



ADAPTATION FUND

AFB/PPRC.31/65
18 March 2023

Adaptation Fund Board
Project and Programme Review Committee
Thirty-first Meeting
Bonn, Germany, 21-22 March 2023

Agenda item 23

**PRINCIPLES AND DRAFT TERMS OF REFERENCE (TOR) FOR THE
ADVISORY BODY FOR INNOVATION**

I. Introduction

1. The Adaptation Fund Board (the Board) at its thirtieth meeting adopted the first Medium-Term Strategy (MTS) for the Adaptation Fund (the Fund) in order to guide the work the Fund until 2022. MTS outlined three pillars of work: Action, Innovation, and Learning and Sharing. The Board, at its thirty-ninth meeting, adopted the new Medium-Term Strategy for 2023-2027 (MTS II; annex 2 to document AFB/B.39/5/Rev.2; Decision B.39/61). In implementing the MTS II, the innovation pillar has the opportunity to be reviewed in order to support the development and diffusion of innovative adaptation practices, tools, and technologies.

2. The Innovation Facility for implementation under the Fund innovation pillar was approved at the Board's thirty-first meeting as part of the implementation plan of the first MTS (Annex I to document AFB/B.31/5/Rev.1; Decision B.31/32). The Facility offers small and large grants through three different windows. It builds on the Fund's core strengths and comparative advantage as a highly functioning and innovative fund established to finance concrete adaptation projects in developing countries that are particularly vulnerable to climate change.

3. The Board at the second session of its thirty-fifth meeting requested the secretariat to prepare a document that further clarified the definition and vision for innovation under the Fund, as well as to establish a task force composed of Board members to guide the Fund's work on innovation (Decision B.35.b/9).

4. At its thirty-sixth meeting the Board decided to adopt the vision and definition for innovation contained in document AFB/B.36/8, as well as the innovation review criteria contained in its annex I. According to that document, under the innovation pillar of the Adaptation Fund, innovation is understood as "the creating, testing, deployment or diffusion of new, adapted or improved adaptation solutions, developed contextually and with the inclusion of the communities most vulnerable to climate change, to enable those communities to become more resilient to climate change". Additionally, the Board decided:

[...]

(c) To request the secretariat to develop, in line with decision B.35.b/9, under the continued guidance of the task force for innovation, an updated document that further refines the elements related to innovation and adaptation outlined in document AFB/B.36/8, which contains the elements below, and to present it to the Board for its consideration at its thirty-eighth meeting:

- (i) Analysis of the global landscape of finance for innovation in climate adaptation, along with any gaps;*
- (ii) Identification of potential types of risks related to innovation projects funded by the Adaptation Fund, with recommendations on the flexibility on acceptable levels specific to the type of risk;*
- (iii) A proposal on the piloting of the establishment of an advisory body to support the Adaptation Fund's work on innovation on an ongoing basis.*

(Decision B.36/39)

5. At the thirty-ninth meeting, the Board considered Document AFB.39/10, which provides, inter alia, a proposal on the piloting of the establishment of an advisory body to support the Adaptation Fund's work on innovation.

6. *Having considered Document AFB.39/10, the Board decided to:*

[...]

(c) Request the secretariat to, in consultation with the Innovation Task Force, further develop principles for the advisory body for innovation referred to in document AFB/B.39/10, including a draft TOR, taking into account the developments with the Medium-Term Strategy 2023-2027;

(d) Request the secretariat to present its analyses and recommendations related to subparagraphs (a) to (c) above to the PPRC at its thirty-first meeting.

(Decision B.39/65)

II. Principles for advisory body for innovation

7. As the Adaptation Fund continues to support the development of adaptation-focused innovation projects, the Board have requested that the possibility of creating an advisory body to support this area of work through external expertise and contacts. The secretariat, under the guidance of the Innovation Task Force, discussed the purpose and general characteristics of such an advisory body, as previously described in Document AFB.B.39/10. The document discusses the role of design and composition of members of an advisory body as factors in its effectiveness in achieving different types of goals, such as strategy development or outreach, as well as the level of responsibility to take on. Through feedback from the Technical Evaluation Reference Group of the Adaptation Fund (TERG) and external organizations/experts consulted for their perspectives, **Strategy, Projects, Processes** and **Driving Mission** were highlighted as especially useful areas to focus upon due to the added value their expertise and contacts can bring.

8. In terms of composition, it was discussed that the mandate of the Advisory Body will determine its composition, though it is envisaged that it will include diverse representation including regional representatives of the Adaptation Fund's main geographies, and possibly specific stakeholders such as youth representative(s) from supported countries, a beneficiary with understanding of how NIEs operate, as well as technical experts and practitioners from the fields of climate change technologies and innovation. The diversity will help to provide a much broader range of perspectives, expertise and contacts that will help to challenge, strengthen and improve the work of the Adaptation Fund in supporting innovation in the field of climate adaptation, while keeping the Advisory Body nimble.

9. There have been several relevant developments recently, as the Fund enters a new MTS II strategic period, 2023-2027, and modifies and enhances its approaches and operations based on experience gained from the first MTS period, 2018-2022.

10. As part of MTS II, the Fund also seeks to further enhance and expand its support for locally-led adaptation (LLA), including by fostering innovation and creating a portfolio of diverse and locally appropriate innovation projects and programmes, and thus contribute to its mission of accelerating effective adaptation action, innovation and learning in developing countries.

11. The expected results (ERs) for the innovation pillar under MTS II have been defined as follows:

- (a) *New innovations and risk-taking encouraged and accelerated - Development of innovative adaptation practices, tools and technologies encouraged and accelerated, including solutions with high impact potential even if it comes with a higher risk of failure;*
- (b) *Successful innovations replicated and scaled up - Innovative adaptation practices, tools and technologies that have demonstrated success in one country spread to new countries/regions or are scaled up from smaller to larger scales;*
- (c) *Access and capacities enhanced for designing and implementing innovation - Access and capacities enhanced, knowledge generated, and awareness raised, for implementing entities and non-accredited actors to design and implement innovative adaptation solutions;*
- (d) *Evidence base generated and shared (linkage with learning and sharing pillar) - Evidence on the conditions that lead to successful innovation generated and shared, and partnerships, iteration, learning, and adaptive management encouraged. Evidence of effective, efficient adaptation practices, products and technologies generated as a basis for implementing entities and other funds to assess scaling up.*

12. While the general direction of the activities under the Innovation Pillar has been confirmed to continue and build upon the previously established funding windows, there is an expectation of an increased ambition overall and the Adaptation Fund Climate Innovation Accelerator in particular, as reflected in the Draft Implementation Plan of the MTS II, Document AFB/B.40/5, expected to be discussed by the Board at its fortieth meeting, as well Document AFB/PPRC.31/58¹, Document AFB/PPRC.31/58/Add.1², and Document AFB/PPRC.31/59³. It is the outcomes of those discussions and the Board's decision regarding innovation matters that will be crucial to determining the kind of technical advisory support that would be optimal for the Fund in the current MTS period.

¹ Expressions of Interest to Join the Adaptation Fund Climate Innovation Accelerator (AFCIA) Partnership (public version)

² Expressions of Interest to Join the Adaptation Fund Climate Innovation Accelerator (AFCIA) Partnership (confidential version)

³ Programme on Innovation: Operational Policy and Guidance to the Adaptation Fund Climate Innovation Accelerator (AFCIA) Implementing Entities

13. Notwithstanding the pending decisions on the items above, the draft terms of reference (TORs) for the Advisory Body on Innovation has been prepared as a basis for a continued discussion. The draft TORs are attached in Annex 1 of the current document.

III. Recommendation

14. Having considered Document AFB.PPRC.31/65, the PPRC may wish to recommend to the Board to:

- (a) Request the secretariat to, in consultation with the Innovation Task Force, finalize the draft of the terms of reference for the advisory body for innovation referred to in document AFB/B.39/10, taking into account the developments with the Medium-Term Strategy 2023-2027 and its Implementation Plan;
- (b) Request the secretariat to present the finalized draft of the terms of reference for Board's decision at its forty-first meeting or intersessionally.

Annex I

DRAFT TERMS OF REFERENCE FOR THE ESTABLISHMENT OF THE ADAPTATION FUND TECHNICAL ADVISORY BODY FOR INNOVATION

Background and Context

1. The Adaptation Fund, which serves the Paris Agreement of the UN Framework Convention on Climate Change (UNFCCC), has been established by the Parties to the Kyoto Protocol of the UNFCCC to finance concrete adaptation projects and programmes in developing countries that are party to the agreements. The Adaptation Fund has been considered an innovative mechanism for three specific reasons:
 - a) It is funded by an international levy from the Clean Development Mechanism of the Kyoto Protocol.
 - b) It is governed by a body – the Adaptation Fund Board (the Board) - which has majority representation from developing countries.
 - c) It provides eligible developing countries an opportunity to directly access its funds.
2. Through its first Medium-term Strategy, launched in 2018, the Adaptation Fund has established and developed an innovation programme, including the Innovation Facility which currently provides several distinct funding opportunities for innovation in support of adaptation and resilience. The Fund’s work on innovation has been welcomed and further encouraged by Parties.
3. The second Medium-term Strategy, adopted in 2022, confirms the direction of the Fund towards increasing support for innovation.
4. The Board is therefore seeking external experts to serve on its Technical Advisory Body for Innovation (the Advisory Body).

Mandate of the Advisory Body

5. The Advisory Body shall make recommendations to the Project and Programme Review Committee (PPRC) [the Board] regarding topical matters pertaining to the Adaptation Fund’s innovation work.
6. This would include strategic and technical questions pertaining to programs, modalities, Adaptation Fund Climate Innovation Accelerator (AFCIA) Partnership, external developments (including, but not limited to, relevant initiatives, events, finance, trainings, and developments in innovation-adaptation space), and Learning-and-Sharing on innovation (including publications, opportunities to disseminate and discuss knowledge gained from AF Innovation work, and other) and make recommendations to the PPRC [Board] on innovation matters, as applicable.

Membership

7. The Advisory Body would consist of [4-6] experts in innovation with adaptation perspective. They could be recognized innovators, researchers, managers, founders, and senior-level administrators of innovation projects and funding with significant familiarity with climate change, specifically adaptation and resilience, representing diverse perspectives. In addition, two members of the Advisory Body would be Board members who will be designated by the Board as Chair and Vice-chair of the Advisory Body.
8. The Secretariat shall invite and compile a list of experts for consideration by the Innovation Task Force of the Board.

9. The Innovation Task Force of the Board shall select the expert members of the Advisory Body from this list, taking fully into account considerations of regional balance, expertise, and diversity of perspective.
10. The members of the body would be invited to serve a one year term, renewable for another year. After this period, one year cooling off period would be in place, during which the member could not serve on the Body. Former members could reapply to join after the cooling period. [However, in order to ensure continuity in the work of the Advisory Body after its inaugural period, only [number] of [total number of members] shall be replaced after the first term.]
11. Advisory Body's Board members shall be eligible to serve a maximum of two consecutive terms followed by the cooling off period. However, in order to ensure continuity in the work of the Advisory Body after its inaugural period, only one of these two members shall be replaced after the first term.
12. The Advisory Body will report to the Board at regular intervals at its meetings.

Competence requirements

13. The Advisory Board members who are external experts shall have:
 - (a) Demonstrated relevant work experience in innovation;
 - (b) Experience with any national or international innovation body would be an advantage;
 - (c) An understanding of country, regional and international innovation systems;
 - (d) Ability to communicate fluently, both in writing and orally, in English. Working knowledge of other UN languages would be desirable;
 - (e) Innovation credentials with relevance for adaptation.
14. The Board shall require members of the Advisory Body to commit in writing to comply with the rules defined by the Board, in particular with regard to confidentiality and to independence from commercial and other conflict of interests, including any association with an Implementing Entity or projects and programmes funded by the Adaptation Fund. The members of the body would not be allowed to work on Adaptation Fund projects and programmes on design, implementation or evaluation during the time as member and the 1 year cooling off period.

Modalities of work

15. The Advisory Body shall operate under the guidance and authority of the Board and shall be bound by these terms of reference, as well as by the operational policies and guidelines and the code of conduct, as adopted by the Board. The General Guidelines for Board Committees shall apply *mutatis mutandi* to the Advisory Body. The mandate of the Advisory Body may be revised or terminated by the Board if necessary.
16. Advisory Body meetings can be held with panel members being either physically or virtually present. The dates and modalities of Advisory Body meetings shall be determined by the Chair and Vice-chair of the Advisory Body, bearing in mind resources available and the need for support.

Compensation

17. Travel costs and daily subsistence allowance shall be paid to those Advisory Body members who are Board members and attending a meeting of the Advisory Body or undertaking any official site visit as approved by the Board, in accordance with UN rules.

Members of the Advisory Body who are external experts shall be paid fees for their services and travel expenses.

Revision of the TORs

18. The Board will revise these terms of reference as necessary.