



ADAPTATION FUND

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Adaptation Fund Board
Ethics and Finance Committee
Thirty-first Meeting
Bonn, Germany, 21-22 March 2023

Agenda item 6

**UPDATED MANAGEMENT RESPONSE AND ACTION PLAN -
THEMATIC EVALUATION OF THE ADAPTATION FUND'S
EXPERIENCE WITH INNOVATION CONDUCTED BY THE
TECHNICAL EVALUATION REFERENCE GROUP OF THE
ADAPTATION FUND**

Background

1. This document presents a draft management response and action plan, prepared by the secretariat in consultation with the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) on the *Thematic Evaluation of the Adaptation Fund's Experience with Innovation*, document AFB/EFC.30/10.

2. At the thirtieth meeting of the Ethics and Finance Committee (EFC) of the Adaptation Fund Board (the Board), the AF-TERG presented document AFB/EFC.30/10.

3. At the thirty-ninth meeting of the Board, having considered the recommendation of the EFC, the Board decided:

(a) To take note of the key findings of the thematic evaluation of the Adaptation Fund's experience with innovation conducted by the Technical Evaluation Reference Group of the Adaptation Fund (AF-TERG) and contained in document AFB/EFC.30/10, particularly areas of improvement, in informing the overall strategic direction and level of ambition of future work on innovation supported by the Adaptation Fund;

(b) To request the secretariat:

(i) To prepare a draft management response to the thematic evaluation mentioned above and to submit it to the EFC for comments during the intersessional period between the Board's thirty-ninth and fortieth meetings, and to revise the draft management response taking into account the comments received from the members of the EFC for the consideration of the EFC at its thirty-first meeting;

(ii) To consider, in the context of developing plans for the implementation of future work on innovation, various options, including the three options presented in the evaluation document, as well as a combination of relevant elements thereof, and the cost and resource implications required to implement them, as well as their potential benefits and impacts, and accordingly consider them when developing the implementation plan for the medium-term strategy for 2023–2027 for consideration by the Board;

(c) To consider and approve subsequent topics for AF-TERG thematic evaluations in the context of the three-year work plans of the AF-TERG, including the next AF-TERG work programme for 2025–2027.

(Decision B.39/56)

4. In accordance with sub-paragraph (b) (i) of Decision B.39/56 above, the secretariat prepared the present document following the circulation of a draft for commenting by the EFC

intersessionally, and its subsequent revision, taking into account the comments received from the members of the EFC.

Draft management response and general reflections on recommendations

5. The secretariat understands that the analysis and proposed recommendations forward pertain to innovation in the Adaptation Fund's portfolio overall, and not necessarily specifically the activities implemented under the Innovation Pillar as directed by the Implementation Plan of the Fund's Medium-term Strategy (MTS) of 2018-2022, with the intention of providing inputs that could feed into the formulation of the subsequent Medium-term Strategy (MTS-2, 2023-2027) and its Implementation Plan.

6. The focus of the evaluation included the following key areas:

- (a) An institutional landscape review, scrutinizing practices and processes employed by institutions working in the field of development and climate change that also support or work in the area of innovation;
- (b) A review of the Fund's institutional infrastructure (e.g., Innovation Facility) and readiness, approved projects so far, comparing the ambition set by the Fund in the MTS 2018-2022 and its implementation Plan with its institutional settings, results framework, funding programs, safeguards, among others;
- (c) A portfolio analysis, reviewing projects within the Fund's project portfolio that had elements of innovation, both within the Action Pillar and from the windows set up by the Fund's MTS Innovation Pillar.

7. The evidence base went beyond the limited experience of the innovation windows and drew on practices by other relevant organizations. It also drew on the way the Fund has implemented the MTS and its implementation plan, undertook interviews with implementing entities and AFB Secretariat staff, and did a review of pipeline and approved projects in the Innovation windows and projects in the Action Pillar that had strong innovation components.

8. There are several interesting and potentially operationalizable insights and recommendations that have come out of this exercise.

9. Having said that, the methodological approach used in this evaluation leaves a number of important questions still unanswered. For start, the conclusions overall are drawn, mostly, from the evidence available – particularly the projects completed or under implementation in the portfolio funded through the funding windows under the Action Pillar, not those under the Innovation Pillar. Under the Innovation Pillar, three modalities, designed specifically to support innovation – including own policies, definitions, templates, criteria and guidance – have been developed, as mandated by the MTS 2018-2022. However, at the time of the preparation of the evaluation, not enough time had elapsed to gather evidence of Innovation Pillar projects, either completed or under implementation, to draw conclusions concerning the policies, definitions, templates, criteria and guidance based on projects' evidence.

10. The absence of mature projects at this time is not in any way surprising, and indeed, it would not be realistic to expect mature projects, particularly of the larger size, in this timeframe relatively soon after the launch of the modalities themselves. However, to judge the innovation potential of the new modalities under the Innovation Pillar by the evidence from projects that were developed outside of it is, in the secretariat's view, based on fundamentally flawed logic. As such, the conclusions and recommendations drawn are coloured by this characteristic of the evaluation (which, should be pointed out, has been raised by the secretariat in the numerous interactions with the TERG during the preparation phase of the evaluation).

11. Overall, the secretariat is cautious with some of the proposed recommendations and way forward. The reasons for this, in addition to the above, include:

- (a) **It is unclear to what extent the evaluation is contextualized in the mission of the Fund to support Direct Access.** Some of the issues identified and recommendations proposed seem to fail to take into account the primacy of Direct Access and working through the National Implementing Entities of the Fund, which, given existing capacity gaps, is expected to be a process that inherently requires some upfront investments in capacity before project implementation achieves the desired momentum.
- (b) **It is unclear to what extent the evaluation is contextualized in the decisions and mandates provided by the UNFCCC.** There are no references to the Convention decisions and mandates, which, along with the Adaptation Fund Board, determine and guide the Fund's work. Moreover, some of the processes and policy documents under the Convention relevant to innovation, which the Fund is proactively working to harness, seem not to be considered in the evaluation.
- (c) **It is unclear whether the evaluation has considered any comparisons in the uptake and absorption, including speed, of grants of similar size and structure, both within and outside the Fund.** The analysis of the evaluation does not address this, nor does it provide any benchmarks that would help objectively evaluate the speed and efficiency with which the Innovation Pillar modalities have been deployed.
- (d) **It is unclear whether and to what extent the evaluation, in its analysis and recommendations, considered the roles of processes and functions within the Adaptation Fund, such as Accreditation, Readiness and Knowledge Management.** The successful implementation of activities under the Innovation Pillar requires a wholistic approach – as more clearly reflected in the MTS-2 – to address some of the identified gaps, as well as to capitalize on opportunities, and the present evaluation missed the opportunity to analyse and provide substantive input on these elements.
- (e) It is well understood that the timing of the evaluation was intended to serve the development of the MTS2 – however, **the challenge with this evaluation is twofold: one, the evidence is scant and, two, the programme is in the middle of a rapid transformation.** Between the time the evaluation analysis work was carried out and the present, the number of submissions to the innovations' funding opportunities has grown geometrically (from 0 to 13 distinct projects in the case of Large Grants for Innovation). **Therefore, the recommendations that are based**

on the initial “freeze frame” state of the Innovation Programme at the Fund should be viewed with major caveats.

12. The secretariat welcomes a number of the inputs and reflections, particularly enhanced by the sources drawn from the literature and external to the Fund. Many of the recommendations are “common-sense”, sound-principle-based messages that the secretariat already strives to reflect in its operations.

13. This draft management response also includes an action plan (Annex 1) which outlines in greater detail the proposed recommendations and the response by the secretariat.

Draft response on proposed recommendations

14. This document presents a draft initial management response prepared by the secretariat on the *Thematic Evaluation of the Adaptation Fund’s Experience with Innovation* as well as on the proposed recommendations. Further details will be developed as part of the comprehensive response.

Evaluation Recommendation AI1 - *Defining innovation has proved a challenge. Despite much work in this area, the review suggests that the current level of focus remains too general and negatively impacts implementation and progress.*

15. **Secretariat’s Response to AI1** - The secretariat welcomes this recommendation with some caveats – the inclusive, non-restrictive definition provides some key indications on what kinds of interventions would be considered for funding, which served as a signal to the IEs to “think outside the [conventional adaptation project] box”. The innovation programme is approaching the stage where a more precise definition, cognizant of the differentiation among the different types of innovation projects, could be developed.

Evaluation Recommendation AI2 - *The conceptualisation of innovation underlays and steers fundamental operational issues and would, hence, benefit from a more pronounced focus, adopting good practices of other organisations who support innovation, many of whom focus more on the organisational capacities of innovators and the eco-systems they operate in, amongst other aspects.*

16. **Secretariat’s Response to AI2** - The conceptualization of innovation is work in progress and will be refined based on emerging evident needs. The second MTS offers opportunities to broaden the scope from project-focused to more comprehensive, ecosystem-level approach to innovation, building on the experiences during the first MTS. Indeed, it is already planned under MTS-2 that greater focus on the role of innovation ecosystems and partnerships, broader support to grantees, and enhanced readiness for innovation specifically will be supported in the strategic period 2023-2027. The recommendation to focus more efforts in identifying potentially suitable entities and vetting innovation capacities of the IEs to be accredited is acknowledged and is facilitated by the Board’s decision in 2021 to enable the accreditation of a second NIE for each eligible country. However, the role of the private sector in the specific contexts where the Adaptation Fund has a comparative advantage or operates in a niche where demand for specific support is high – this includes the most vulnerable settings and a growing emphasis on Locally-

Led Adaptation, given Adaptation Fund's advantage in supporting Direct Access – leaves the question on what kind of private sector engagement would be right for the Fund for the time being. This will also be guided in part by the Board's upcoming consideration of the topic of co-financing in the context of Fund projects and programmes.

Evaluation Recommendation AI3 – ‘The Role of Private and Public Sector as a (Social) Innovator and Their Interactions’. Public and private sector involvement is widely understood as necessary for innovation, particularly social innovation. However, while some progress has been made, this remains a challenge for the Fund.

17. **Secretariat's Response to AI3** - This recommendation is where the often-repeated refrains about the role of the private sector in innovation could benefit from being examined more closely and based on evidence and specific context of the Adaptation Fund. The Fund would do well to consider further how private sector engagement could serve the intended target beneficiaries of the Fund, mindful of the reality that the nascent Innovation Facility portfolio does not yet hold substantive lessons that could provide categorical directional cues.

Evaluation Recommendation AI4 - Measuring Success and Preparing for Scaling-Up'. Supporting the identification and scaling of innovations in adaptation requires strong mechanisms, at both portfolio and project level, for identifying, assessing the effectiveness and supporting upscaling of innovations. The review suggests this is a crucial area for improvement.

18. **Secretariat's Response to AI4** - Broadly speaking, the implementation of efforts to enhance scaling up have been underway and are planned to be further stepped up under the MTS-2. At this time, there is a broader scaling up effort underway under the aegis of the Scaling-up Framework, and, for instance, current work on refining the Full cost of Adaptation policy, with special consideration of implications for the Innovation Programme.

Evaluation Recommendation AI5 - ‘Synergies with other Strategic Pillars of the Fund’. The scale of the challenge of climate change requires that all available financing is used as effectively as possible. This implies maximising synergies between Fund activities in pursuit of its strategic ambitions. The review found this was not always the case in the Innovation Pillar.

19. **Secretariat's Response to AI5** - Overall, the secretariat agrees with this recommendation (while raising a question about the evidence-basis underpinning the conclusion that prompts the recommendation.) The secretariat appreciates in particular the recommendation to develop a system for “green-flagging” promising innovative actions in its portfolio of projects outside of the Innovation Facility-funded interventions. The MTS-2 indeed aims to strengthen the linkages with other pillars, in order to better capitalize on natural synergies between Action, Innovation and Learning-and-Sharing. The anticipated expansion of the Adaptation Fund Climate Innovation Accelerator (AFCIA) partnership is expected to offer enhanced opportunities for learning and scaling up as well.

Evaluation Recommendation AI6 - ‘Innovation and Investment Climate in Developing Countries’: The Fund works in areas where innovation is particularly challenging, requiring

understanding the limitations and responding effectively. The review found clear ways in which the Fund could strengthen practice in this area.

20. **Secretariat's Response to AI6** - There are some reservations concerning this recommendation. The Fund's mission, focusing on supporting concrete adaptation action, has meant that provision of TA has not been central to its operations. However, expanding readiness support for innovation is provisioned under MTS-2, and the proposed action pertaining to potential expanded use of strategic partnerships (PA6.1) is well-taken on-board as a means towards this goal.

Evaluation Recommendation AI7 - 'The Fund's Mechanisms to Engage, Identify and Design Innovations and Support Innovators'. The Fund's approach to engaging and supporting innovators through its directly managed grants diverges from common and emerging practices by other actors and is not yielding desired results. This is a key area for improvement.

21. **Secretariat's Response to AI7** - Overall, the secretariat agrees with the recommendation, notwithstanding the Fund-specific context concerning the prioritization of support to Direct Access, with implications to how this recommendation could be implemented. Again, there is a reservation concerning the evidence on the basis of which the conclusion prompting the recommendation was made (particularly "[t]he Fund's approach [...] is not yielding desired results.") It should be noted that the more comprehensive approach to support for innovation is envisaged under MTS-2, and the anticipated expansion of AFCIA is expected to contribute to further extending the reach and refining the approach to identify and support innovations, as well as target and engage innovators.

Proposed Recommendation

22. Having reviewed this document, the Ethics and Finance Committee may wish to consider recommending to the Board to:

- (a) Take note of the updated management response and action plan as contained in document AFB/EFC.31/6;
- (b) Request the secretariat to report on the implementation of the action plan at the thirty-fifth meeting of the Ethics and Finance Committee.

Annex 1 - Management response and action plan

	Overall finding and recommendation	Draft management response	Explanation
AI1	Defining innovation has proved a challenge. Despite much work in this area, the review suggests that the current level of focus remains too general and negatively impacts implementation and progress.	Defining a working definition of innovation specific and relevant to the Fund's operations has been an iterative and highly consultative process by design. It is anticipated that the definition will continue to evolve in tandem with the development and growth of the Fund's Innovation Programme as well as the context.	The Fund will continue to further define innovation, taking into account its specific role, the needs of countries, the operating environment, the UNFCCC guidance, and at the direction of the Board, supported by the Board's Innovation Task Force.
PA1.1	Define innovation more precisely while avoiding over-prescriptive definitions, using the categories presented in the innovation framework developed and used in the thematic evaluation (see Annex I, section 2), particularly in view of (a) Type of innovation targeted, (b) Intended outcome of innovation (for suppliers, users, society etc.), (c) Intended users of innovation/distribution of benefits, (d) Stages of innovation supported, (e) Scaling pathways encouraged. Given that the Fund's mandate is focused on the 'generation' of publicly available economic, social and environmental benefits, the definitions should take the latest experiences in the field of social innovation into account.	Agree with caveats.	While it is agreed that this should be done ideally as soon as possible, it may only be possible once at the appropriate stage of the programme is reached. At this time, the innovation programme differs considerably from the baseline upon which the evaluation has been based. Furthermore, with the imminent expansion of AFCIA, the programme may transition towards new directions that would in of themselves help determine some of the issues raised here.
PA1.2	Considering that different innovation types, outcomes, stages, and scaling pathways	Agree.	The secretariat is prepared to develop specific guidance, which it proposes under the MTS-2 Implementation Plan.

	require differentiated enabling conditions and resources, the Fund should prioritize the development of specific guidance and support to certain sub-types of the abovementioned categories. This would allow the Fund to better target its limited resources to specific high-risk, innovative projects and gather experience and knowledge on particularly promising innovation processes in the adaptation field. The Implementing Entities' priorities could guide such prioritization.		Furthermore, in that context, other types of support, such as technical assistance (TA), are being considered, including via strategic partnerships with providers of TA.
AI2	The conceptualisation of innovation underlays and steers fundamental operational issues and would, hence, benefit from a more pronounced focus, adopting good practices of other organisations who support innovation, many of whom focus more on the organisational capacities of innovators and the eco-systems they operate in, amongst other aspects.	Agree.	Organizational aspects and innovation ecosystems are planned to feature more prominently in the innovation programming in the MTS-2 period.
PA2.1	For innovation-focused projects, the type of IE should be reconsidered, and potentially, new channels for accreditation should be opened up. Alternatively, the selection of non-accredited entities as recipients of funds (as already practised under AFCIA) should be further encouraged, establishing partnerships with institutions and organisations with proven experience and innovation culture. This could include innovation support hubs and centre and apex organisations for social entrepreneurship. The Fund should be ready to also fund innovation brokers beyond the	Agree with caveats.	The secretariat is prepared to focus more efforts on assisting developing countries in identifying potentially suitable entities to implement innovation projects and on developing the capacity of such entities, and to explore the feasibility of vetting innovation capacities of applicant IEs in the accreditation process. It is planned that AFCIA will be expanded, by addition of IEs that will implement programmes (alongside UNDP and UNEP-CTCN) which will increase the reach towards non-accredited grant applicants/recipients. Funding of "innovation brokers" would

	innovators themselves, following initial good practice.		need to be carefully considered in view of Fund's mission, resource implications and opportunity costs.
PA2.2	The project design should put more emphasis on a rigorous innovation ecosystem assessment (or any other process that enables the enhanced understanding of the innovation ecosystem) and an iterative, open and collective innovation design process. To this end, the Fund should provide required financial and non-financial support to IEs. Given the innovation design process's iterative and experimental nature, staggering financial support mechanisms may be advisable over a longer period. The Fund should take further action to encourage the use of the Project Formulation Grant (PFG) option.	Agree.	As mentioned above, there will be a greater emphasis on innovation ecosystem role, and support to IEs. Staggering financial support mechanisms is planned for AFCIA, and will be considered wherever else this could confer a benefit. Within the effort to produce specific guidance mentioned above, information on project development support (such as PFG) or TA is planned to be incorporated as well.
PA2.3	It may be advisable to consider the arrangements for blended finance instruments, including a design process that considers collaborations and joint funding arrangements, including sources from across the commercial funding spectrum. There is a need to embed the Fund's grant into a more complex investment strategy for most innovations, particularly product and service-based 'category A' innovations (see Annex I, section 2.5).	Agree.	This is already being explored and will be considered further under the MTS-2, as proposed in the IP.
PA2.4	The Fund could profit from a clearer stance as to whether the business-based and market-oriented 'category A' innovation is a vehicle for innovation that the Fund is ready to support. Hence, private sector companies would be eligible to receive support (either	Noted with reservations.	There is scant evidence at this time that this would be a promising path forward. Instead, more evidence is needed before the Fund should invest effort to develop a mechanism that would provide support to the private sector. AFCIA already is

	directly or indirectly) being a vehicle to generate wider social and environmental adaptation benefits. As laid out in the subsequent section (A13), integration of the private sector is strongly encouraged. An alternative would be collaborating with other funders that typically provide funding to private sector entities in co-financing arrangements.		able to provide support to the private sector.
PA2.5	Given the relatively low amount of financial support available per project under the Innovation Facility, it is vital to embed the Fund's grant in an approach that focuses not only on promoting a specific innovation but also (or alternatively) on strengthening certain aspects of the innovation ecosystem. In addition, the Fund may want to focus on low-tech, low-input local innovations that require lower financial investments but have limitations in terms of the scale of impact. If so, that would have to be engrained and visible in all support instruments and related documents.	Noted with reservations.	The Fund will engage more with innovation ecosystems, as mentioned above. As to the recommendation that the Fund focus on low-tech, low-input local innovation, that may be too prescriptive and overly generalized approach to a problematic that is highly context-specific, in a multitude of contexts.
PA2.6	The Fund may shift towards actor-based (focused on the innovator) funding models going beyond activity-focused funding and lift or relax the limitation in view of core or institutional funding, supporting the organisation's structures and processes. In addition, the Fund should pay more attention to or potentially revise the application, approval processes and funding practice to more consistently assess and strengthen the	Agree with caveats.	Some of these recommendations are already in process, or partially in process. The secretariat will consider further this recommendation in view of its core mission.

	organisational capacities and cultures of the innovator.		
A13.	'The Role of Private and Public Sector as a (Social) Innovator and Their Interactions' Public and private sector involvement is widely understood as necessary for innovation, particularly social innovation. However, while some progress has been made, this remains a challenge for the Fund.	Noted with reservations.	Currently, the evidence is lacking. However, the Innovation Programme is rapidly evolving, and the portfolio is expected to generate evidence and offer some clarity in MTS-2 period.
PA3.1	The Fund, being a publicly mandated financing institution, could position itself to play an expanded role in bridging public policy objectives and investment, including private investment. The Fund could enhance its support - where private investors will not – to socially valuable investments that accelerate public policy objectives, such as investment in pre-commercial and marginally commercial technologies, geographies, and market segments. This holds equally, if not more so, for adaptation and resilience investments, many of which do not yet generate sufficient private benefits for purely market-based solutions.	Agree.	While the innovation portfolio is nascent, and, therefore, the evidence is scant, the Fund is already positioned for doing this and will continue to further explore and define its niche in this regard.
PA3.2	The decision of which blended finance instruments the Fund could consider should be guided by assessing barriers to climate innovation in developing countries. By doing so, the Fund would enhance its contribution to lowering several barriers at each stage of the innovation chain - emergence, diffusion, and widespread adoption –filling out the persistent funding gap in transformative climate innovation in developing countries. Purely focusing on scaling up through bigger publicly	Agree with caveats.	Concerning assessments of barriers in developing countries, please note that TNAs and TAPs are already used in the review of the proposals and the Fund has made progress on its strategic partnerships in this respect. This complements the effort, mentioned above, regarding finance instruments that could be employed (towards scaling up or replication, for example), managing risk and achieving impact.

	mandated financing institutions will not mobilise the amounts of money necessary to build the required climate resilience in the countries in question.		
PA3.3	The Fund should further elaborate on the possibilities to engage private sector actors - as potential innovators, scaling partners or investors - in the (social) innovation processes it supports and funds. It appears imperative to use the combined strengths of the varied set of actors in society to instigate social impact through innovation. A social innovation process is essentially propelled by a need or demand for improvement, and it is led by motivated individuals in a dynamic and interactive flow of ideas, values, capital, and talent across sector boundaries. Public-private-partnerships (PPPs) play an increasingly important role in delivering social innovation and should therefore be more consistently considered as delivery models of social innovation.	Agree, with caveats.	Same as previously stated, including under PA2 recommendations.
AI4.	'Measuring Success and Preparing for Scaling-Up': Supporting the identification and scaling of innovations in adaptation requires strong mechanisms, at both portfolio and project level, for identifying, assessing the effectiveness and supporting upscaling of innovations. The review suggests this is a crucial area for improvement.	--	This is underway as part of the MTS-2, with special consideration of implications for the Innovation Programme.
PA4.1	During the project design phase IEs should be encouraged (among others, via available guidance) to use the Theory of Change and other project planning results/ impact frameworks and to integrate enhanced	Agree.	IEs are already encouraged expected to use Theory of Change, as the guidance for innovation programming attests. However, more training/capacity building would be useful, and this is already in process, with support of the Readiness.

	thinking on potential innovation scaling pathways from the outset. More attention and possibly funding (in the form of project preparation grants) for the project design stage is required.		
PA4.2	Project management approaches (and associated management and reporting tools) should embrace and implement adaptive and iterative management principles.	Same as above.	Same as above.
PA4.3	More attention should be given to the post-project funding legacy that a respective Fund project is likely to leave behind. An enhanced innovation ecosystem focus would further support this.	Agree.	As previously mentioned, an enhanced innovation ecosystem focus is anticipated.
PA4.4	Integrate experiences and state-of-the-art knowledge about evaluating social innovation. Consider, for instance, adopting and supporting developmental evaluation approaches at Fund and project level, which encourage innovation development and learning. Such approaches are well suited to guide adaptation to emergent and dynamic realities in complex environments by supporting the framing of concepts, test quick iterations, and monitoring developments, among others.	Agree.	This will be considered for potential implementation.
PA4.5	Closer collaboration (including the exchange of data and information) and joint learning systems around innovation between the AFB Secretariat and the AF-TERG should be put in place.	Agree	The secretariat will welcome such a collaboration.
AI5.	'Synergies with other Strategic Pillars of the Fund': The scale of the challenge of climate change requires that all available financing is used as effectively as possible. This implies	Agree with the message. However, questioning the finding	In MTS-2, linkages with other Pillars are notably strengthened.

	maximising synergies between Fund activities in pursuit of its strategic ambitions. The review found this was not always the case in the Innovation Pillar.	(methodology/evidence issues).	
PA5.1	Enhance the synergies between pillars based on initial positive examples. The Fund should look at its entire portfolio of activities as a potential source of innovation ideas and prepare processes to detect them successfully.	Agree.	The secretariat will explore options for a process of detecting promising innovation ideas from its total portfolio. The further elaboration of such ideas will take into account the principle of country-drivenness.
PA5.2	Innovation support mechanisms should enable learning between projects, across pillars and by the organisation as a whole, about both processes of supporting innovation and specific innovations. This could include: reflecting on the emerging experience of supporting innovation and learning from it to improve project performance across the Fund portfolio; identifying innovations in the Action Pillar that could be further supported through the Innovation Pillar; identifying innovation projects with potential to be scaled up through the Action Pillar or via other scaling pathways. This requires integration and funding of learning across the Fund's internal and externally facing policies, strategies and culture, and the establishment and roll-out of mechanisms that enable learning about innovation between projects, across pillars or by the organisation as a whole.	Agree.	This recommendation is already under implementation.
AI6.	'Innovation and Investment Climate in Developing Countries': The Fund works in areas where innovation is particularly challenging, requiring understanding the limitations and	---	---

	responding effectively. The review found clear ways in which the Fund could strengthen practice in this area.		
PA6.1	Focus on a long-term relationship-building process (beyond a project implementation approach) that enables the development of innovation potential and related capacities of selected actors. This could also be achieved through enhanced collaboration with other non-financial innovation support mechanisms (such as accelerator and incubation programmes, innovation brokering etc.).	Agree.	This is also aligned with processes planned or underway mentioned above, i.e. strengthening the role of and support to innovation ecosystems.
PA6.2	Consider moving away from a project-based approach to a more embedded and sustainable innovation ecosystem-focused approach, aligning funding to alternative innovation support and policy frames. This would enhance the chance to target transformational outcomes of innovation more specifically (see also PA2.5 and PA2.6).	Noted with reservations.	The Fund's mission, focusing on supporting concrete adaptation action has meant that provision of TA has not been central to its operations. However, expanding readiness support for innovation is provisioned under MTS-2, and the proposed action pertaining to potential expanded use of strategic partnerships (PA6.1) is well-taken on-board as a means towards this goal.
AI7.	'The Fund's Mechanisms to Engage, Identify and Design Innovations and Support Innovators': The Fund's approach to engaging and supporting innovators through its directly managed grants diverges from common and emerging practices by other actors and is not yielding desired results. This is a key area for improvement.	Insufficient evidence – conclusion is premature regarding results.	It should be noted that the more comprehensive approach to support for innovation is envisaged under MTS-2, and the anticipated expansion of AFCIA is expected to further contribute to further extending the reach and refining the approach to identify and support innovations, as well as target and engage innovators.

PA7.1	The Fund should explore the rapidly emerging landscape of innovation intermediaries (used here as an umbrella term for the variety of actors, such as accelerator and incubation programmes, innovation brokers, climate adaptation knowledge brokers, communities of practice and other similar organisations) and build strategic partnerships with them (similar to the World Bank’s global network of climate innovation centers). The reliance on the expertise in engaging, identifying, and designing innovations will streamline and focus the support and release pressure on the Fund’s institutional infrastructure.	Agree, with caveats.	Important caveats – the Fund is prioritizing Direct Access, and its strategy is rather to capacitate and empower NIEs to access resources and navigate innovation landscapes, rather than the Fund directly engaging innovation landscape actors in intermediary roles, so the Fund would then lean towards enabling rather than driving and directing the process of “engaging, identifying and designing innovations”, for example (and thus also not running afoul of country-drivenness imperative.) It is not within the Fund’s mission to drive innovation – and any process thereof – in a top-down fashion.
PA7.2	The Fund may want to focus on its consolidated experience supporting climate change adaptation to support selected innovation intermediaries to strengthen their offerings to innovators in view of climate adaptation, such as the AFCIA mechanism.	Agree, with caveats (similar to PA7.1)	This is already anticipated, to be facilitated under an expanded AFCIA, for example.
PA7.3	Explore more ‘proactive’ ways of selecting and scoping for suitable innovators than ‘reactive’ mechanisms such as the traditional call for proposal approaches, for example, by working creatively with incubator programmes or organising around a specific adaptation challenge (see Annex I, section 4.5).	Agree.	This is already underway and expected to accelerate within the expanded AFCIA. Otherwise, insofar as Direct Access is concerned, this is work in progress, and should be considered an investment in innovation capacities of national implementing entities of adaptation projects.