



ADAPTATION FUND

AFB/PPRC.34/Inf.1
9 September 2024

Adaptation Fund Board
Project and Programme Review Committee
Forty-third Meeting
Bonn, Germany, 8-9 October 2024

Agenda Item 15

**UPDATE ON THE IDENTIFIED NEEDS FOR EXTERNAL
SUPPORT FOR ADVISORY SERVICES FOR INNOVATION AND
OPTIONS FOR SUPPORT**

Introduction

1. At its 42nd meeting the Board considered a document on the analysis of the current needs for external support for advisory services for innovation and options for support (AFB/PPRC.33/41). This document, which undertook an assessment and analysis, identified nine items or internal “gaps” to enable the fulfillment under the Innovation Pillar in the MTS II Implementation Plan. Having considered the recommendation of the Project and Programme Review Committee (PPRC), the Adaptation Fund Board decided:

(a) To endorse document AFB/PPRC.33/41 and its findings concerning the proposed way forward to address the needs of the innovation programme;

(b) To request the secretariat to proceed with addressing the needs as identified in table 3 of the document;

(c) To request the secretariat to report to the Project and Programme Review Committee at its thirty-fourth meeting on the item in subparagraph (b) above.

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(Decision B.42/38)

2. This document presents a report on the progress made by the secretariat on contracting external support for advisory services for innovation and is presented to the PPRC for information.

Background

3. The Board at its thirtieth meeting adopted its first Medium-Term Strategy (MTS) in order to guide the work for the Adaptation Fund (the Fund) from 2018 until 2022. MTS outlined three pillars of work: Action, Innovation, and Learning and Sharing. The Fund has embarked on its second strategic period based on a new Medium-Term Strategy for 2023-2027 (MTS II), in which the innovation pillar has been strengthened in order to support the development and diffusion of innovative adaptation practices, tools, and technologies.

4. The Innovation Facility under the Fund's innovation pillar was approved at the thirty-first meeting of the Board as part of the Implementation Plan of the MTS (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.

5. Since the launch of MTS II, new strategic developments have been seen such as the new Expected Results established under the Innovation Pillar including i. New innovations and risk-taking encouraged and accelerated; ii. Successful innovations replicated and scaled up; iii. Access and capacities enhanced for designing and implementing innovation; iv. Evidence base generated and shared. Other notable developments and progress under the MTS II and its

implementation also include the expansion of the Adaptation Fund Climate Innovation Accelerator (AFCIA) Partnership.

6. Subsequent to the approval of the Implementation Plan of the first MTS, the three windows under the Innovation Facility were operationalized and launched, first of which was the Small Grants for AFB/PPRC.33/41 4 Innovation funding window, followed by the multilateral implementing entity aggregator, and, lastly, Large Innovation Projects' funding window.

7. Since their operationalization, the three windows have all received submissions at a steady and growing pace, and for all the windows there are projects that have achieved proposal approval stage.

8. In parallel, further significant policy developments under the Innovation Pillar have taken place, supporting and enhancing the operationalization of the funding windows, such as "Further clarification of vision and definition of innovation under the Adaptation Fund: Analysis of relevant elements and guidance on review criteria" (AFB/B.36/8), and, "Further analysis on elements related to innovation: Mapping finance for innovation, risk appetite, and options for the innovation advisory body" (AFB/B.39/10).

9. Document AFB/PPRC.33/41 outlined options were assessed to appropriately respond to the needs that innovation work presents under MTS-II, including from a budgetary and governance point of view.

Update on addressing the needs as identified in document AFB/PPRC.33/41

10. Table 1 below gives a general update of the work addressing the identified needs as documented in AFB/PPRC.33/41.

Table 1: Update of the work with the proposed options for external support.

Item	Description	External advisory need identified/Progress of work
1	Update of Strategic Results Framework mid-term MTSII based on the piloting innovation indicators and more evidence under the Innovation Pillar.	The hiring of an individual consultant with RBM expertise may need to be complemented by an innovation expert with RBM expertise to carry out the work. Proposed revisions will be presented at the forty-fourth meeting of the Board in March 2025. A discussion providing an initial update on the progress is anticipated to take place at the forty-third meeting.
2	Scale-up approach and co-finance for adaptation innovation.	Specialized expertise is anticipated to be needed. As part of investigating collaboration efforts that could contribute to a more structured approach and process to scaling up the innovation facility and to learn more about

		<p>co-finance, several dialogues and potential collaborations are on-going in parallel:</p> <ul style="list-style-type: none"> • The Fund has initiated or deepened dialogues regarding potential synergies and collaboration around innovation with the MCFs. • Another opportunity currently being explored in relation to the reaccreditation of MDBs, are dialogues which may shape partnerships and synergies on innovation. • AF's innovation team has conducted numerous explorative dialogues with innovation initiatives and organizations including the Afrilabs, Climate-Kic, Earthshot Prize, Enterprise Neurosystem, Global Green Growth Institute (GGGI), GSMA Climate Tech, International Trade Center (ITC), Uplink (World Economic Forum), World Intellectual Property Organization (WIPO), as well as with the MIEs that already since before has established a strong innovation culture could prove to be valuable for the AF. • AF's innovation team is in an active, ongoing consultative process with IEs regarding challenges and opportunities in innovation for adaptation. • External support is foreseen to be needed to contribute to synthesize the different tracks of work purposed to conceptualize a relevant scale-up approach tying into the need of scaling up but also how to source high quality proponents into the innovation windows.
3	Support to country innovation ecosystems.	<p>The need is seen as extensive given the perceived lack of capacity at country level to developed projects that help support and develop the national systems of innovation, particularly for adaptation. Various ways of satisfying the current gap will be explored.</p> <ul style="list-style-type: none"> • The Innovation and Readiness Programme teams have been dedicating additional effort towards activities expected to benefit the IEs capacities in innovation, for example the planned 2024 Annual NIE Seminar planned for 16-20 September in Johannesburg. • The recent survey among IEs concludes the lack of enabling environments and extensive need for enhanced local innovation capacity, and key elements of these findings could support the on-going work of supporting the countries innovation capacity.
4	Strengthening the linkages and synergies between innovation, learning, and sharing.	<p>Specialized expertise to respond to some of needs in this Nexus area.</p> <p>Several workstreams are contributing to strengthening linkages between innovation, learning, and sharing:</p> <ul style="list-style-type: none"> • The bundling of grants including learning grants. • Adaptation Fund Innovation Days planned for Adaptation Futures 2025 is an important linkage to learning and sharing.

		<p>In addition, under several innovative initiatives the AF is exploring how the use of <u>Artificial Intelligence (AI) could enhance knowledge generation and learning and sharing in adaptation</u> including innovation:</p> <ul style="list-style-type: none"> • The Fund is participating in the Climate Policy Radar Initiative aimed at enhancing accessibility and transparency of climate data among MCFs through a searchable explorer platform. The first phase of the platform will be launched at COP29; • The Fund is [engaged in or planning] a collaboration with Wageningen University aimed at exploring how the use of AI can help AF to a more sophisticated analysis of its data, and particularly how AF's portfolio is contributing to the Global Goal on Adaptation. Findings are tentatively to be presented at COP29.
5	<p>Direction: Providing expert guidance in the implementation of the innovation pillar of the MTS-II.</p>	<p>A “brain trust” like constellation is proposed, as this gap is unlikely to be filled by an individual consultant (or several consultants working independently). This could bring a sustained, coordinated, and collaborative dialogue. The recently launched Community of Practice (for innovation) could be explored for this purpose.</p> <ul style="list-style-type: none"> • A first Technical Advisory Group (TAG) is foreseen to be convened late 2024 or early 2025. • Dialogue with a consultant has been initiated to explore ways of developing and organizing the TAG.
6	<p>Processes: Seek to improve the effectiveness of operations and processes to encourage and support more innovation projects, including the design funding windows.</p>	<p>The need to improve the effectiveness of operations and processes is deemed to be filled by a firm rather than an individual consultant.</p> <ul style="list-style-type: none"> • On-going internal development of systems will be enhancing the online submissions for proposals including those for innovation. • The development of an online portal for AF's innovation work and partners is being discussed which also could connect to platforms across AF's current and future innovation partnerships. • An initial idea of generating “Green flags” to indicate innovation potential across the portfolio has been discussed with AI data experts which determined that this is not yet ready or possible. Other feasible options will be explored.
7	<p>Project Pipeline: Attracting more diverse and higher quality projects through engagement with Implementing Entities & supporting organizations, in</p>	<p>This could be supported by the Partnership and Countries Unit. In-house resources could potentially be complemented by external support services.</p> <ul style="list-style-type: none"> • As previously mentioned, the Innovation and Readiness Programme teams have been dedicating additional effort towards activities expected to benefit the IEs capacities in innovation, which could enhance the project pipeline.

	collaboration with the Readiness team.	<ul style="list-style-type: none"> • The enhanced effort in seeking collaboration with global innovation initiatives while exploring a scale-up approach is likely to feed into and contribute to a more qualified pipeline of innovation entrepreneurs and viable innovation ideas to the Fund's innovation windows. • The innovation and accreditation teams are currently considering ways in which accreditation of additional IEs with stronger competencies in innovation could be encouraged and facilitated.
8	Visibility: Help to increase the visibility of the innovation work with international stakeholders and partners.	<p>Communications support is needed, preferably a firm.</p> <ul style="list-style-type: none"> • The development of the innovation web pages has advanced, however more work is needed. The AF communication team is currently undertaking a comprehensive effort to develop the AF website generally. Any further developments concerning the innovation webpages will be coordinated with the communication team's broader efforts. • Forums like the Adaptation Futures Conference and similar are seen as important to enhance visibility, and new avenues to further the visibility of the Fund's innovation work are explored.
9	Complementarity & Coherence: Help to ensure alignment with the UNFCCC and other international climate funds to maximize effectiveness.	<p>If needed an STC could be contracted to support complementarity and coherence activities with the other climate funds.</p> <ul style="list-style-type: none"> • As mentioned above, the Fund has initiated or deepened dialogues regarding potential synergies and collaboration around innovation with the MCFs. • More efforts in this area will follow the progressing ongoing structured dialogue among the four MCFs.