



ADAPTATION FUND

AFB/B.40/11
17 March 2023

Adaptation Fund Board
Fortieth Meeting
Bonn, Germany, 23-24 March 2023

Agenda Item. 11 c)

UPDATE ON THE PILOTING OF THE USE OF INDICATORS FOR INNOVATION

Introduction

1. The Adaptation Fund Board (the Board), through its decision B.35.b/8, requested its secretariat (the secretariat) to develop specific objectives and indicators for the innovation aspects of the large innovation projects. At its 37th meeting the Board discussed the document AFB/B.37/6, on strategic objectives and indicators for the innovation aspects of projects and programmes including specific proposed indicators.

2. During the 37th meeting, a representative of the secretariat introduced the document on strategic objectives and indicators for the innovation aspects of projects (AFB/B.37/6), including specific proposed indicators. During the discussion, members pointed out that the effectiveness of innovations in terms of their actual impact had to be measured as they were also intrinsic to the evaluation of the process. It was also recommended that indicators for innovation had to be concrete but could be looked at in more depth in the future, as innovation was a new and developing area of work generally, not just for the Fund.

3. Members further pointed out that specific indicators should be developed to track the progress made in achieving the Global Goal on Adaptation under the Paris Agreement, as well as, asked whether the Adaption Fund, as an innovative fund, should address loss and damage.

4. The representative of the secretariat took note of members' comments and said the next step would be a technical discussion of indicators in the Project and Programme Review Committee (PPRC), which would allow the secretariat more time to work on the indicators and harmonizing them with the strategic results framework. Meanwhile, it would still be useful to pilot the proposed indicators already before the Board.

5. Having considered the information contained in document AFB/B.37/6 on the specific objectives and indicators for the innovation aspects of projects and programmes, the Board decided:

(a) To take note of the information presented in document AFB/B.37/6;

(b) To request the secretariat to pilot the use of the indicators set out in document AFB/B.37/6;

(c) To request the secretariat to report on the progress and status of the use of the indicators, including any recommendations, to the Project and Programme Review Committee at its twenty-ninth meeting;

(d) To encourage the secretariat, while piloting the use of indicators, to continue consulting with the Technical Evaluation Reference Group of the Adaptation Fund as needed;

(e) To request the secretariat to provide an update on the matter to the Board at its thirty-ninth meeting, in the light of any relevant developments for the Fund, including those following from subparagraphs (b) and (c) above.

(Decision B.37/39)

6. As mandated by Decision B.37/39, the secretariat developed document AFB/PPRC.29/44 that was presented to the PPRC at its twenty-ninth meeting with the objectives to 1) report on the progress for piloting the use of indicators laid in document AFB/B.37/6, 2) recommend a revision of outcome 8 of the Strategic Results Framework (SRF) pertaining to innovation in project/programmes and, 3) present guidance to implementing entities on how to report on the set of pilot innovation indicators set out in document AFB/B.37/6, in the funding application template for fully developed proposals with innovative components.

7. Following a discussion by the PPRC on the revised outcome 8 of the SRF and the guidance set out in document PPRC.29/44, and having considered the recommendation of the Project and Programme Review Committee, the Adaptation Fund Board (the Board) decided:

(a) To approve the revised outcome 8 of the Strategic Results Framework (SRF), as laid out in table 3 of document AFB/PPRC.29/44 on a pilot basis, as well as the guidance to implementing entities for application of innovation indicators in projects/programmes described in the same document;

(b) To request the secretariat to propose amendments to the SRF, project performance reports and other relevant documents following the pilot phase for application of innovation indicators to the Project and Programme Review Committee

(Decision B.38/43)

Progress on application of innovation indicators in fully developed proposals

8. In line with Decision B.38/43, the secretariat has disseminated the guidance to implementing entities for application of innovation indicators in projects/programmes on the innovation microsite of the Fund's website, as well as through courtesy notices to implementing entities on relevant policies and guidance documents ahead of the project review cycle. It should be noted that at the time of development of the guidance set out in document PPRC.29/44, the secretariat received one large innovation project proposal at the fully-developed stage. In this respect, the secretariat has yet to assess the application of innovation indicators in fully developed proposals under the innovation facility.

9. Pursuant to decision B.37/39, the current document provides a report on the progress and status of the use of the innovation indicators, including options for defining duration for piloting innovation indicators and consideration for any proposed amendments to the SRF. The document was prepared for presentation at the thirty-ninth meeting of the Board. However, owing to a lack of time, the Board did not take up this agenda item at its thirty-ninth meeting.

Options for defining the pilot stage for the use of innovation indicators

10. At the time the Board approved the pilot indicators for innovation as well as the revised Outcome 8 for Innovation of the SRF, the pilot phase was not defined. The purpose for defining the pilot stage for the innovation indicators is linked with the proceeding amendments to the SRF of the Fund.

11. In order to make an informed and evidence-based assessment of the application of innovation indicators and their potential for measuring the project innovations' impact across diverse thematic areas, it is therefore useful to define the pilot stage, notably the elements that trigger the end of the pilot stage which would then prompt amendments to the SRF, as well as to project performance report template and other relevant documents.

Option 1: Threshold sample size approach

12. The threshold approach would imply that the end of the pilot stage would be prompted by an assessment of a predefined number of complete¹ fully-developed large innovation project proposals. Considering that Medium-Term Strategy (MTS) grants including innovation grants can only be considered during two review cycles preceding the March and October board meetings, a total of 6-10 proposals over 2 years may be considered as the achievable sample size for the assessment.

13. A weakness of the above approach is that it does not necessarily allow consideration of developments under the second Medium-Term Strategy for 2023-2027 (MTS II), which includes the possibility that the threshold of fully developed proposal for analysis might be reached before the launch of proposed activities under the MTS II. In other words, any recommendation to improve the Strategic Outcome for Innovation (Outcome 8) arising from the analysis would not allow sufficient time for a comprehensive proposal allowing consideration of developments of the MTS II implementation.

Option 2: Hybrid approach (Threshold sample size in combination with consideration of policy/ strategic developments) (recommended option)

14. Under the hybrid approach, the pilot phase would include an assessment of a predefined number of fully developed large innovation projects, as well allow for parallel consideration of potential strategic directions emerging from the MTS II (e.g., new thematic areas, funding windows, linkages with relevant work programs such as knowledge and learning, readiness etc.). The Secretariat would thus begin the assessment once the Board has approved at least eight Large Innovation Project proposals. In this scenario, the end of the pilot phase would be triggered by a Board decision following a review of experience gained from the innovation projects and taking into consideration the policy/ strategic directions emerging from the MTS II and Implementation Plan.

A strength of the approach is that it would ensure a comprehensive analysis of the learning coming out of the application of innovation indicators in fully-developed proposals but will also allow to consider the developments of the MTS II implementation plan, such as the linkages with the

¹ Completeness is defined as a proposal having sufficiently addressed all sections relevant for a fully developed proposal, including its annexes, in compliance with relevant policies and considered ready to be presented for PPRC consideration.

learning pillar as well as readiness activities. Another strength of the approach is that it would avoid multiple revisions of the SRF.

Option 3: Set deadline approach

15. Under this approach, the secretariat would present an updated report to the Board at the 43rd Meeting of the Board. The report would discuss the application of innovation indicators in fully-developed large innovation project proposals received until the Board meeting. Accordingly, the Board would also take a decision whether to continue the pilot stage or not.

16. The weakness of allocating a fixed timeline, is lack of predictability of the number of submissions that might be received within the fixed deadline. The approach further does not consider the timeline for implementation of the MTS II.

Conclusion

17. Considering that the development of MTS II might prompt further revisions to the Fund's SRF not exclusive to the innovation facility, the secretariat recommends option 2. Furthermore, as amendments to the SRF may also prompt amendments to the Project Performance Report (PPR) template and other relevant documents, it would be prudent to adopt a comprehensive approach such that updates reflect strategic development across programming workstreams such as results-based management, readiness and knowledge management, etc., that arise through the MTS II development process and its implementation plan.

Proposed Recommendation

18. Having considered the information contained in document AFB/B.40/11 on options for piloting innovation indicators, the Board may wish to decide:

- a) To approve [Option 1], [Option 2], [Option 3] for piloting indicators for innovation in projects/ programmes.
- b) To request the secretariat to adopt a comprehensive approach considering relevant developments concerning results-based management, readiness, knowledge management and their linkages to innovation prior to proposing amendments to the Strategic Results Framework.
- c) To encourage the secretariat, in carrying out Option [1],[2],[3], to continue consulting with the Technical Evaluation Reference Group of the Adaptation Fund as needed.