



ADAPTATION FUND

AFB/B.36/8
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Adaptation Fund Board
Thirty-sixth meeting
Bonn, Germany (Virtually held), 6-8 April 2021

Agenda item 10

**FURTHER CLARIFICATION OF VISION AND DEFINITION OF
INNOVATION UNDER THE ADAPTATION FUND: ANALYSIS OF
RELEVANT ELEMENTS AND GUIDANCE ON REVIEW CRITERIA**

Introduction

1. The Adaptation Fund Board (the Board) at its thirtieth meeting adopted the Medium-Term Strategy (MTS) in order to guide the work for the Adaptation Fund (the Fund) from 2018 to 2022, which outlines three pillars of work: Action, Innovation, and Learning and Sharing. The objective of the innovation pillar of the MTS is to support the development and diffusion of innovative adaptation practices, tools, and technologies.

2. This objective is being supported through the establishment of a dedicated Innovation Facility, which will include small and large grants in order to (a) roll out successful innovations; (b) scale up viable innovations; (c) encourage and accelerate innovations; and, (d) generate evidence of effective and efficient innovation in adaptation; which include large grants of up to US\$ 5 million as well as small grants of up to US\$ 250,000.

3. Innovation is a strategic comparative advantage of the Fund. The Fund has demonstrated competency in developing and operationalizing innovative approaches, funding modalities and processes (e.g., Direct and Enhanced Direct Access, accreditation standards and processes, Readiness Programme for Climate Finance, etc.). Several major innovations have already been adopted by others including the Green Climate Fund, which has built upon the Adaptation Fund's Direct Access and Enhanced Direct Access models, as well as its Readiness Programme. Furthermore, the Fund's growing portfolio of projects demonstrate various kinds of innovation in adaptation.

4. The Fund's innovation pillar, as presented in the MTS, builds on the Paris Agreement, specifically Article 9, among others. The Paris Agreement does not define "innovation." In the absence of further guidance from Parties, the Adaptation Fund has understood innovation to be the process of translating an idea or invention into a valuable good or service at an economical cost. The innovation pillar has the following expected results (ER):

(a) ER1 - Successful innovations rolled out. Innovative adaptation practices, tools and technologies that have demonstrated success in one country spread to new countries/regions;

(b) ER2 - Viable innovations scaled up. Innovative adaptation practices, tools and technologies that have demonstrated viability at a small scale piloted at larger scales;

(c) ER3 - New innovations encouraged and accelerated. Development of innovative adaptation practices, tools and technologies encouraged and accelerated;

(d) ER4 - Evidence base generated. Evidence of effective, efficient adaptation practices, products and technologies generated as a basis for implementing entities and other funds to assess scaling up.

5. Under the innovation pillar, the Board approved, at its thirty-first meeting in March 2018 (Decision B.31/32), the implementation plan for the MTS contained in the Annex I to document AFB/B.31/5/Rev.1, which includes the foundation for the Fund's Innovation Facility. The Innovation Facility 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. Under the Facility, project and programme proponents may propose adaptation innovation interventions in a broad range of themes. As a non-exhaustive list, the following have been indicatively outlined as possible areas : advancing gender equality, disaster risk reduction, enhancing cultural heritage, inclusion of youth, enhancing communities, urban adaptation, nature-based solutions, social innovation, water and food security, and innovative adaptation financing.

6. The Innovation Facility offers small and large grants through three different windows. Small grants (up to US\$ 250,000 each) are awarded to vulnerable developing countries through two routes:

- Directly through the Fund's accredited National Implementing Entities (NIEs). These grants were launched in December 2018 at COP24.
- Through a Multilateral Implementing Entity (MIE) Aggregator Mechanism to other entities that are not accredited with the Fund (organizations, groups, associations, institutions, businesses, agencies, NGOs, youth, vulnerable groups, and others). The US\$10 million mechanism, referred to as the Adaptation Fund Climate Innovation Accelerator (AFCIA), is funded by the Fund and operated by its partners UNDP and UNEP along with the Climate Technology Centre and Network. The mechanism was announced at COP25 in December 2019, and began operating in November 2020.

7. In addition to the small grants, a large grants mechanism (up to US\$ 5 million each) was envisaged in the MTS implementation plan to roll out proven solutions in new countries and regions or to scale up innovations already demonstrated to work and was approved by the Board in October 2020 via Decision B.35.b/8. Large grants would be available to all accredited implementing entities (NIEs, MIEs and RIEs), and an initial call for proposals for US\$ 30 million is expected to be issued in early 2021.

8. At the second session of its thirty-fifth meeting, the Board decided to:

(a) Request the secretariat to prepare a document that further clarifies the definition and elaborates on the vision for innovation under the Fund, to guide further programming, taking into account the views and considerations expressed by the members of the Project and Programme Review Committee (PPRC) at its twenty-sixth meeting and by the Board at the second part of its thirty-fifth meeting, and in consultation with the Board and other stakeholders, for consideration by the Board at its thirty-sixth meeting;

(b) Request the secretariat to present as part of the above-mentioned document an analysis on the relevant elements related to innovation and adaptation, including but not limited to definition of innovation, innovation rationale, innovation review criteria, risk appetite, focus on particularly vulnerable groups, countries, sectors or themes, as well as innovation in the context of COVID-19 pandemic;

(c) Establish a task force composed of Board members to guide the work under the subparagraphs a) and b) above; and

(d) Request the secretariat to prepare, based on the above-mentioned analysis, guidance on review criteria for innovation grant proposals for consideration by the Board at its thirty-sixth meeting.

(Decision B.35.b/9)

9. This document presents the work of the secretariat, guided by the Innovation Task Force¹ (Task Force), on elaborating the vision, definition, and relevant other elements of innovation under the Adaptation Fund, as requested by the Board through Decision B.35.b/9.

Intersessional Work of the Innovation Task Force

10. The secretariat, under the guidance of the Innovation Task Force throughout the intersessional period between second session of the thirty-fifth meeting and the thirty-sixth meeting, further elaborated the vision, definition, and other relevant elements of innovation under the Adaptation Fund and which are presented in this document further below. The programme of work comprised two main phases.

11. In the first phase during December 2020 and January 2021, the Task Force members were invited to build on the Board's prior work on innovation by participating in a series of one-on-one interviews, facilitated by an external consultant, that explored what a vision and definition of innovation might look like for the Fund. The Task Force was provided with a report that synthesized their contributions.

12. In the second phase in February 2021, the Task Force held a virtual meeting facilitated by the secretariat, focused on seeking responses to each of the elements that the Board

¹ The Task Force on Innovation elected members are:

- a. Ms. Margarita Caso Chávez (Mexico, Latin America and the Caribbean);
- b. Ms. Eleonora Cogo (Italy, Western Europe and Others);
- c. Ms. Patience Dampsey (Ghana, Africa);
- d. Ms. Claudia Keller (Germany, Western Europe and Others);
- e. Mr. Marc-Antoine Martin (France, Annex I Parties); and
- f. Mr. Nilesh Prakash (Fiji, Small Island Developing Countries).

detailed in Decision B.35.b/9. In what follows, the report summarizes the considerations of the Task Force on adaptation innovation and some general directions on innovation as indicated by the Task Force.

Analysis of Elements Related to Innovation and Adaptation

13. The following sections provide a summary of the analysis undertaken relating to innovation and adaptation under the Adaptation Fund, including the vision and definition of innovation, innovation rationale, innovation review criteria, risk appetite, focus on particularly vulnerable groups, countries, sectors or themes, as well as innovation in the context of COVID-19, as requested by the Board through Decision B.35.b/9.

A Vision of Innovation under the Adaptation Fund

14. Studies in organizational management approach the notion of “vision” from a number of angles. One well known definition describes vision as “a statement of purpose determined by management based on the organization’s core values and beliefs that defines the organization’s identity and combines an ideal manifestation of its direction together with a tangible prescription for realizing its goals”.² Another approach suggests that vision and mission are distinct attributes of an organization: the mission provides a statement of the purpose of an organization’s existence, while vision is a statement of direction.³ An influential study elaborates on two different components of vision: “core identity” and “envisioned future.”⁴ In the first component of that approach, the vision defines what the organization stands for and why it exists. In the second component, it sets forth what the organization aspires to become, to achieve, and to create to attain an envisioned future.

15. For the purposes of the Task Force’s work, vision is understood as a future-looking orientation with references to tangible courses of action. The Adaptation Fund already has a clear purpose. Its mandate—to finance concrete adaptation projects and programmes that benefit the most vulnerable to climate change—has a clear focus.⁵ Further, the MTS lays out the vision for the Fund, derived from the Paris Agreement and Sustainable Development Goals, which is as follows:

Developing country Parties are successfully enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change

² Landau, D., Drori, I., & Porras, J. (2006). Vision change in a governmental R&D organization: The pioneering legacy as an enduring element. *The Journal of Applied Behavioral Science*, 42, 145-171

³ Levin, I. M. (2000). Vision revisited: Telling the story of the future. *The Journal of Applied Behavioral Science*, 36 (1), 91-107.

⁴ Collins, J. C., & Porras, J. I. (2005). *Built to last: Successful habits of visionary companies*. Random House.

⁵ The Fund was established in 2001 to finance concrete adaptation projects and programmes in developing country Parties to the Kyoto Protocol (Decision 10/CP.7 seventh Conference of the Parties to the Kyoto Protocol, UNFCCC 2002). In 2005, this Decision was endorsed at the first Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) under Decision 28/CMP.1.

through participatory, transparent and accountable processes. Their actions address the special needs of vulnerable social groups, communities and ecosystems; are based on and guided by the best available science and knowledge; and are purposefully contributing towards sustainable development and the eradication of poverty.

16. The opportunity through the work of the Innovation Task Force is to further elaborate a vision for one of the three pillars in the MTS—the innovation pillar—that aligns with the vision of the Fund. The adoption of a vision for innovation forms a key step in moving from conceptual considerations towards a more concrete understanding of how the Board pursues innovation through programming.

Task Force Deliberations on Vision of Innovation

17. The Task Force approached the question of vision through an examination of the strengths of the Fund and possibilities for desired future direction. It engaged in an open discussion initially framed around the following questions: What is special and unique about the Adaptation Fund in the innovation landscape? What is the role of the Fund's work on innovation in the wider global context, i.e., what is the Fund's place in the innovation landscape? What could the Fund achieve in the coming years through its work on innovation? What kinds of projects or initiatives should it support on innovation?

18. Task Force members stressed the importance of distinguishing between the “action pillar” and the “innovation pillar” of the MTS. Innovation funding through the Fund should be complementary to that which is funded under the action and learning pillars, with a somewhat more specific focus. It was considered productive to articulate a vision for the innovation pillar that was based on the Fund's core competencies in innovation while looking ahead to the desirable future that it could achieve.

19. As for what the Fund could achieve in the coming years, the Task Force felt that the Fund would succeed if it funded innovation that was genuinely inclusive of the voices and concerns of people and communities vulnerable to the impacts of climate change. It should support the creative power of innovators in developing countries so as to expand their impact and fund initiatives that take a systematic approach towards building adaptive capacity and reducing vulnerability, i.e., in a way that accounts for ecological, social and economic dimensions of sustainable development. Importantly, the Task Force wanted the Fund to encourage innovation in ways that “do no harm”.

20. The Task Force proposed the following vision for innovation under the Adaptation Fund:

The Adaptation Fund will fund innovative practices that demonstrate potential to help the most vulnerable communities adapt to the impacts of climate change through its Innovation Facility and through other modalities. . It will fund a broad range of projects and programmes underpinned by a

strong innovation rationale, thus creating a portfolio of diverse and locally appropriate innovation projects and programmes. It will support projects and programmes that encourage multi-stakeholder partnerships by including e.g., youth, women, disabled people, researchers, civil society, and the private sector. It will support rolling out and scaling up successful innovations, encourage and accelerate new adaptation practices, tools and technologies, and generate evidence on the conditions that lead to successful innovation. It will encourage, as part of an innovation approach partnerships, iteration, learning and adaptive management.

Definition of Innovation under the Adaptation Fund

21. To date, the Adaptation Fund has successfully opened the space for innovation in adaptation finance and in adaptation more broadly, and, while the MTS does define expected results of the innovation pillar, it has done so without having explicitly articulated a definition of innovation. There are a wide range of definitions of innovation and models describing an innovation process, from linear models of product development to models of open innovation. Innovation can be: incremental (marginal improvements on existing approaches or technologies); breakthrough (significant improvement with potential for widespread change); and adaptive (using and adapting existing approaches in new ways and new contexts) (for more on definitions see [AFB/PPRC.26.b/17](#)).

23. Some of the Fund's accredited Implementing Entities operate dedicated funding windows, programmes, or initiatives focused on innovation. The United Nations Development Programme (UNDP), for instance, operates the UNDP Innovation Facility and UNDP Accelerator Labs. The former requests that innovation initiatives incorporate clear scaling pathways and articulates a series of principles of innovation that project proponents should align with. The latter allows a large degree of freedom for grassroots communities by articulating broad concepts of innovation including: citizen science, behavioral insights, data innovation and gamification. In existing work under the Innovation Facility, the United Nations Environment Programme (UNEP) and the Climate Technology Centre and Network (CTCN) defined adaptation innovation as the "application of physical tools, processes, knowledge and skills with the aim of building resilience and adapting to climate change".⁶ Many other accredited Implementing Entities have launched various initiatives that seek to advance innovation in their climate change work, in the countries and regions in which they operate, while others have not yet articulated their own approach or definition.

Task Force Deliberations on Definition of Innovation

24. The Task Force reviewed a number of definitions for innovation in the context of adaptation and development that international organizations, climate funds and

⁶ [Special Financing Window in Support of Innovation for Adaptation](#)

implementing entities have adopted. It considered that any definition of innovation in the context of adaptation should:

- Be broad enough to permit a variety of approaches towards innovation;
- Allow the inclusion of atypical and marginalized stakeholders;
- Allow relationships to be formed between research institutions with grassroots communities;
- Encourage knowledge exchange and learning to support scaling of innovations;
- Normalize trial and error, where a level of risk is accepted and projects/programmes are able to change as innovations develop. Allowing trial and error means that proposed activities and outcomes can shift during the project/programme lifecycle, with an open approach to this occurring as part of the process of innovation. Projects/programmes should be adaptable to ensure useful development of an innovation.

25. There was a consensus among Task Force members that the Fund's work on innovation should continue to benefit the most vulnerable communities. Likewise, application of innovative technologies should not risk creating harm to vulnerable communities due to their untested or experimental nature.. The Task Force considered the Fund's review cycle and its Environmental and Social Policy and Gender Policy appropriate ways to filter out innovation interventions that could cause harm.

26. A key issue that the Task Force agreed on was the importance of multi-stakeholder partnerships to innovation. Innovation requires the pooling of many different actors' knowledge and expertise. All sorts of actors—from communities at the frontline of climate change to universities and research organizations, government bodies and private actors—can make valuable contributions to creating innovative adaptation solutions. Youth, women, disabled people and other often-marginalized and/or vulnerable people can contribute to innovation, in addition to normally being prime target beneficiaries. Innovation may encourage the coming together of actors that have not commonly worked together on seeking a solution. In its work on innovation, the Fund should therefore encourage proponents to develop linkages between vulnerable communities, marginalized people, research organizations and other actors.

27. The perspectives from the Task Force were synthesized into the following definition:

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. Innovation solutions may include approaches, technologies and mechanisms. Innovation projects and programmes differ from concrete adaptation projects and programmes under the action pillar in the nature of their stakeholder engagement, including with unconventional actors, and in the emphasis on iterative deployment where change, learning, and new

information is embraced and can take innovation projects and programmes in different directions.

28. Beyond the definition, the Task Force suggested that what may be most helpful to project and programme proponents would be to provide practical guidance on the parameters of what qualified and what did not qualify as innovation. The Task Force expressed a desire to retain a broad focus to allow proponents to propose innovations in the context of adaptation that they deemed best in the context in which they operate. The Task Force was open to encouraging innovation of various types and did not want to be overly prescriptive. Practically, retaining a broad focus meant not being restrictive in terms of sectors or themes. It also meant encouraging social and financial innovation rather than focus on technological innovation. Lastly, the Task Force felt that the Fund should encourage the involvement of the younger generation, since youth is a key stakeholder group in both forging climate change solutions and benefitting from their success. The Board might consider explicitly encouraging proponents to bring in the views and ideas of youth in innovation projects. As a result of the discussions by the Task Force, the following summarizes a general guide for determining whether an activity would be considered for innovation funding.

What qualifies as adaptation innovation? The following types of activities could be funded through the Innovation Facility:

- New, adapted and/or improved approaches, technologies and/or mechanisms with potential to build adaptive capacity and reduce vulnerability;
- New ways of addressing systemic social and environmental issues;
- Adaptation finance pilots e.g., innovative microfinance, insurance, etc.
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What does not qualify as adaptation innovation? The following types of activities should not be funded through the Innovation Facility:

- Patents and business generation in isolation;
- Basic technology transfers, i.e. projects that include no or insignificant innovative techniques and/or practices or their adaptation to new circumstances;
- Measures well demonstrated elsewhere over a significant period of time, with no innovative element in their application in the new context;
- Very high-risk ideas with no evidence base.

Innovation Rationale

29. An important consideration in advancing the Fund's innovation pillar is the overall rationale and purpose for innovation funding. Rationale refers to the fundamental reasons or logic that underpins a chosen course of action. Without due consideration to innovation rationale, there would be little to justify projects and programmes in the name of

innovation. The justification for seeking funding through the Innovation Facility should therefore be made clear from the outset in project and programme proposals.

30. In demonstrating a rationale for an innovation project or programme, project and programme proponents should demonstrate a logical description as to how the intervention contributes to overcome a specific problem through an innovative process. Demonstrating an innovation rationale requires that proponents define the climate vulnerability or impact problem that the intervention intends to overcome. It also involves describing how the innovation process (i.e., through the testing of new, adapted and/or improved methods, technologies or approaches to adaptation, or trialing innovation on the path to scale for adaptation solutions) contributes to overcoming that problem. Many models exist for understanding the innovation process. What is important is that proponents identify what makes their proposal innovative and that they have given consideration to how innovation contributes towards addressing a defined climate vulnerability problem.

Task Force Deliberations on Innovation Rationale

31. The Task Force felt that the Fund should remain open to different models and ways of understanding innovation. While remaining open, it is important that projects and programmes financed by the Adaptation Fund demonstrate a clear logic, or rationale that explains how the intervention supports innovation. If a project or programme proposal demonstrates potential to deliver concrete adaptation benefits for vulnerable communities but does not articulate a clear innovation rationale, it is not a good fit for the Innovation Facility. Instead, it may more appropriately seek funding under the regular project and programme review cycle. To qualify for funding under the Innovation Facility, proposals must demonstrate a clear innovation rationale.

Innovation Review Criteria

32. The Adaptation Fund has a well-established project and programme review process that involves the secretariat, the Project and Programme Review Committee (PPRC) and provides opportunities for civil society input. In line with its Operation Policy and Guideline (OPG) (Annex 5) the Fund makes available to proponents a number of project/programme templates that allow for a three-step, two-step or one-step process. There is an established set of review criteria against which projects and programmes are evaluated through a technical review process. Under the Innovation Facility, there was a need to develop new review criteria for projects and programmes that aligned with the vision and definition of innovation under the Fund.

Task Force Deliberations on Innovation Review Criteria

33. In its deliberations, the Task Force expressed a desire to build on the existing project and programme review process with the addition of some specific criteria on innovation. The new criteria on innovation should distinguish proposals funded through the Innovation Facility from those that could be funded through the action pillar. Importantly, the criteria on innovation should align closely with the expected results (ER1, ER2, ER3, ER4) from the innovation pillar of the MTS. The Task Force asked the secretariat to develop criteria for consideration by the Board.

34. Accordingly, a set of proposed criteria and guidance for proponents is included in **Annex I**, and they are intended to complement and further elaborate the existing guidance on key sections of the Fund's innovation grant proposal templates.

Risk Appetite

35. Risks of various types exist in any funding portfolio. A risk appetite refers to the amount of risk an organization is willing to accept in pursuit of its strategic objectives. The Fund has well-established policies and procedures for assessing environmental, social and other risks through its Environmental and Social Policy, and Gender Policy. Further, all project and programme proposals must describe risk assessment and management plans relating to project-level risks, e.g., financial, political, management, etc. However, the question remains what level or risk is acceptable in the pursuit of the strategic objectives under innovation specifically.

Task Force Deliberations on Risk Appetite

36. The Task Force considered a range of questions relating to risk in innovation funding including: How many initiatives under the Innovation Facility would be allowed to fail? How many would be expected to succeed? What level of risk is acceptable? What type of risks should be considered?

37. The Task Force remained open to a wide range of levels of risk under the Innovation Facility. Risk has an important role for the Fund in continuing to support incremental innovation, e.g., diffusing or scaling up proven adaptation solutions that have not yet been seen in a new context, and where they would need to go through an innovation process to adapt and deploy them in the new context. At the same time, there was interest in supporting breakthrough, or transformative innovation, namely for projects on the theme of innovative adaptation financing, through funding proposals that had higher potential reward but also a higher risk of failure. No parameters were proposed on regarding specifying a desired risk envelope.

Institutional Support Arrangements

38. The Task Force discussed the possibility to explore options for institutional support arrangements and/or technical partnerships for the innovation facility. No specific suggestions or recommendations were made.

Innovation in the Context of COVID-19

39. At this stage, the Task Force has not made any specific suggestions or recommendations on Innovation in the Context of COVID-19.

Recommendation

The Board may wish to consider document AFB/B.36/8 and decide to adopt it [and/or determine a way forward] [and to request the secretariat to develop, under the guidance of the task force for innovation, a report further refining the elements above, taking into consideration the programmatic developments of the Fund, and the Fund's relevant stakeholders and Board members, for consideration at the its thirty-eight meeting.

ANNEX I:

PROPOSED INNOVATION REVIEW CRITERIA AND GUIDANCE TO PROJECT AND PROGRAMME PROPONENTS

The proposed review criteria outlined below, developed specifically for innovation grant requests, complements and adds to the existing review criteria in the Fund's process for project and programme review. The umbrella guidance in the annex here should not be considered final and is expected to evolve according to the developments in the innovation work spearheaded by the Fund. Accordingly, this guidance is expected to be updated periodically.

Project / Programme Background and Context:

PART I: PROJECT/PROGRAMME INFORMATION

A. Describe the project / programme components, particularly focusing on the concrete adaptation activities, how these activities would contribute to climate resilience. For regional projects describe also how they would build added value through the regional approach, compared to implementing similar activities in each country individually. For the case of a programme, show how the combination of individual projects would contribute to the overall increase in resilience.

Describe the problem the proposed project/programme is aiming to solve. Write this as a concise problem statement: The current situation, the desired future, and the gap between the two. Provide brief further information on the current situation including both the regional and the country perspective. Outline the economic social, development and environmental context in which the project would operate in those countries. Describe the climate change vulnerabilities impacting the country/region as well clearly explain the problem area that would be the focus of the innovation. Describe the innovation methodology through the project / programme components, particularly focusing on iterative innovation steps you will take for enabling adaptation, and how these activities would contribute to climate resilience. For regional projects describe also how they would build added value through the regional approach, compared to implementing similar activities in each country individually. For the case of a programme, show how the combination of individual projects would contribute to the overall increase in resilience.

Describe the underlying innovation rationale of the project/programme.*The proposal should articulate a clear innovation rationale. Innovation rationale refers to the fundamental reason or logic that underpins a chosen course of action. The proposal should identify and define the climate adaptation problem that is to be overcome through innovation. It should also describe how the innovation process (i.e., through the testing of new, adapted or improved methods, technologies and/or approaches to adaptation, or trialing innovation on the path to scale for adaptation solutions) contributes towards overcoming that problem. In doing so, the proposal should present a brief examination of*

constraints and enabling factors in the innovation process and a justification for the intervention. An innovation rationale is demonstrated when a proposal logically articulates how innovation contributes towards addressing a defined climate vulnerability problem.

Questions to guide proposal development:

- *Does the fully developed proposal or project concept meet the definition for adaptation innovation? (Y/N)*
- *Does the described role of innovation clearly support adaptation to climate change? (Y/N)*

B. Describe how the project/programme promotes innovative solutions on climate change adaptation, such as new, adapted and/or improved approaches, technologies, and/or mechanisms.

*The proposal should include a description of the ways that proposed activities contribute towards innovative solutions on climate change adaptation. Under the Adaptation Fund, innovation is understood as the development, testing, deployment or diffusion at scale of new, adapted and/or improved adaptation solutions. The Adaptation Fund will not finance: patents or business generation in isolation, basic technology transfers, measures well demonstrated elsewhere over time, or very high-risk ideas with no evidence base. Innovative solutions may include a wide range of approaches, technologies and/or mechanisms that enable communities that are vulnerable to climate change to become more resilient to climate change. Innovation solutions may relate to: physical and technological tools, knowledge and skills, and institutions, policies, rules, and organizations. Innovation can be funded in themes including **but not limited to:** advancing gender equality, disaster risk reduction, enhancing cultural heritage, inclusion of youth, enhancing communities, urban adaptation, nature-based solutions, social innovation, water and food security, and innovative adaptation financing. All innovation solutions should be developed with the relevant social, ecological, economic, and cultural context in mind.*

C. Describe how the project/programme encourages or accelerates the development of innovative adaptation practices, tools and/or technologies. Describe how the project/programme aims to roll out successful innovative adaptation practices, tools and technologies and/or describe how the project aims to scale up viable innovative adaptation practices, tools and technologies (Innovation Large Grants).

The proposal should provide a description of how the proposed intervention encourages or accelerates the innovation process as it relates to adaptive solutions. Innovation processes can be understood in a variety of ways, including linear models, non-linear complex system models and systemic innovation models. The proposal should describe the existing state of development, testing, deployment, or diffusion of what it considers potentially innovative adaptation practices, tools and/or technologies. It should then describe how the proposed intervention alters the dynamics of the innovation process so as to encourage or accelerate the adoption of those practices, tools and/or technologies.

[For the Adaptation Fund, scaling is in the context of the “potential for scaling”]. However, learning from the project must be captured and disseminated so others can use it as an evidence base for scaling. Thus, scaling can be implemented where appropriate, and otherwise be considered as part of learning and knowledge capture.

Where scaling is being considered as an essential element in a project/programme, there are varied pathways to scale for an innovation, ranging from organic growth, franchising or licensing, to government uptake, replication etc.⁷ Perhaps most significantly, scaling up takes time, should include long-term partnership and support beyond existing institutional funding cycles and strategies.⁸ A key starting point, however, is a well-founded understanding of the development problem that needs a solution at scale. The analysis of the project statement should provide an understanding of the development problem, of opportunities, symptoms and causes, of constraints and enabling factors and of the potential points of intervention and leverage. This assessment should draw on appropriate sector or thematic-specific tools of analysis. A “vision of scale of impact” is needed to recognize that scaling up of an innovation is necessary, desirable, and feasible, and to ensure that the focus is on impact of the innovation, rather than solely on the innovation per se.

In considering the long-term vision of scale for the impact of an innovation, the question of financing should also be addressed. In planning and implementing scaling up pathways, it is important to realize that there are no blueprints and that pathways continually have to be evaluated and adjusted as the scaling up process proceeds. Scaling pathways usually extend over a long-time horizon (10-15 years), well beyond funders typical project or program duration. Many scaling pathways will require horizontal and vertical scaling in a parallel and iterative process.⁹ Multi-stakeholder alliances are a critical element of scaling up and should involve a multiplicity of stakeholders at different levels (local, provincial, national, international) and from different sectors (governmental, civil society, business, etc.). Implementing entities should explore and pursue potential partnerships early in the scaling process – from ‘Proof of Concept’, but ideally from the design and ideation process itself – to ensure that partners understand and share the vision and a sense of ownership of the scaling pathway.¹⁰

Questions to guide proposal development:

- *Is the potential for scaling [and sustainability at scale] acknowledged and evidenced where possible? (Y/N)*
- *Are processes in place to build an evidence base for scaling if appropriate, and capture any scalable components as they are developed? (Y/N)*
- *Does the vision ultimately involve self-financing of the product/ service or will it require sustained budgetary funding (subsidies) for viability? (Y/N)*

⁷ IDIA and the G7: Development Innovation Principles in Practice: <https://www.idiainnovation.org/idia-insights>

⁸ Ibid.

⁹ International Development Innovation Alliance (IDIA), ‘A High-Level Architecture for Scaling Innovation’: <https://static1.squarespace.com/static/5b156e3bf2e6b10bb0788609/t/5b1717eb8a922da5042cd0bc/1528240110897/Insights+on+Scaling+Innovation.pdf>

¹⁰ Ibid.

D. Describe how the project / programme would provide economic, social and environmental benefits, with particular reference to the most vulnerable communities, and vulnerable groups within communities, including gender considerations. Describe how the project / programme would avoid or mitigate negative impacts, in compliance with the Environmental and Social Policy and Gender Policy of the Adaptation Fund.

The proposal should avoid running the risk of perpetuating and exacerbating system inequalities and social exclusion, and should be designed to ensure that all relevant actors' knowledge and experience, especially vulnerable communities genuinely are as valued as those of 'experts'.¹¹ Representative participation calls for new, improved and adaptive approaches, products, voices, and perspectives, from women, girls, the disabled, indigenous groups and marginalized minorities for innovation that successfully addresses inequality and exclusion. Therefore, applying an inclusive lens to innovation requires intentionally bringing gender, accessibility, and inclusion considerations into processes used to source, design, implement and evaluate innovations, and recognizing the additional influencing factors that may be operating within the larger innovation ecosystem.¹² While scaling up might be slower when taking inclusion into account, the result is often more sustainable and equitable in the long run. At the heart of this criteria is the notion that the best ideas can come from anyone, anywhere. Therefore, all stakeholders should indiscriminately be [allowed] to play a decisive role in the design, testing, learning and adoption of innovative solutions, and should be engaged as both recipients of innovation and by supporting them with tools and resources as innovators.

Questions to guide proposal development

- Does the idea engage with all necessary actors, with a broad spectrum of inclusion in the participatory process? (Y/N)
- Has the proposal shown evidence of or plans for scouting widely for existing innovations with a wide range of stakeholders? (Y/N)
- Does the development innovation ecosystem foster women as entrepreneurs? Are biases against women founders proactively identified, addressed, and removed to facilitate access to finance? (Y/N)

I. Describe the learning and knowledge management component to capture and disseminate lessons learned.

Describe the learning and knowledge management component to iterate during the project cycle as learning and innovation takes place, and to capture and disseminate lessons learned. Learning loops are fundamental to innovation. Describe how the project/programme incorporates approaches that not only assess how well adaptation

¹¹ (Ludi et al., 2014); International Development Innovation Alliance (IDIA) and the G7- Development Innovation Principles in Practice: <https://www.idiainnovation.org/idia-insights>

¹² IDIA and the G7- Development Innovation Principles in Practice: <https://www.idiainnovation.org/idia-insights>

activities are being implemented (single loop learning) but incorporates double- or triple-loop learning, which questions the appropriateness of those activities in the first place and encompasses iterative, participatory and action learning interactions. The proposal should describe how it plans to document, generate, and disseminate evidence on the conditions that give rise to successful and or unsuccessful innovation interventions. It should explain how that evidence will be used throughout project/programme implementation to learn, iterate and adapt the planned intervention.

The proposal should ensure that learning processes within the project/programme are placed at the centre of adaptation objectives. Innovation and learning are interlocking, or mutually reinforcing competencies, that offer opportunities for transformational impact. Failure — and with it, opportunities for learning and iteration – goes hand in hand with risk-taking.¹³ Projects/programmes must open up the ownership of adaptation knowledge to effectively include all project beneficiaries (especially marginalized groups, minorities, women and girls, persons with disabilities). This, along with a close integration of learning, research and practice within adaptation projects are key to achieving more inclusive and innovative adaptation interventions.¹⁴ Learning loops are fundamental to innovation. Furthermore, while the language around adaptation interventions increasingly emphasizes monitoring, evaluation and learning (MEL), the focus of MEL should transcend single-loop learning i.e. assessing how well adaptation activities are being implemented, to include double- or triple-loop learning, which questions the appropriateness of those activities in the first place and encompasses iterative, participatory and action learning interactions.

The Adaptation Fund has included knowledge management as part of its Results-Based Management Framework at the Fund level. Project/programme proponents must therefore systematically keep track of experiences gained from their project and analyse them periodically both to enrich the global, national and local knowledge on climate change adaptation and to accelerate understanding about what kinds of interventions work. Key factors of success of a project KM strategy include adaptive management and the development of learning objectives and indicators.

Question to guide proposal development

- *Is there a mechanism in place to learn and adapt with an ability to improve the project as necessary with the development of innovation (practice)? (Y/N)*

¹³ IDIA and the G7: Development Innovation Principles in Practice <https://www.idiainnovation.org/idia-insights>

¹⁴ Siri Eriksen, E. Lisa F. Schipper, Morgan Scoville-Simonds, Katharine Vincent, Hans Nicolai Adam, Nick Brooks, Brian Harding, Dil Khatri, Lutgart Lenaerts, Diana Liverman, Megan Mills-Novoa, Marianne Mosberg, Synne Movik, Benard Muok, Andrea Nightingale, Hemant Ojha, Linda Sygna, Marcus Taylor, Coleen Vogel, Jennifer Joy West, *Adaptation interventions and their effect on vulnerability in developing countries: Help, hindrance or irrelevance?*, World Development: <https://www.sciencedirect.com/science/article/pii/S0305750X20305118>

K. Describe how the project/programme draws on multiple perspectives on innovation from e.g., communities that are vulnerable to climate change, research organizations, or other partners in the innovation space, in the context in which the project/programme would take place.

*The proposal should describe how the project/programme was, and will continue to be, co-developed together with the communities most vulnerable to climate change. Under the Adaptation Fund, innovation interventions must seek to forge new partnerships between stakeholders including, **but not limited to** communities vulnerable to climate change, research institutions, civil society organizations, private actors, government bodies and others. The proposal should outline the perspectives on innovation garnered from a variety of stakeholders. It should also outline the working modalities for continued collaboration throughout implementation if the project/programme is approved.*

The proposal should facilitate a co-design process that ensures inclusive participation and continuous engagement of all partners, including buy-in and commitment. This also includes exploring and clarifying the partners' respective motivations, capabilities and cultures.¹⁵ Where relevant, the project/programme should facilitate collaborations and co-creation across public, private and civil society sectors and coordinate the application of scientific, technical, social and business innovations to leverage intellectual, financial and social resources from all, and share data, standards, results and learning widely. Partnerships are an essential tool to generate new solutions and scale those solutions to make progress. When facilitating collaborations, the project should ensure that each partner in the partnership understands what matters for the others as they're bound to have different interests, and different ways of thinking that reflect these interests.¹⁶ As a result, involving all partners in co-designing the goals and scope of a given partnership is a critical step in ensuring its success and ability to create meaningful impact.¹⁷

Question to guide proposal development

- Are the necessary collaborations in place, or planned as part of the project development, to allow deployment, but also future scaling possibilities and risk management for the project? (Y/N)

PART III: IMPLEMENTATION ARRANGEMENTS

B. Measures for financial and project / programme risk management.

The proposal should identify all major risks, consider their significance, and include a plan of monitoring and mitigating them. It should provide a table with detailed information on the different categories of risks (i.e. financial, environmental, social, institutional...), their

¹⁵ P.A.C.T. Partnership Co-Design Toolkit : <https://d-lab.mit.edu/resources/publications/pact-partnership-co-design-toolkit>

¹⁶ Nesta blog: "Good and bad partnerships" <https://www.nesta.org.uk/blog/good-and-bad-partnerships/>

¹⁷ IDIA and the G7: Development Innovation Principles in Practice <https://www.idiainnovation.org/idia-insights>

level (High, Medium, Low) and how they will be managed.

Describe how you will ensure, during the life cycle of the project, that funding is diverted away from innovation activities that turn out to be less successful and towards activities that are working well. How has the projects/programme used data to inform the innovation's design, especially during its early stages, that can point innovators in the direction of better design choices and identify questions they will need to answer to be viable at scale.

Project/programmes may adopt a "portfolio approach" where multiple projects and investments offers the chance to spread risk, with multiple investments helping to mitigate the chance of loss, because if one investment fails others might still succeed. In the public sector context, investing in a number of 'innovations' (impactful projects or initiatives that are novel to the context), and preferably involving activities that draw on the different facets of innovation, can increase the chances of getting a desired or useful result. Some are more likely to pay off while others are merely opportunities for learning. While it is important to estimate and measure risk accurately, in designing interventions projects/programmes should consider how people (beneficiaries) estimate and perceive risk. This is because objective measurements of risk may differ widely from individual and societal perceptions of risk. The best discussion about innovations, is only possible when the discussion related to risks is about both science and values.