table 3. Key Characteristics of Innovation Leaders (source: Forbes, 2014)

1. Being innovative means doing things differently or doing things that have never been done before. An innovator is someone who has embraced this idea and creates an environment in which employees are given the tools and resources to challenge the status quo, push boundaries and achieve growth.
2. Innovators are authentic leaders committed to creating dynamic, highly productive and values-based organisations that hire people who are passionate about their work; give them opportunities to grow; make them feel valued and respected; and give them clarity about their roles and responsibilities.
3. Innovators understand innovation never happens in a vacuum. They value, build and sustain active, vibrant networks of people, assets and organisations. Instead of viewing collaboration as a challenge, they see it as an opportunity to identify strengths, weaknesses, opportunities and threats.
4. Innovators are committed to diversity and understand it takes many different points of view to fully grasp the complexity of economic, technological and other challenges.
5. Innovators have let go of the high-control, low-trust model of leadership and lead by directing from the center of their organisations. They empower employees to be creative and develop the skills they need to move to the next level in their careers.
6. Innovators are not taking shortcuts and are not afraid of going after more complex solutions, even if it means taking higher risks.
7. Innovators understand innovation is not a one-time thing and that start-up companies as well as those that are several generations old have to continuously reach above and beyond what they have done before to stay competitive. This requires innovators to be effective change managers who know how to navigate through resistance to their ideas.
8. Innovators are not afraid to break with the norm and push past conventional wisdom that causes people to think in a box. They are aware customers don't always know what they want.

- | |
|--|
| 9. Innovators understand paying too much attention to traditional business metrics can inhibit companies from making breakthroughs. At the same time, however, their business success speaks for itself. |
| 10. Innovators contribute new, unconventional ideas of their own. |

The above-mentioned characteristics also apply to social innovators/entrepreneurs, with the difference that this group is driven by the need to respond to societal challenges and not necessarily by profits and financial outcomes (Category B). Also, social innovators may design and implement a social innovation, but social innovation is not the exclusive domain of social innovators/entrepreneurs. What is sometimes referred to as the 'social innovation ecosystem' is also open to other groups of actors of which social innovators are only one group. In other words, social innovations that contribute to address socio-economic issues can be developed and implemented by a diversity of actors, including public, non-profit and private actors (see also Table 4).

c. Funders, financiers and investors

The scoping review of practices in innovation focuses on this group. The initial findings of the analysis focus on ways and mechanisms through which the selected institutions fund and foster innovation (see Chapter 3).

Overall, the key characteristics and needs of this innovation actor can best be understood by considering the investment intentionality spectrum (see Figure 6). The evaluation will carefully review where an organisation should sit on the 'social' impact intentionality spectrum, spanning from grant-making actors, concerned with social impact and innovation (to the left) to traditional investors (to the right), who seek scalable and attractive risk-adjusted financial returns.

d. The role of governments and public sector

Although governments currently occasionally financially support (social) innovations by providing financial means (either project-related and less often permanent governmental innovation budgets), mostly by incentivising or de-risking private investment, the key role of governments is to provide an enabling environment with a clear and supportive regulatory framework to investors in innovation and innovators seek (USAID, 2018). As such, the government is an important enabler and ensures a conducive innovation ecosystem or innovation climate.

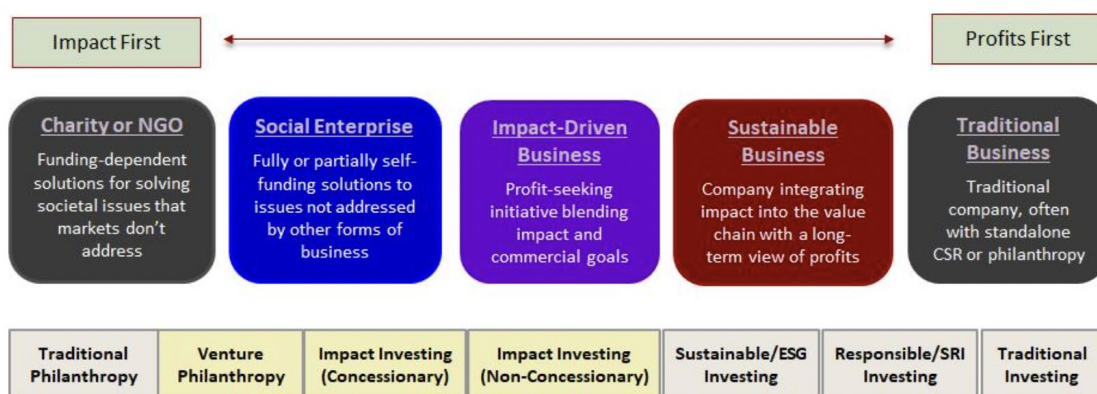
Social innovators play an important role in generating public goods, traditionally the domain of the public sector. Hence, they engage in activities characterised by governmental failures, while purely private markets, equally undersupply of social innovations unless governments intervene.

The review will hence also consider the role of the government, public policies, legislative and enabling environment, where possible. In particular, the interfaces of the private and public sector will be scrutinised.

Table 4. Actors in developing and implementing social innovation (source: Audretsch, Eichler and Schwarz, 2021).

	Nonprofit-oriented innovators	Social entrepreneur	Established social organization	Socially responsible business
Financial return	None. Finance through donations and voluntary human capital	Covering expenses. Might enable social entrepreneur a salary	Project dependent. Possibility to cross-finance/support SI projects within organization	Profit orientation dominates
Organizational form	Ranging from single individuals (loosely organized) to voluntary associations	Ranging from nonprofit to profit-oriented organizational forms as well hybrid forms	SI project embedded within organizational form of established social org. or project-specific form	Profit-oriented organizational form that considers social aspects (e.g., CSR)
Examples	Individual who initiates a voluntary neighbourhood association supporting homeless people	Individual who establishes a business (full-time) that allows people in remote regions access to physician consultation via phone application	Social organization (e.g., Caritas) opening a hotel run mainly by refugees who would otherwise face difficulties entering the job market	Company that is aware of social/environmental topics and introduces SI projects

Figure 6. Investment intentionality spectrum (source: INSEAD, 2018)



III. Summary Findings of the Scoping Review

The scoping review included multilateral climate finance mechanisms such as the Green Climate Fund (GCF), the Climate Investment Funds (CIF), and the Global Environment Facility (GEF), as well as other funding organisations that have development and climate financing within their mandates. The aim of the analysis was to learn and consider examples from

institutions working with innovation. The scoping review methodology, as well as the list of all institutions considered in the analysis, can be found in Appendix I.

This section summarises the findings of the scoping review, organised in six key topics: (3.1) Conceptualisation of innovation; (3.2) Institutional policies, guidelines and structures; (3.3) Results and measurements frameworks; (3.4) Funding schemes and types; (3.5) Non-financial support to innovation.

3.1 Conceptualisation of innovation

As aforementioned, innovation is a relatively amorphous and broad concept for many institutions. The concepts and definitions used by institutions are generally flexible enough to cater for a certain range of innovations - also avoiding being too prescriptive. Some institutions specify the concept and definition of innovation in close association with their respective mandate or purpose, as well as the sector in which the institution is active. However, a considerable number remain rather vague in the description and the articulation of what innovation means in their sphere of interest.

A commonality across the institutions reviewed is that many of them specify the innovation stage that they target (e.g. UNIDO, Global Innovation Fund). See the stages of innovation as specified by the Global Innovation Fund in Figure 7 This expands to a clear identification of barriers for each stage, and how to measure and evaluate innovation for each of these stages (e.g. GCF).

While numerous institutions focus on a concrete type of innovation (a certain product, technology, process etc.), a smaller number extend their focus to gaining a better understanding and hence, supporting an enabling environment for the respective innovators they target. For some, this has been a result of institutional learning (e.g. GIF, EIT Climate-KIC).

Some actors (e.g. EIT Climate-KIC) use the term 'system innovation' to indicate that a narrow focus on 'fully controllable mechanistic interventions' is not sufficient to trigger transformative impact. They define 'system innovation' as a combination of technological and non-technological innovations that, enacted together, deliver transformative impacts. System innovation aims to shift whole systems to strengthen resilience through new ideas applied to multiple barriers to progress simultaneously. For climate adaptation, this involves deliberately designing and sourcing climate adaptation innovations across finance, policy, regulation, citizen engagement and technology in a test-learn-adjust approach (Mitchell, 2021). As a result, system innovation offers an integrated framework to enable synergies between incremental and disruptive innovation efforts, which are often uncoordinated across changes occurring at different levels, ranging from products and processes to regulatory frameworks and value systems (see Figure 8).

Figure 7. Global Innovation Fund’s stages of innovation (source: Global Innovation Fund, 2020)

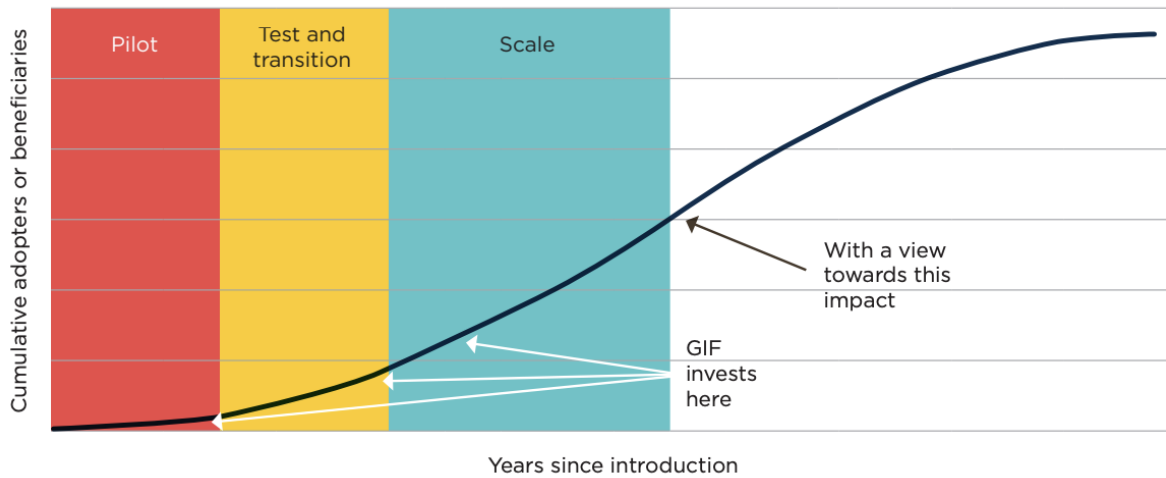
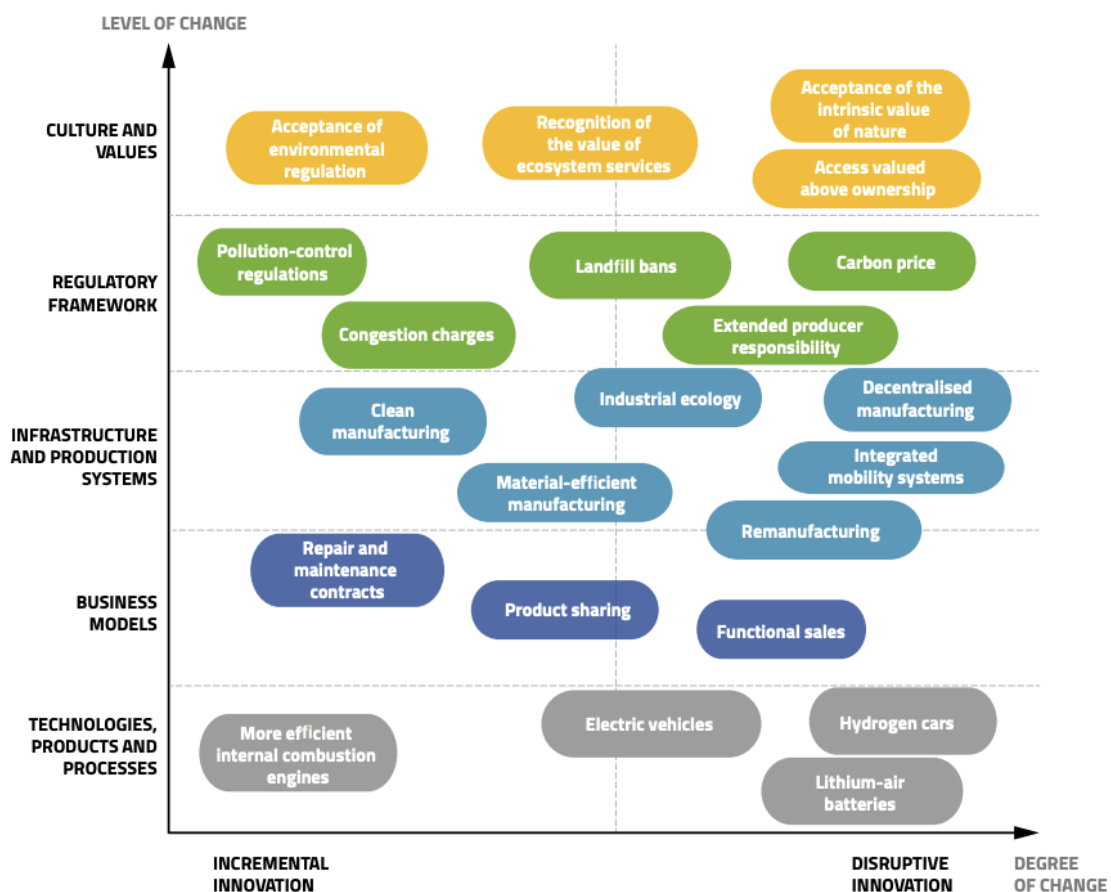


Figure 8. Climate innovations mapped across system elements (source: EIT Climate-KIC, 2017)



Most of the institutions included in the scoping review consider the private sector as the ‘powerhouse’ of innovation. There seems to be increasing interest and focus on enhancing the interaction of the public and the private sector in order to promote innovation at scale. While the majority looks towards the private sector and businesses as innovators, and hence,

focus a lot on appropriate and effective financing instruments and facilitating access to capital, some of the institutions highlight the relevance of research and knowledge generation in view of innovation processes (e.g. EU Horizon Europe) and focus their efforts accordingly.

3.2 Institutional policies, guidelines and structures

In order to successfully promote innovation inside and outside of an institution, the organisational governance and structures need to enable innovation effectively. The extent to which innovations are embedded in policies, strategies, procedures, guidelines etc. matters.

Unsurprisingly, the review revealed that the institutions that embrace innovation as one of the core topics of the organisational mandate or purposes have mainstreamed it across all aspects of the organisation, including core structures and governance instruments (e.g. GIF, CTCN).

It appears that the agility of decision-making processes may be an indicator of high innovation potential. For instance, the frequency and the flexibility of institutional decision-making help institutions to adapt their processes, procedures, funding instruments (DFIs, e.g. KfW), and hence, this process encourages organisational learning. As innovation is a highly dynamic process, such iterative and agile management and governance may constitute an essential element of an innovative, conducive environment. It may be worth further investigating the relationship between innovation potential and the share of decision-making power between management and boards.

Having reviewed mostly institutions that primarily fund innovation, it appeared that the depth and the rigour of processes that support the selection of innovators and innovation projects to be funded differ and most likely strongly correlate with innovation' success' rates (e.g. KfW, CTCN). The role of environmental, social and governance (ESG) considerations have become a core part of the investment decision making processes across the institutions and is a field of recent institutional reforms.

Overall, there is a considerable difference between institutions that focus on private sector actors and businesses as innovators (financially viable, market-based innovations) and those that look at social and environmental public benefits as outcomes or at least co-outcomes of innovation. For the first group, the ultimate measure of successful innovation is commercial viability - hence the overall framing conditions are much more straightforward and governed by market mechanisms, including financial markets. Consequently, all organisational processes are geared towards this somehow one-dimensional perspective on innovation.

Whereas the second group, institutions that foster innovations with social and environmental benefits, often struggle with the differing levels of accountability towards public and private capital providers. In addition, there are institutions from the first group trying to merge co-benefits with financial benefits of innovations for the innovator and the investor. It is this type of institution that has stand-alone, distinct 'innovation strategies' (e.g. IFAD).

Most institutions' processes cover both activities to strengthen (a) internal innovation capabilities through professional training and coaching programs, etc., while simultaneously recognising the need to (b) partner with external actors to promote innovation in their

respective thematic area or sector. BNP Paribas, for instance, offers the Intrapreneurial Programme People’s Lab for Good (PL4G) to its employees to develop solutions to Corporate Social Responsibility (CSR) issues, informed by the 17 SDGs. This program also provides training in start-up methodologies.

3.3 Results and measurement frameworks

Many of the institutions reviewed do not have clear or readily available results frameworks that incorporate innovation as part of the project logic, although there was an acknowledgement that this was needed. MFIs and DFIs have incorporated innovation in their measuring and reporting system to different degrees, depending on their institutional mandate and operational strategy. The CIF, for instance, increasingly relies on MDBs’ own project-level monitoring and reporting systems that may or may not consider innovation-related elements (The Climate Investment Funds, 2021). Yet, it also captures CIF-level results across its programs. Notably, its recent Integrated Results Framework for Renewable Energy Integration Program includes innovation-related indicators for some program-level outputs (Ibid.)². The GCF Integrated results management framework assesses and measures the adoption of innovations to reduce emissions and increase resilience and the degree to which GCF investments contribute to technology deployment, dissemination, development or transfer and innovation (Green Climate Fund, 2021)³. As for the GCF, its GEF-7 monitoring and evaluation policy comprises 11 core indicators and respective sub-indicators applied to all projects and programs (Global Environmental Facility, 2019), but none explicitly include innovation.

There are a large number of institutions that use the term ‘innovation’ in their results or monitoring and evaluation frameworks in an ambiguous way, such as the example shown in Figure 9. Others use outcome indicators related to social or environmental benefits or financing leveraged as proxy indicators for innovation (e.g. EIT Climate KIC).

² The CIF’s Integrated Results Framework for Renewable Energy Integration Program assesses innovation-related outcomes in an explicit manner under its Result Statement F “Fostered renewable energy innovation”, which contains the core indicator “Innovation: Number of innovative businesses, entrepreneurs, technologies, and other ventures demonstrating a strengthened climate-responsive business model” and the optional indicator “Number of innovative products, services, technologies, and processes that have entered a new market context”. Additionally, its Results Statement B “Improved demand-supply” has the optional indicator “Number of supply management technologies, infrastructure, or other solutions deployed management,” which includes innovative schemes for enabling renewable energy supply. Source: The Climate Investment Funds (2021).

³ The GCF Integrated results management framework assesses innovation-related outcomes in an explicit manner under the outcome result level 4.2 “Reduced emissions and increased resilience and enabling environment”. Concretely, the supplementary indicator 2.5, “Beneficiaries (female/male) adopting innovations that strengthen climate change resilience” and the core indicator “Degree to which GCF investments contribute to technology deployment, dissemination, development or transfer and innovation.” Source: Green Climate Fund 2021.

Figure 9. An example of an innovation-focused outcome and output indicator (source: CTCN, 2020a)

Results	Indicators
Outcome 1 – Innovation: Key stakeholders develop, transfer and deploy new and existing climate technologies	1.A. Number of countries developing, transferring and deploying new and existing climate technologies as a result of CTCN support 1.B. Anticipated number of collaborations facilitated or enabled within and between developed and developing country Parties (disaggregated by South-South, RD&D, and private sector collaborations)

The scoping review identified only a few examples of rigorous results or monitoring and evaluation frameworks. One notable example is the Global Cleantech Innovation Index Framework (also used by UNIDO) that evaluates countries based on an average between inputs to innovation and outputs of innovation (15 indicators - see Figure 10). Input indicators correspond to the creation of innovation (the development of technology supply) and output indicators relate to the country's ability to commercialise innovation (the creation of market demand).

Another example is the Global Innovation Fund, that applies a primary innovation measure to all investments (see Figure 11) in order to:

- Forecast the impact of prospective investments and use this information to guide investment decisions.
- Track project performance and impact during implementation, using real time information to adapt and adjust as necessary.
- Evaluate investments after their completion to better understand how investments fared (and why), using this evidence to guide future GIF decisions; and inform decisions made by other development partners.

Figure 10. Elements of Global Cleantech Innovation Index (source: Cleantech Group, 2014)

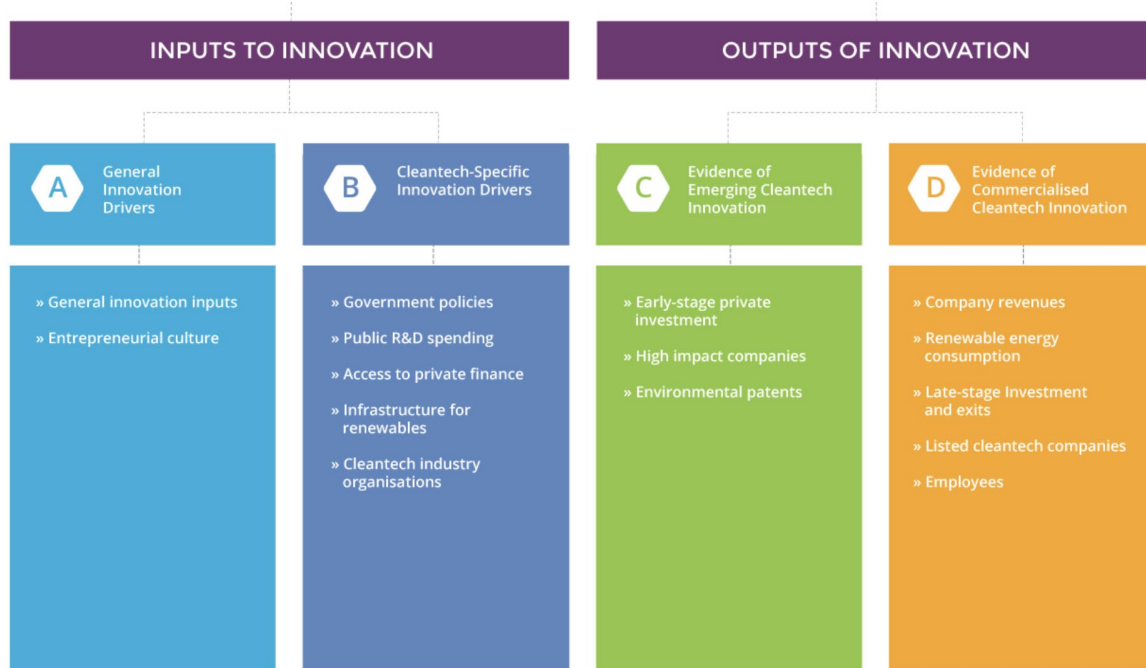


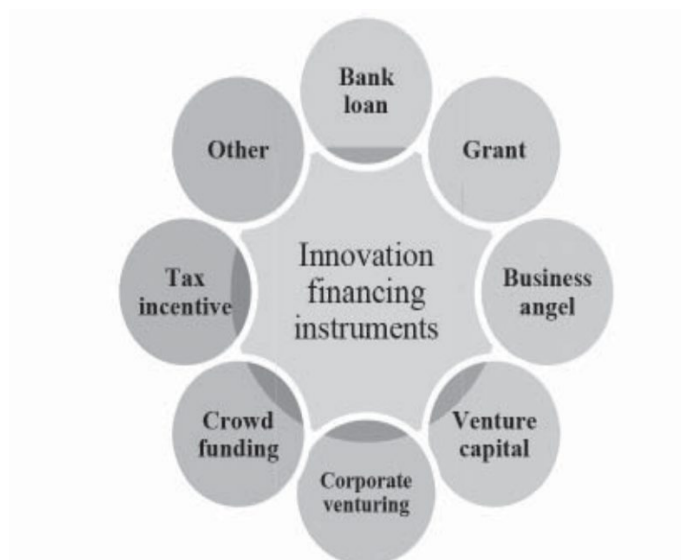
Figure 11. GIF's 'practical impact' measurement – a structured way of forecasting the long-term impacts of early-stage innovations (source: Global Innovation Fund, 2019)



3.4 Funding instruments, schemes and types

The most frequently used development finance instruments to fund climate action include grants, loans, guarantees, equity, and performance-based instruments (see Figure 12). Hybrid instruments (a combination of different tools in risk-sharing mechanisms) can be considered an additional category. An increasing number of MFIs and DFIs use this range of financing instruments (GCF, CIF, GEF, GIF). For some institutions, it appeared that combining different instruments enabled them to target or involve private finance and investors and also research institutions (e.g. GCF, GIF).

Figure 12. Sources of innovation financing (source: Milutinović, Benkovic and Stosic, 2018)



Often, grants are used to incubate and accelerate new climate solutions in combination with de-risking instruments. Typical non-grant de-risking instruments include anchor investment, first loss equity/first loss position, and guarantees. These instruments are relatively new to adaptation finance but are increasingly used to de-risk innovative adaptation projects and investments by mobilising public resources to help establish a commercial track record and crowd-in larger private co-financers. Also, concessional funding is increasingly structured as co-investments in blended finance to mitigate specific investment risks for investors and banks and help rebalance risk-reward profiles of resilient investments (e.g. GCF, GIF).

Blended finance is being used to mobilise finance to scale-up climate innovations by using public resources to de-risk market-creating projects and crowd-in private finance. An example is the GEF-UNIDO global cleantech innovation programme (GCIP), which aims to reduce barriers to entrepreneurial ecosystems, such as inadequate regulatory environment, lack of access to finance, and deficient business managerial skills⁴. Another example is the GEF-South Pole-WWF-Chanel Landscape Resilience Fund, a public-private partnership launched in 2021 that will finance adaptation in landscapes where communities are most vulnerable to floods, droughts and other climate-related hazards⁵.

Blended finance has grown since the adoption of the Addis Agenda, but its developmental impact is largely unknown, due to weak monitoring and poor transparency. As there is an increasing use of blended finance strategies, with possible unintended side effects, a systematic and thorough analysis is required to understand what the most effective mandate for DFIs is in different types of markets (CPI, 2019; IFC, 2021).

⁴ Global Environmental Facility. (2021). *GEF Support to Innovation: Findings and Lessons*

⁵ South Pole. (2021). *New climate resilience fund brings private and public climate finance to vulnerable landscapes and farmers. Press release.*

3.5 Non-Financial support services to innovation processes

Besides funding and access to capital, most institutions included in the scoping review provided non-financial support services to innovation processes, often called accelerators and incubators.

Successful incubation and acceleration programs often kick off with mass competitions that maximise the opportunity for great ideas to arise. Open Innovation competitions are a relatively new concept designed to source and co-develop new solutions. Originally used as a tool in the private sector, especially the technology sector, the format has recently made the successful transition into the public and municipal domain, including for climate adaptation (see Box 1).

Box 1: Innovation stimulation - mass competitions and networking events by Climate-KIC and CTCN

Over the last three years, Climate-KIC has been running Open Innovation events across global cities like Copenhagen, Hamilton, Sofia, Singapore, Malmo, and Trondheim where they are seeking new innovative ways to achieve their ambitious climate targets⁶. Sizeable events have already been conducted in each of the cities. The events were designed to source solutions in response to several “challenges”, all of which were designed to help the respective cities to meet their climate strategies. These events began with an open call for solutions and formally culminated in a pitch event for the most promising ideas. EIT Climate-KIC’s Climathon⁷ is the world’s biggest 24-hour climate innovation hackathon. It is a rapidly growing global movement focused on citizen engagement that sees cities and citizens coming together to set and then solve local climate change challenges.

“The CTCN’s Youth Climate Innovation Labs and Academy offered youth-centered workshops to co-create endogenous climate technology solutions by using tools such as design thinking principles. Following the completion of the two Labs in Africa and Asia, selected groups participated in a Youth Innovation Academy, a two-month intensive incubator designed to help idea-stage start-ups transform ideas into viable projects. Eleven of the newly developed and promising start-ups pitched their technology solutions for enhanced climate action to investors, partners, and experts in the industry. A third lab was launched in Latin America in July 2021, with the Academy scheduled to take place in the fall. In total, the CTCN received over 1,300 applications from young innovators from across 74 countries.” (CTCN, 2021)

Another instrument is the selective provision of technical assistance and mentoring to standout projects and entrepreneurs. Such programs offer opportunities to connect with mentors or investors who can advance the goals of a start-up. This serves both sides of the start-up market and is a resource reserved for the most competitive projects. BNP Paribas’ ‘We are Innovation’ (WAI) program⁸, for instance, not only invests in start-ups but, in addition, advises medium and large corporates on innovation strategy. The technical assistance consists of four parts: (1) ‘Boost’ or the acceleration program; (2) ‘Lead’ – personalised support; (3) ‘Connect’ – networking events; and (4) ‘International’ – which supports the internationalisation of start-ups.

⁶ EIT Climate-KIC (2019). *Open Innovation White Paper*.

⁷ EIT Climate-KIC (n.d.). *Climate-KIC’s Climathon*.

⁸ BNP Paribas (n.d.). *WAI Programme: We are Innovation*.

Furthermore, funders and promoters of innovation provide match-making opportunities. The CTCN (2020b), for example, implemented so-called SME Technology Clinics to generate awareness in the private sector of relevant technologies and new markets that can be established through their use. The programme facilitated SMEs' opportunities to network with international climate technology suppliers, access financing, gain skills and strengthen the supporting policy frameworks in their countries. Climate-KIC runs the ClimAccelerator Marketplace⁹ that offers investors a comprehensive overview of the investment opportunities into early-stage start-ups.

The review also found a significant number of institutions investing in the education, mentoring, and training for rising entrepreneurs. For example, the EIT Climate-KIC's Climate Leadership Journey¹⁰ as the world's biggest climate innovation summer school for graduates and young professionals offers immersive, action-oriented, transformative learning experiences each year, through a series of challenge-focused multidisciplinary learning labs. Similarly, for more advanced professionals, the EIT Climate-KIC's Pioneers¹¹, a professional learning and exchange programme, offers an innovative blended learning approach whereby a common baseline of knowledge is established through e-learning. This learning is then enhanced through workshops and practical application to real-life situations in the form of group project challenges and a 4-6 week placement.

For the future innovation leaders, they offer The Young Innovators programme¹² that empowers young people to understand, explore and address the causes and effects of climate change through innovation. It aims to boost the skills and mindsets of teenagers and prepare them to lead the systems innovation we need now, in the view that they are the future leaders of our societies, businesses, and nations.

⁹ EIT Climate-KIC. (n.d.). *Climate-KIC's ClimAccelerator Marketplace*.

¹⁰ EIT Climate-KIC. (n.d.). *Climate-KIC's Climate Leadership Journey*.

¹¹ EIT Climate-KIC. (n.d.). *Climate-KIC's Pioneers into Practice*.

¹² EIT Climate-KIC. (n.d.). *Young Innovators Programme*.

Appendix I. Scoping review methodology and list of institutions

The scoping review was based on an online desk-based review. An initial set of 38 institutions working in the field of development and climate was identified based on the following criteria: (a) institutions must pursue developmental, social and environmental objectives (with a primary focus on the Global South); (b) institutions must have some climate-related activities/measures/schemes; (c) institutions operating at different scales (international, regional, national) must be considered. Next, a quick online scan was done to prioritise institutions with enough information on their approaches and support to innovation.

Table 5 shows the complete list of organisations included in the scoping review, both for the initial quick online scan (38) as well as for the in-depth analysis (16).

The in-depth analysis covered the following aspects and key questions:

- Conceptualisation of Innovation
 - Does the institution use rigorous, specific definitions?
 - How and to what extent does the institution define types, drivers, outcomes or stages of innovation?
- Institutional Policies, Guidelines and Structures
 - Are there clear guidelines about how the institution supports innovation?
 - Are there structures (units, focal points) dedicated to supporting innovation?
- Results and Measurement Frameworks
 - Does the institution report its results in supporting innovation?
 - Does it present a framework for which funding recipients are expected to report on results?
 - Does it go beyond activities (eg number of grants/people supported) to report on outcomes/impact?
- Funding Instruments, Schemes and Types
 - Are the funding instruments, schemes and types diverse?
 - Does the institution specifically target innovation within its funding instruments, schemes and types?
 - How do institutions promote social innovation and social impact as compared to return-seeking market-focused innovation?
 - Are there examples in which grant-making institutions/funds regularly join forces with other lending or private equity instruments to foster innovation (examples of regular co-financing, long-term partnerships between funds/ers),
 - how and to what extent is grant-making used to de-risk financial risks related to innovation funding,
 - what kind of blended finance instruments exist that contain grants as one element
 - What about the range of institutions and the proportional shares among them that receive grants from DFIs/ international public funds (predominantly public or not-for-profit recipients?)
 - Under what circumstances do DFIs/MFIs provide grants to private sector actors?
- Non-Financial Support Services to Innovation Processes - Incubators, Accelerators
 - Does the institution offer support to innovators beyond funding?

- Are the non-financial support services offered to innovators joined up with funding instruments, schemes and types?
- Is the role of (access to) knowledge/ innovation and access significantly considered in the guiding documents, instruments and support services?
- Does the institution at question provide specific support to theme/ sector-specific knowledge and information sources?

Table 5. List of organisations included in the scoping review

N°	Organization name	Type	Reach	Selected for in depth analysis
1	GCF - The Green Climate Fund	Fund - Multilateral Climate Fund	1 - International	YES
2	CIF - The Climate Investment Funds	Fund - Climate Fund	1 - International	YES
3	GEF - The Global Environment Facility	Fund - Trust fund	1 - International	YES
4	GIF - Global Innovation Fund	Fund - Multilateral investment fund	1 - International	YES
5	WWF - World Wildlife Fund	Non-profit organization / conservation organization	1 - International	YES
6	CTCN - the Climate Technology Centre and Network	UN - UNFCCC Centre	1 - International	YES
7	UNIDO	UN Industrial Development Organization	1 - International	YES
8	SCCF - Special climate change fund (Managed by GEF)	Fund - Multilateral Climate Fund	1 - International	YES
9	The Least Developed Countries Fund (LDCF) (Managed by GEF)	Fund - Multilateral Climate Fund	1 - International	YES
10	BNP Paribas S.A.	Bank	1 - International	YES
11	KfW Development bank	Bank - Development Bank	1 - International	YES
12	Horizon Europe - European Commission	Research Programme	2 - Regional - Europe	YES
13	EIT - European Institute of Innovation & Technology (incl. Climate KIC)	Agency of the European Union	2 - Regional - Europe	YES
14	EIT - Climate KIC	Knowledge and Innovation Community	2 - Regional - Europe	YES
15	Fundo Brasileiro para a Biodiversidade	Fund - Fund Biodiversity	3 - National - Brazil	YES
16	National Bank for Agriculture and Rural Development (India)	Bank - Development bank	3 - National - India	YES
17	Gates Foundation	Foundation, non-profit	1 - International	NO
18	MacArthur Foundation	Foundation, non-profit	1 - International	NO
19	Oxfam International	Foundation, non-profit	1 - International	NO
20	World Food Programme	Humanitarian organization	1 - International	NO
21	Conservation International	Non-profit organization / Charity	1 - International	NO
22	IIED - International Institute for Environment and Development	Policy and research organization	1 - International	NO
23	IFAD	UN agency for food and agriculture	1 - International	NO
24	UNEP	UN agency on environment	1 - International	NO
25	UNDP	UN centre and network	1 - International	NO
26	WIR - World Resource Institute	Research organization	1 - International	NO
27	Global Center on Adaptation	Foundation, non-profit	1 - International	NO
28	Master Card	Multinational financial services corporation	1 - International	NO
29	MUFG Bank Ltd (Mitsubishi UFJ Financial Group)	Bank - Multinational investment bank	1 - International	NO
30	HSBC Holdings	Bank - Bank and financial service organization	1 - International	NO
31	Deutsche bank	Bank - Multinational investment bank	1 - International	NO
32	ADB - Asian Development Bank	Bank - Development Bank	2 - Regional - Asia	NO
33	European Bank	Bank - Development Bank	2 - Regional - Europe	NO
34	CAF cooperación andina de fomento	Bank - Multilateral Development Bank	2 - Regional - Latin America	NO
35	Fondo Mexicano para la Conservación de la Naturaleza A.C.	Fund - Fund Environmental / Non-profit organization	3 - National - Mexico	NO
36	PROFONANPE	Fund - Environmental Fund	3 - National - Peru	NO
37	South African National Biodiversity Institute	Institute on Biodiversity	3 - National - South Africa	NO
38	Yes Bank Limited	Bank - Bank and financial service organization	3 - National - India	NO

Appendix II. Summary of Phase two of the evaluation of innovation: internal review

Phase two of the technical evaluation of innovation encompasses a portfolio analysis and in-depth analysis of selected case studies. It seeks to answer the following question:

What progress has the Fund made in fostering innovation for CCA and what lessons can be drawn from experience to date?

Phase two will be operationalised by the desk-based review of Adaptation Fund documentation comprising the following elements: keyword search of project documentation; rapid review of projects identified as having innovative components; case studies of five projects (three from the Innovation Pillar, two from the Action Pillar); and analysis of Adaptation Fund policy and strategy documents. The analysis will explore four sub questions:

- A. **How and to what extent do Adaptation Fund operations support innovation?** A key-word search of the Adaptation Fund portfolio (Action Pillar and Innovation Pillar) and subsequent rapid review of projects with innovative elements will provide an overview of the kinds of innovation supported by the Fund to date in terms of actors/stages/types. Review criteria will be based on the Adaptation Fund innovation framing and the Innovation Framework developed in Phase one. This will be complemented with a review of Adaptation Fund policies, strategies and funding mechanisms.
- B. **Is the Adaptation Fund innovation practice consistent with its organisational strategy (Medium-Term Strategy 2018-2022)?** The review will assess the extent to which operations under the Innovation Pillar reflect the strategies and principles which Adaptation Fund has developed to guide these efforts.
- C. **What lessons about paths, drivers, enabling conditions and barriers of innovation can be identified from Adaptation Fund experience?** Documentation of five project case studies will be analysed to identify lessons about paths, drivers, enabling conditions and barriers of innovation which will be considered with reference to the existing evidence base identified in the Review's Framing of Innovation and Scoping Review. The set of case studies will include projects from the Action Pillar and the Innovation Pillar. As the Innovation Pillar projects are at a very early implementation stage, their will focus on project design.

Timeline and engagement

The Portfolio Analysis will be undertaken between February and April 2022. Two consultation points are anticipated: late February / early March with the Adaptation Fund Innovation Task Force to share findings of deep-dive, assess interest and consult on case studies selection; and in mid-April with Adaptation Fund stakeholders (Implementing Entities, Adaptation Fund Board secretariat staff, Innovation Task Force) to verify findings.

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