Project Title: Slovak Transformation Fund
Project Number:
Implementing Partner: UNDP
Start Date: 10 November 2021 **End Date:** 31 December 2024
PAC Meeting date: 19 October 2021

Brief Description
The main objective of the Slovak Transformation Fund is to provide a capability for system transformation – by deploying systemic approaches, engaging in co-creation processes, strengthening local ecosystems, and leveraging innovative sources of financing. The project is set against   The project is based on two key components: 1. **BOOST,** which focuses on accelerating the development of solutions and organisations that address selected challenges; 2. **System transformation acceleration**, which focuses on urban transformation & exploration of innovative financing mechanisms. These, in turn, will be complemented by several cross-cutting workstreams, including learning, finance and data innovation and governance. The **specific objectives** are to: 1. Accelerate development of innovative solutions in selected locations (i.e., city) or problem areas (i.e., COVID-19 recovery) in order to strengthen relevant innovation ecosystems, 2. Design, implement and dynamically manage portfolios of interventions in 5 cities from the second cohort of the City Experiment Fund and 2 cities from the third cohort (to be selected in Phase III of the project), 3. Build capabilities for facilitating processes of portfolio design and management in the context of urban transformation, at the country office and city level, 4. Identify, explore and test out innovative financial mechanisms that leverage diverse resources.

Contributing Outcome (UNDAF/CPD, RPD or GPD):

Outcome 1: Structural transformation accelerated, particularly green, inclusive and digital transitions. (SP Outcome 1)

Indicative Output(s) with gender marker[2]:
GEN 2
1.7.2 Innovation capabilities built, and approaches adopted to expand policy options at global, regional, national and sub-national levels (SP Output E.2)

Total resources required:		2,970,000
Total resources allocated:		
	UNDP TRAC:	
	Donor:	3,000,000
	Government:	
	In-Kind:	
Unfunded:		

GT

Agreed by (signatures)[1]:

Government	UNDP
	Gerd Trogemann Gerd Trogemann
Print Name:	Print Name:
Date:	Date: 27-Oct-2021

1 KEY DEFINITIONS

Complexity: A term used to describe how the different parts of the system interact with other. Complex systems can be found in many different places, such as in nature, traffic, our brains, the economy and society. Complex systems are often characterized by emergent behaviour, nonlinear dynamics, limited predictability, self-organization, and fundamental uncertainty. They consist of multiple agents with different ambitions, interests, and values. These agents coordinate their interactions through communities, social constructs (e.g., markets and companies), and institutional regimes (e.g., nation-states and laws). Complexity can be found at the scale of a city or community, in which multiple actors from numerous sectors interact in formal and informal ways. In social systems, we cannot predict behaviors, interactions nor are there any 'right' solutions waiting to be discovered, which then requires us to probe the system continuously**.**

Systems thinking: is at the heart of managing complexity as it helps us to see the whole and not simply the parts of the systems. It is a holistic way of looking at the world, where the parts to a system, such as development challenges, can only be properly understood, and thus managed, when taken in relation to the whole system. Systems lens will help us to understand and identify where to act in the interconnected and interdependent complex systems. . Systems need to be mapped out to identify where and how innovation can play a role in catalysing change dynamics. "Portfolios", sets of interconnected initiatives that cut across sectors, can influence different barriers and opportunities simultaneously.

Strategic innovation: Strategic innovation is built upon systems thinking, recognizing the roles of culture, identity, and behaviour, in the world around us and integrating these underlying structures as we attempt to accelerate transformation.

Portfolio approach: intervention in a system by using a set of interconnected probes, which are coherent with the overall direction (intent) and are managed dynamically (adapted) over time.

Portfolios: Portfolios consists of a multiple connected interventions designed to simultaneously address different leverage points in the system. Portfolios produce 'learning' and are emergent, which means by continuous monitoring we learn about the impact that our interventions have in the system and are able to adapt based on this information. Portfolios, as used here, are dynamic and evolve, seeking out new ideas and actors, building on existing energies and pushing for synergies among multiple interventions.

Portfolio activation and dynamic management: once a portfolio is designed, interventions seeded and the governance models will be set-up in cooperation with key stakeholders, this phase creates the condition for country offices to dynamically manage it (cf. dynamic portfolio management). This requires setting up a learning mechanism and continuous iteration/ideation. Dynamic management entails continuous generation of actionable intelligence (insights for decision-makers), new probes are designed that provide more insights into the system and open new possibilities for interventions and adaptation.

Portfolio sensemaking: the application of the UNDP Portfolio Acceleration & Sensemaking Protocol as a learning mechanism to make sense of, extract insights and derive portfolio and project instructions to accelerate a Portfolio in support of system transformation.

Sense-making: Is the ability to learn from our activities and is in the heart of dynamic management of the portfolio. The feedback loops from the experiences in the implementation generate learnings and insights to create actionable intelligence in the portfolio. This intelligence is then fed back to the portfolio to keep our programming coherent and relevant for the context and to accelerate transformation at scale. Feedback loops inform policymaking and dynamic management of the portfolio.

Design thinking: Is a process of creative problem solving that allows a team to understand unmet needs. It involves a process for innovation that encompasses concept development, applied creativity, prototyping and experimentation.

Relevance gap: referred to as the increasing gap between the complexity of today's environmental, social and economic challenges and the increasingly ineffective responses from traditional development interventions, ill-equipped to ensure the desired impact. Such a situation has only been exacerbated by the global pandemic, which added another layer of complexity to already existing challenges and exposed weaknesses of the socio-economic systems in all regions.

Transformative governance: approach to governance that builds the capability to respond to and effectively manage continuously changing socio-economic contexts.

2   DEVELOPMENT CHALLENGE

General development context

The complexity of challenges we face is humbling. This is recognized in the new UNDP Strategic Plan 2022-2025, 2030 Agenda and in the Human Development Report 2020 (HDR). The pandemic has exacerbated socio-economic, health, environmental and governance issues, and highlighted their interdependency. Recognizing this, UNDP is determined to lead the system-wide resilience-focused socioeconomic response to COVID-19 and "focus on governance, social protection, the green economy, and digital disruption, as windows through which to tackle extreme poverty, inequality, and climate change, grounded in gender equality and human rights."[2]

In 2020, United Nations World Economic Situation and Prospects (WESP) predicted that the pandemic will push more than 34 million into extreme poverty. The global economy would contract sharply by 3.2 percent in 2020 alone, and the global economic output will lose about $8.5 trillion in output due to the pandemic.[3] A recovery of 4.2% to 5.6% is projected for 2021 but significant losses have been made and the cascading effects are felt across sectors.[4] The inequality in quality of healthcare and access to

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[2] Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services, Report of the first regular session 2021, 1 to 4 February 2021, New York

[3] UN WESP Report: https://www.un.org/development/desa/dpad/document_gem/global-economic-monitoring-unit/world-economic-situation-and-prospects-wesp-report/world-economic-situation-and-prospects-wesp-mid-year-update/

[4] Congressional Research Centre, Global Economic Effects of COVID-19, Updated July 9, 2021

vaccines, also means that the recovery will be at a different pace and varied around the globe. Overlaying this latest crisis with other complex development challenges, such as climate, unequal access to technology, increased responsibility and weak capacities at the local level, paints a bleak prospect.

In addition, current financing to address these issues doesn't scratch the surface: a persistent $2.5 trillion annual financing gap stands in the way of the Sustainable Development Goals.[5] To illustrate some of these schisms between the gravity of challenges and the financing available, annual adaptation costs in developing countries are currently estimated to be in the range of US$70 billion, with the expectation of reaching US$140–300 billion in 2030 and US$280–500 billion in 2050,[6] and ACT Accelerator alone, a global effort to deliver tests, treatments and vaccines around the world, has a $16.7 billion funding gap.[7]

This picture is similar in the Europe and Central Asia region. World Bank estimates the region suffered a 2% contraction in 2020 and will have a modest growth in 2021 at 3.6% (well below historical averages in Central Asia[8)]). To make matters worse, "The resurgence of COVID-19 cases in early 2021 has interrupted the incipient economic recovery."[9] [10] The fragile governance situation was exacerbated as conflict, protests and other forms of civic discontent surfaced. In addition, socio-economic impact assessments, undertaken by UN agencies to support governments in the Europe and Central Asia region, show that the pandemic has had a profound and disproportional impact on women and girls. They have suffered higher rates of unemployment, rising levels of domestic violence [11][OBJ] All sectors have suffered the consequences of the pandemic - the cultural and civic ones have had a complete stall of their activities, and suffered financing blows. The governments in the region responded by addressing the health impacts and providing relief to affected businesses and workers. Many countries have also implemented measures that will help advance environmental objectives as part of their rescue and recovery plans. Nevertheless, much more needs to be done to ensure recovery and renewal, accelerate a green transition, thereby building resilience against external shocks.[12]

Governments and societies in this region therefore face an unprecedented challenge – a highly volatile context, balancing between health and development gains, and a high level of uncertainty, while growth stagnated. These challenges are connected – ability to manage health is connected to governance, restrictions in mobility in cities influence the economy, environment, and tax collection. These effects are often felt in urban areas – which house the largest population or suffer from a systemic underinvestment. In cities, this is resulting in decline in vibrancy and depressed economic opportunity.

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[5] https://www.weforum.org/agenda/2020/01/unlocking-sdg-financing-decade-delivery/

[6] UNEP Climate Adaptation: https://wedocs.unep.org/bitstream/handle/20.500.11822/34726/AGR_en.pdf?sequence=35

[7] https://www.who.int/publications/m/item/access-to-covid-19-tools-tracker Updated July 9,2021

[8] World Bank, Global Economic Prospects, URL: https://thedocs.worldbank.org/en/doc/600223300a3685fe68016a484ee867fb-0350012021/related/Global-Economic-Prospects-June-2021-Analysis-ECA.pdf

9 ibidem.

10 https://www.worldbank.org/en/news/press-release/2021/03/30/emerging-europe-and-central-asia-economies-return-to-growth-amidst-pandemic-related-setbacks

[11] https://www.eurasia.undp.org/content/rbec/en/home/library/gender-equality/gender-equality-covid-19-response-in-europe-and-central-asia.html

[12] https://www.oecd.org/coronavirus/policy-responses/covid-19-and-greening-the-economies-of-eastern-europe-the-caucasus-and-central-asia-40f4d34f/

In the context of Europe and Central Asia, an increasing demand from the governments - local, regional, and central - to provide long term solutions towards building back better is being shared with UNDP country offices.   With fast-paced changes in the context and complexities at play in the region, having timely and (1) **cutting-edge policy advisory** services and products, (2) **tapping into energy, underutilised resources and ideas** present in the ecosystems and (3) **leveraging innovative finance** are key to long-term transformation.

This context requires a break from business as usual in development. HDR calls for a great transformation – in how we live, work, and cooperate – to change the path we are on. To achieve that transformation, we must not only reassess **what** we do, but also in **how** we deliver, including the values, principles, and norms on how the development sector delivers. In the context of cities, during the second phase of TGFF, UNDP developed a concept for rejuvenating the city that seeks to influence both the economic vibrancy and the social life.

Examining the preconditions for transformative, systems-based activities in the region, it is important to note three key aspects:

1. majority of countries are middle-income and command sufficient government capacity;
2. during the pandemic, non-state actors rose to the challenge to show solidarity and provide solutions;
3. there is a growing interest and favourable environment for testing out new approaches, new technologies and new financial mechanisms.

Against this background, UNDP together with the Ministry of Finance in the Slovak Republic have established a partnership in 2015 to advance transformative impact on the countries and cities in the region by developing and implementing innovation in policy and financing across critical problem spaces. Through Transformative Governance and Finance Facility (TGFF) I and II, the partnership has engaged UNDP Country Offices and governments in the region in experimentation, sensemaking, catalytic activities and knowledge sharing. The partnership has generated learnings that helped design the next generation of **systems-based policy approaches** as well as **financing and acceleration mechanisms**. These, in turn constitute the backbone of this phase as explained in detail the following part of the document.

This approach is also in line with shifts implemented by a growing number of leading development organisations and agencies. To name a few, the Swedish Innovation Agency Vinnova, OECD, EU Horizon2020, EC and Climate-KIC, are recognizing the limitations of current planning and implementation systems in development and using portfolios as a way to address the interconnected nature of issues like climate adaptation and urban rejuvenation.

At the same time, innovative financing mechanisms can close the gap by channelling the resources that are available at the market and by leveraging the private sector capital worth over $200 trillion to address the most pressing development issues.

The move towards more systemic approaches demands new system capabilities both in the development and public sectors on individual, organizational and ecosystem levels. This would require reimagining our roles to be able to work in ecosystems of connected networks with a diversity of new

capabilities needed such as system thinkers, connectors, story tellers, system leaders (including but not limited to city leadership) and designers, which provides a challenge but also an opportunity to develop the capabilities in the development sector and public sector and transform the way we work together.

Building on the first two phases of the project & the regional dynamics, the new phase can serve a catalyst regionally to **create local level urban transformation models, support ecosystems of innovators & identify pathways for leveraging innovative financial mechanisms.**

Organisational context

The Slovak Ministry of Finance is a strategic partner on UNDP's innovation journey since 2015. Through the Transformative Governance and Finance Facility, phase I and II, UNDP has supported country offices to embed innovative methods in the design and delivery of programs, as well as to tap into innovative financing mechanisms.

The first phase of the project focused on small scale experimentation, which gave the project a wide reach, built capabilities in the country office where it operated and expanded a network of partners with whom to explore experimentation. In the second phase of the project, the efforts started to converge, with an increased focus on urban experimentation/system transformation under the City Experiment Fund, enhanced use of data for policymaking, decentralization of Ministry of Data, as a local challenge, and launch of BOOST, bringing together a number of partners and supporting innovative solutions. The mid-term evaluation found that while there was interest from the COs and the flexibility of the fund was appreciated, there was a need to strengthen coherence between country level and regional level results, as well as strengthen coherence in the focus of the project. Thus, the design of the third phase of TGFF III strives to do exactly that.

The first two phases of TGFF laid the foundations for a shift to deploying systems thinking by:

- **Nurturing the culture of innovation** – a continuous search for more effective methods of delivering was adopted and accelerated across the region through activities including innovation challenges, hackathons, design thinking and human-centred design workshops, etc. Examples: Moldova (CEF/Mobility and Data Collaborative), Serbia (support to the government in applying the open contracting data standard in the public procurement offices), Armenia and Serbia (deforestation and flooding in collaboration with ESA).
- **Introducing systems-thinking based approaches and trainings** to UNDP Country Office teams and their local partners (municipalities, CSOs, academia, private business) – Under the City Experiment Fund, teams were supported in designing and activating portfolios of interventions, and a meta-model for urban transformation, Agorà[13] was developed and rolled out.
- **Acceleration programme,** specifically BOOST - a platform for identification of innovative players and provision of support to innovation ecosystems was launched. It reached over 100

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[13] Developed by UNDP IRH-CHORA Foundation

organizations, and in the first year alone managed to attract additional financing of $250,000 from the Koc Foundation.

- **Experimenting with innovative financing mechanisms**, like the Social Impact Bond (example: Dairy Impact Bond in Armenia), and testing out technologies, such as blockchain (example: Blockchain-based diaspora remittances in the city of Nis).
- **Individual giving efforts**, specifically crowdfunding campaigns, training and advisory - tested and supported through the first two phases of the project, have now been scaled up through additional financing from the Islamic Development Bank ($3.1 million) to 35 countries and mainstreamed within UNDP. Through the Training of Trainers process a network of crowdfunding practitioners has been established in UNDP; and sustainable process has been established within UNDP that will results in 20 more national campaigns being developed in 2021.

Leveraging funds and partnerships for development. The Slovak investment in innovation at the regional level has been catalytic in the following resource mobilization efforts: with the EU on scaling up urban transformation efforts (Mayors for Economic Growth 2021-2024, EUR10 million), scaling up of crowdfunding through a partnership with the IsDB (US$3.1 million) and for the roll out of BOOST, an additional $250,000. The total resources raised directly to scale up activities initiated within the partnership with the Slovak Ministry of Finance are approximately US$15,35 million.

Across UNDP, systems thinking & portfolios as a way to resolve complex issues like climate, urban transformation and informal economy in about 20 countries. In RBEC, the journey to mainstreaming innovation and moving to more systemic approaches, is a natural evolution of the region's pioneering role in innovation. As a part of first movers, Serbia and Uzbekistan country offices received support to apply systems approach. As a result, the following portfolios are advanced:

- Depopulation portfolio in Serbia seeks to expand entry points for addressing the demographic shift by looking at how to achieve human potential in the country;
- Future of Work portfolio in Uzbekistan seeks to address the gap between demand and supply in the short run, create enabling conditions for employment for different groups, and create green and sustainable jobs in the future.

In parallel, at the regional level, capabilities and tools have been developed that enable accelerated portfolio development [Agora]. This is already being applied through the City Experiment Fund in 5 cities in RBEC to address a diversity of urban challenges, will be embedded within the new EU Mayors for Economic Growth Facility, and taken up globally in the Philippines, Bolivia, and Uruguay. Through the EU & UNDP Mayors for Economic Growth Facility - that will support 12 towns in the Eastern Partnership countries to develop new trajectories for growth.

3 STRATEGY & APPROACH

The implementation strategy for this project lends from three frameworks and methods:

1. **NASA's Technology Readiness Levels**
2. **Application of the Portfolio Approach**
3. **BOOST acceleration methodology**

The design principles that have informed this phase are as follows:

- **Catalytic function** - the project is designed to have a catalytic function for long-term transformation, create on demand capabilities & generate new value for COs and partners. This project will seek to deepen existing engagements at the country level.
- **Cohesion and synergies** - creating cohesion between different elements in the project (CEF, BOOST & innovative finance), synergies with other initiatives at the country level, and seeking complementarity with other stakeholders (including IFIs, private sector, etc.)
- **Leveraging diverse sources of finance** - exploring the linkage between system transformation & finance, including design, and testing of new financial mechanisms.
- **Strengthening ecosystems** – building and strengthening collaboration within ecosystems through BOOST and CEF, specifically.
- **Adaptiveness and learning** - continuous exploration of new and emergent trends, adapting based on learnings and in-built mechanisms for learning within the portfolios.
- **Openness & structure** – being **open** about what is emerging to ensure necessary flexibility and ability to act on generated learnings and **structured** to ensure quality assurance and impact assessment.
- **Gender-sensitive** - building a gender lens in unpacking challenges, understanding the gender dynamics, inclusion of women and women perspectives in designing initiatives, and ensuring that designed initiatives address the distinct challenges that women face.

The design of TGFF III has also been guided by:
1. Mid-term evaluation of TGFF II,
2. Consultations with relevant stakeholders.

Summary of the mid-term evaluation of TGFF II and consultation results and how they have been translated into TGFF III: Recommendations	Implementation
R1. For UNDP IRH to continue implementing TGFF-II and to prepare for another phase, with only minor improvements to be made for the rest of the implementation period	The implementation of the second part of TGFF II has resulted in a number of learnings that set the grounds for the presented structure of TGFF III.
R2. The objective, vision and coherence of the project should be made further defined and made clearer – different scenarios are possible for TGFF-III	TGFF III is designed in a manner that further develops synergies between individual initiatives implemented under TGFF II, including: CEF, BOOST, alternative finance and Ministry of Data / data innovation and governance. Tools and methods tested under each of these initiatives are in TGFF III linked together and cross-fertilized.

R3. To improve the M&E and reporting system and make it more outcome oriented and articulated	M&E, reporting and learning framework for TGFF III has been developed with a focus on iterative learning and outcome monitoring to ensure that the funds deployed under two leading intitatives – CEF and BOOST – generate intended imact on the ground and develop capabilities of implementing staff in UNDP Country Offices and municipalities that allow them to replicate portfolio-based approaches and attract further funding to grow their respective portfolios.
R4. To develop a "learning system" for TGFF-II	A mockup of the learning system for dynamic portfolio management and acceleration programs has been developed under TGFF II and is planned to be fully implemented, tested, and further improved under TGFF III.
R5. To communicate on the value of innovation beyond TGFF-II and to management in NY	The resources and capabilities developed under the project are leveraged globally – Agora is the first meta-model within UNDP and is now being rolled-out across the region and in other parts of the world. The Strategic Innovation Unit is replicating the model in the area of Future of Work and Sustainable Tourism. The team implementing TGFF II has been sharing their learnings with other teams in the UNDP Istanbul Regional Hub, leading to the implementation of tools and approaches generated under TGFF II in areas like: monitoring of COVID outbreaks in Moldova, Women in STEM promotion in Eurasia, etc. The team has engaged in a number of external events sharing the lessons from TGFF II, including: FutureOverflow! Conference and knowledge exchange with leading development organizations like EIT Climate KIC, European Commission, etc. The new phase shall create opportunities to further showcase the value of portfolio approaches, alternative finance mechanism and experimentation in public policy.
R6. To strengthen even further the regional perspective of the project	Cross-cohort knowledge-sharing and support has been an important element of the City Experiment Fund II experience and as such allowed implementing teams to capture cross-regional learnings, identify interesting partners and build on the work done by previous CEF cohort. TGFF III shall intensify these efforts and employ a

	structured learning mechanism to facilitate this exchange and further the regional perspective of the project.
R7. Further strengthen cooperation with local partners	Under TGFF III the team will explore cross-fertilization of BOOST and CEF, which shall lead to growing engagement of a variety of local stakeholders in the design and implementation of urban transformation portfolios. Local teams will continue to develop portfolios together with local stakeholders and develop necessary capabilities for their dynamic management. New financing mechanisms are going to be explored in order to better employ underutilized local resources and engage in financing previously inaccessible partners.

Applicable Frameworks & Methods

3.1.1 Technology Readiness Levels

In the 1970s, the National Space Agency (NASA) developed so called **Technology Readiness Levels** (TRLs), which to quote the source: "[TRLs] are a type of measurement system used to assess the maturity level of a particular technology."

Ever since their development, TRLs have become part of many research and development projects (R&D), well beyond technology-based ones. That is because TRLs best describe the process of developing and testing innovation from the initial idea (TRL 0) to launching a fully sustainable and tested process, service or product (TRL 9). TRLs provide helpful guidance in terms of new processes and mechanisms and as such have in parts been used to structure the TGFF III.
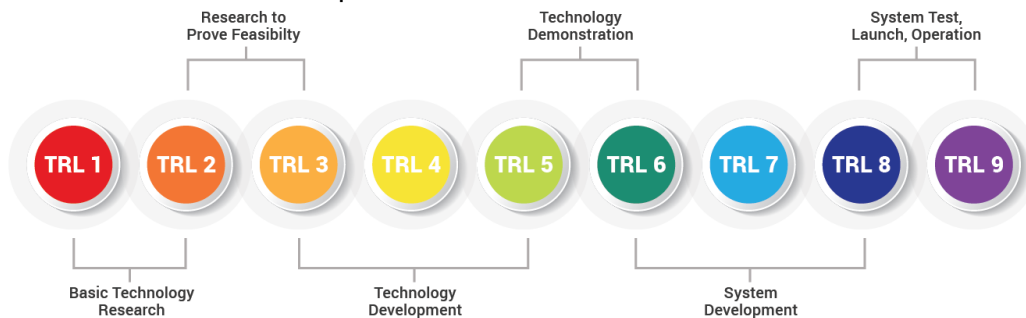

Figure 1. Technology Readiness Levels (source: Abaco Systems)

TGFF II has allowed the team to design, test and implement various services and processes that support transformation. The project has been concluded by developing a methodology for urban transformation, Agora, with capabilities to deliver the process, and an acceleration methodology, BOOST, that builds on start-up methods but is tailored to mixed stakeholders (entrepreneurs, social innovators, etc.). In addition, lessons learned from regional initiatives (Ministry of Data, Crowdfunding

Academy, SIBs) have been consolidated into the following resources: a data innovation handbook, a digital crowdfunding academy which has been scaled up through Islamic Development Bank funding and mainstreamed corporately, and an outcome-based payment curriculum.

The new phase will make use of the learnings, created resources and increase the maturity of the developed transformational mechanism from TRL 5 to TRL 8.

3.1.2. Portfolio Approach

The portfolio approach enables strategic investments, discovery of what works, through rigorous monitoring and evaluation/learning (sensemaking), and provision of insights to other stakeholders where to channel investments. It embodies both (1) design of probes under one portfolio that are in line with the overall direction of the portfolio intent and (2) dynamic management of the portfolio - channelling investments based on what we are learning.

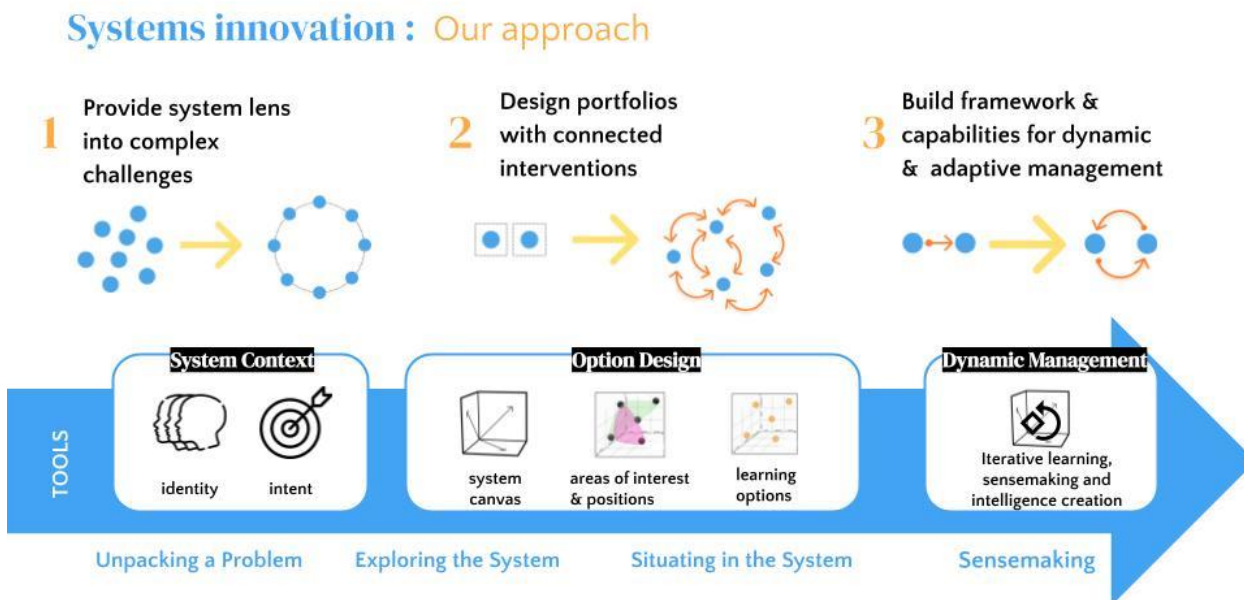A snapshot of the milestones in the approach is visualized below.

Figure 2. Application of the portfolio approach

UNDP CEF team has utilized Agora - a meta-model that provides a structure for the development of portfolios at the city level the UNDP IRH Innovation Team and the Chora Foundation an accelerated pace. Our approach in understanding complex systems starts with system context, in which we scope out the needs, available resources, and stakeholders within the system and clarify our role and intent of how we would like to move forward in the system. After we understand the system context, we translate our understanding into a hypothetical model using the system canvas (problem space),

locating strategic positions to intervene in the system (areas of interest) and build strategic entry points (learning options) with the set of interventions in a coherent portfolio.

The model is being applied through the City Experiment Fund, as well as tested in Philippines, Uruguay, Bolivia, and Ecuador. Through its practical application in the City Experiment Fund and the EU Mayors for Economic Growth Facility, the model will be evolved to ensure:

- inclusion of diverse groups of local stakeholders in the transformation process, with particular focus on women,
- shared ownership of the developed portfolios allowing for the project team to exit the process and leave it in the local hands, when possible – this might entail distributed ownership of the portfolio, including by local government, CSOs, academia, businesses, and others,
- tapping into narratives of transformation in society,
- identifying new ways of extracting quantitative and qualitative data describing the challenge at hand.

To enhance impact, the new phase will continue in the portfolio design iteration and dynamic management for the CEF cohort II, as well as the launch of cohort III to design a new portfolio for the urban transformation. The overall process will be led and designed by the CEF team, which will utilize the learnings from the second cohort and apply the tools described in the systems innovations approach. The team will focus on generating actionable intelligence, identifying, and engaging with available resources, and developing competencies to produce renewal capital and growth options through iterations and sensemaking. Through cooperation with the IRH gender team, the CEF cohort II will explore ways of strengthening the gender inclusion lens in their portfolios.
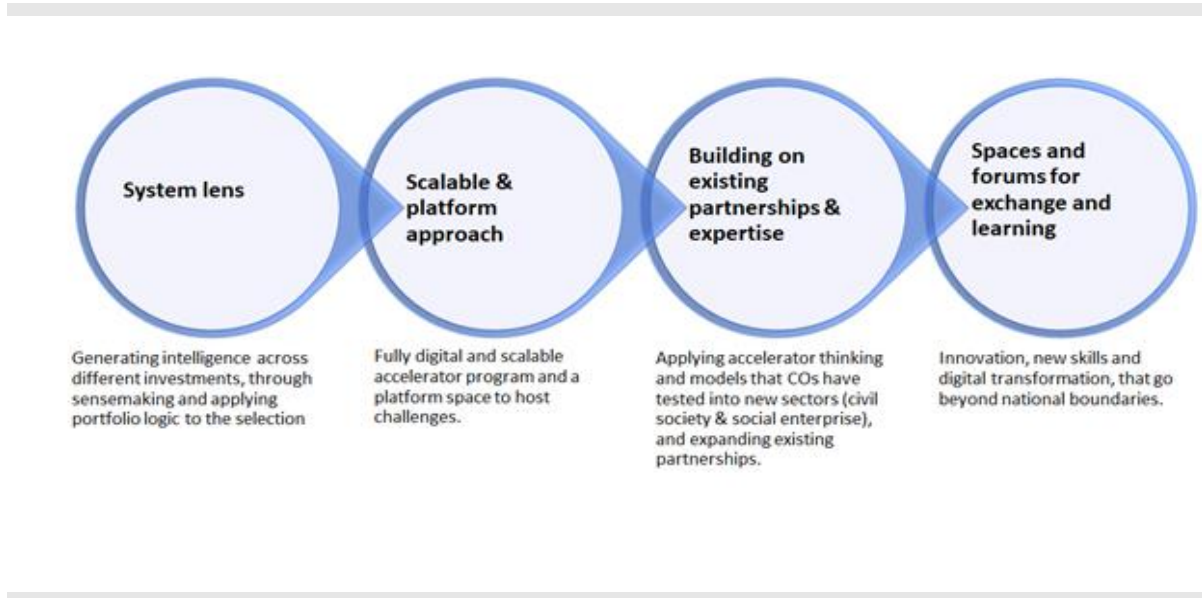
3.1.3   BOOST Acceleration Methodology

BOOST is a regional acceleration platform that creates an open space to run challenges which tackle development issues, or support existing ones, across the UNDP or together with partners. Launched in the midst of the pandemic, the platform supports innovative ideas, solutions, and products from a wide range of actors in Europe and Central Asia with the aim of accelerating attainment of the UN Sustainable Development Goals. BOOST is led in collaboration with regional partners in the public, private, nonprofit sectors to design, implement and learn from transformative solutions, across a diverse cohort.

This initiative is a part of a broader effort by UNDP to bring together development partners committed to addressing the long-term effects of the pandemic by directly supporting SMEs, innovators, CSOs, social entrepreneurs and academia, with a vision to:

- Create a space to design and run development challenges across UNDP or in collaboration with partners.
- Leverage collaboration, learnings and experience sharing between changemakers, partners, experts, and the global UNDP community.

- Provide funding, professional support, and mentorship to selected participants through an intensive online program.
- Accelerate the impact of innovative solutions in the region from organizations of all shapes and sizes.
- Generate learnings on systemic impacts across diverse solutions, organizations, and cohorts.
- Promote partnerships with businesses and governments.

System lens

Generating intelligence across different investments, through sensemaking and applying portfolio logic to the selection

Scalable & platform approach

Fully digital and scalable accelerator program and a platform space to host challenges.

Building on existing partnerships & expertise

Applying accelerator thinking and models that COs have tested into new sectors (civil society & social enterprise), and expanding existing partnerships.

Spaces and forums for exchange and learning

Innovation, new skills and digital transformation, that go beyond national boundaries.

BOOST consists of four online tracks (Sensemaking workshops, Digital Transformation and Tech, Business and Impact Track, Crowdfunding Academy) followed by mentorship and 1-on-1 coaching sessions with field experts. The key pillars of BOOST are described below:

- **Sensemaking**: a strategic tool that enables generation of qualitative learnings, identifies connections between different initiatives and results in insights at a systemic level. It is especially valuable when we work on complex issues or experience high uncertainty. Partners will benefit from the application of this tool by having a broader understanding of what's emerging across the different solutions, including different cohorts. When applied, sensemaking also enables reflection on the strategic relevance of the supported initiatives, establishing program coherence, generating network effects, and accelerating the impact of their portfolio.

- **Business and Impact Accelerator**: intended to help participants map and use the theory of change and impact value chain to make a deep dive into the social, environmental, and economic dimensions of creating impact. From value propositions to design thinking, the business training aims to provide teams with a validated tool to define, clarify, and understand the value of innovation efforts, giving them confidence to commit fully to the objective.

- **Digital Transformation and Tech**: This track consists of a personalized journey through a series of workshops and mentorship guidance, helping participants define, assess, and manage their digital strategy while rethinking their business models.

- **Crowdfunding Academy**: The Digital Crowdfunding Academy provides capacity-building training which enhances the skills of participants to enable them to diversify their funding resources and adapt their business models. The online training program empowers participants by providing them new knowledge and the skills necessary to prepare and run a successful crowdfunding campaign.

Having regional and global partnerships with public, private, non-profit, and academic sectors BOOST has created an alumni community of 40 start-ups, Civil Society Organizations and academic institutions across 10 countries from Europe and Central Asia. 100+ hours of training with more than 30 trainers have been implemented in the frames of BOOST vol. 1 program. The next phase will continue to build on these assets and explore different models of becoming sustainable, as well as expand on the collaboration with IRH Gender Team in the context of engaging female mentors (through the STEM for All initiative) and targeted communication to female leaders who might be interested in becoming part of the acceleration programme.

4 RESULTS AND PARTNERSHIPS

Project Duration
November 1, 2021 (tentative - subject to partners´ rules and procedures) – December 31, 2024

Project Objective
The main objective is to provide a capability for system transformation – by deploying systemic approaches, engaging in co-creation processes, strengthening local ecosystems, and leveraging innovative sources of financing.

The project is based on two key components:
1. **BOOST,** which focuses on accelerating the development of solutions and organisations that address selected challenges;
2. **System transformation acceleration**, which focuses on urban transformation & exploration of innovative financing mechanisms.

These, in turn, will be complemented by several cross-cutting workstreams, including learning, finance and data innovation and governance.

The **specific objectives** are to:

1. Accelerate development of innovative solutions in selected locations (i.e., city) or problem areas (i.e., COVID-19 recovery) in order to strengthen relevant innovation ecosystems and increase the role of women in that process,
2. Design, implement and dynamically manage portfolios of interventions in 5 cities from the second cohort of the City Experiment Fund and 2 cities from the third cohort (to be selected in Phase III of the project),
3. Build capabilities for facilitating processes of portfolio design and management in the context of urban transformation, at the country office and city level,
4. Identify, explore and test out innovative financial mechanisms that leverage diverse resources.

Project Outputs

Output 1: Innovative stakeholders are identified and supported in the acceleration of their growth and solution design through BOOST acceleration programme

This output will seek to further develop a sustainable mechanism of **identifying stakeholders with innovative inputs** (CSO, business, academia, innovators, local citizens, etc.) in a selected space (geographically or topically) and **accelerating the development of innovative solutions** for the defined problem space. This is envisioned to entail the creation of spaces and opportunities for women's organisations, networks and civil society at large to engage effectively in the realization of gender equality and sustainable development.

The current pandemic crisis exposes the fragility of how the current system functions across the globe, but also provides a powerful lens to examine underlying conditions that induce such fragility and gaps to strengthen resilience. BOOST will aim to identify ways in which it can offer a capability to governments and communities to deal with the cascading effects of the pandemic - across wellbeing, economy, social fabric and governance.

This output will seek to address the effects of the pandemic and other development challenges in a forward-looking perspective to parts of the population with socio-economic vulnerabilities, women and girls, young people & returnees. Moreover, it will seek to accelerate solutions that enable resilience and adaptation - through enabling a faster connection between problem holders and solutions, and a faster flow of information across the board.

Due to the current Covid-19 crisis, innovation has become a major inter and multisectoral approach for many to establish partnerships in order to generate ideas and solutions to tackle the impact of the crisis, especially on vulnerable groups, on community resilience and on digitalization. In light of the recent innovative approaches to address the development challenges emerging from the pandemic, both country-level and regional methods might seem to be feasible, yet companies, organizations and institutions which are working on issues owned by the crisis need more support, visibility and wider partnerships.

This will be achieved through an ongoing development of the BOOST acceleration programme designed and tested under TGFF II as the marketplace for UNDP-lead challenges, as well as through a design and implementation of local BOOST challenges. The latter will be designed to support UNDP

Country Offices, in particular the ones being part of the City Experiment Fund, in running challenges that are more systemic and explore synergies between stakeholders and existing or planned systems interventions.

Between 2020-2021, BOOST has already become a marketplace for innovation challenges hosted by UNDP and is attracting additional financing. It has already generated strong partnerships with partners like Koc Foundation, Islamic Development Bank and Polish MFA deploying resources towards post-COVID-19 recovery and leveraged resources from the different partners. The design of BOOST: Impact Accelerator allows it to further scale up and streamline the process of organising challenges with prospective partners, which is in line with the catalytic function of this project.

Launched in 2020, within its first year of operation, BOOST managed to attract over 100 organizations and took 40 organizations, companies, and individuals through its acceleration programme. The impact assessment at the end of the program demonstrated the value added of the structure of the program, as well as the contribution of these initiatives towards the SDGs. BOOST graduates consider mentoring services (81%) and networking (67%) to be the key relevant services essential for the growth of their organization/business. More than 77% and 66% of BOOST graduates consider capacity building (impact, marketing, business) and access to networks, respectively, as the most interesting components. Finally, the initiatives in the regional acceleration program are aligned with SDGs.

Building on these experiences, this output will strive to build on the success, adapt where needed and achieve a sustainable business model for BOOST, by the end of the project.
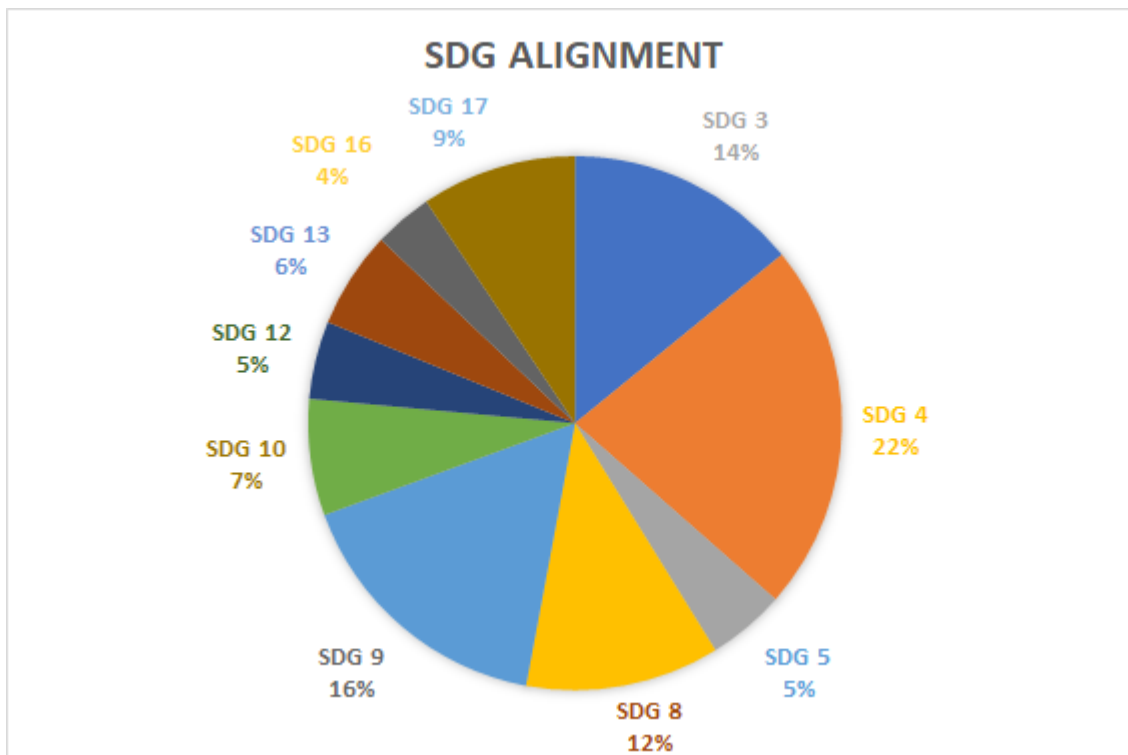

Figure. 3. Impact of Boost – SDG Alignment.

 This output is comprised of the following activities:

1.1 Design and delivery of BOOST: Impact Accelerator

Under this activity, within the scope of 3 years, 2 different cohorts of innovators, with at least 20 innovators in each cohort, will be supported through the BOOST: Impact Accelerator. At least one of these cohorts is already expected to focus on women empowerment, and women in STEM in particular. This will entail:
- Adaptation of the acceleration programme to specific needs of the target groups (e.g., municipalities, CSOs, SMEs, etc.),
- Execution of call for ideas, including promotion through diverse channels – this will be delivered in cooperation with the IRH gender team to ensure that women entrepreneurs and innovators are reached and engaged in the process (i.e. through the STEM for All network)
- Implementation of the acceleration programme, ensuring both 1-1 mentorship and networking – the team will actively seek female mentors that can support participants of the acceleration programme,
- Measurement of impact of the programme, including gender disaggregated data,
- Maintenance of the digital infrastructure for the challenge carried from TGFF II.

1.2 Expand partnerships and explore different business models to ensure sustainability of BOOST

The key purpose of this activity will be to actively engage in identifying new potential partners, with particular focus on gender empowerment entities, and exploring different business models. This activity is expected to provide options on the long-term sustainability of the initiative. Indicative activities include:
- Knowledge sharing or other type of events to promote the results of BOOST
- Analysis on existing business models and generation of options which seeks to devolve BOOST
- Testing out different business-models and consolidation of learning.

1.3. Communication and visibility

Through this activity, the key expected results are to – in particular women-led - CSOs, start-ups and other stakeholders that are developing innovative solutions, and promote activities and winners in the challenge. This includes creation of social media materials, videos, and other content promoting the challenges and mainstreaming the approach.

Indicative activities include:
- Regular updates in the form of blogs on the BOOST and Innovation @Eurasia webspaces,
- Generation of social media content and use of social media advertising possibilities,
- BOOST Talks: public sessions to bring more visibility, shareability and solidarity to the program, participants and projects,
- Cooperation with networks, like STEM for All, supporting women innovators and entrepreneurs.
- Promotion of participants and winners of the challenge.

The overall result of this output is expected to be a tried and tested model for BOOST that at its heart has a systems approach, expanded partnerships and a strengthened ecosystem of innovators.

Output 2: Accelerated urban system transformation is enabled through the deployment of portfolio approach at the city level & leverage of innovative financial models.

This output will seek to enable & accelerate system transformation initiated through the baseline portfolios designed by respective teams under TGFF II (CEF2). The project will do so by focusing on urban transformation, through the continuation of CEF (dynamic portfolio management, reiterative portfolio design processes, developmental evaluation, etc.), and experimenting with innovative financial mechanisms supporting the scale-up and sustainability of respective portfolios.

Activities in this output are designed to respond to some of the key challenges that have been identified in the region:

- **Armenia** has made considerable progress in poverty reduction since independence in 1991 but still faces development challenges, including gender mainstreaming. However, majority of the population and economic prowess is in Yerevan, with other urban areas facing significant structural challenges. Yerevan's gross domestic product (GDP) accounted for 57.7% of Armenia's GDP, followed by the Ararat region with only 7.0%. The limited financial resources of local authorities are considered one of the main obstacles to regional and local urban development in the country.
- **Kazakhstan:** Kazakhstan is losing its human capital due to worsening air quality in urban areas which substantially exceed WHO standards. Research shows that around 16,000 deaths per year are associated with diseases attributable to air pollution. Despite the progress that Kazakhstan made towards improving air quality, including the adoption of a new Ecology Code, this complex issue persists. There is a need for better institutional capacities with regards to air quality data collection, dissemination, and consequent informed action.
- **Kosovo[14]:** Kosovo's economic growth resting on an unsustainable economic model. Despite being the fastest growing economy in the Western Balkans, averaging 3.4 percent since the country gained its independence in 2008, it remains one of the poorest countries in Europe, with about 18 percent of its population living in poverty[15]. Economic growth and reduction in poverty is driven by foreign aid and remittances rather than improvements in employment. The fragile economy was shaken by the pandemic with a negative 8.8% growth rate for 2020 and with hindered exports, financial inflows, decreased private consumption and investments.[16] Despite Kosovo's high level of decentralization, local governments remain at the margins of investment decision making, failing to leverage their proximity to communities to make more effective investment decisions. In addition, due to country financial policy obstacles, municipalities lack capital investment and a pipeline for project funds. Municipalities are tasked with the provision of about 100 public services, yet they have very limited budget for local programming (70-80 percent cover personnel salaries). Prizren, where activities focused in the first phase, boasts significant cultural heritage - in infrastructure, relationships, artisanal skills, and vibrancy of the **cultural** sector. It has the elements in place to develop a blueprint on how local governments can develop creative industries and create jobs to retain talents within the cities of origin.

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[14] References to Kosovo on this website shall be understood to be in the context of Security Council Resolution 1244 (1999)

[15] Source: https://ask.rks-gov.net/en/kosovo-agency-of-statistics/add-news/poverty-statistics-2012-2017

[16] Source: https://www.worldbank.org/en/region/eca/publication/western-balkans-regular-economic-report

- **Montenegro:** Montenegro is a country with low per capita emissions - with 1,8 t of CO2 as compared to a world's average of 4.8 tonnes per person in 2018. Government of Montenegro committed to decreasing greenhouse gas (GHG) emissions by 35% below 1990 levels, by 2030 - aiming for decarbonization which implies transforming the energy sector, transportation, and industry. The city of Pljevlja has been historically deeply dependent on high carbon industries. For decades, coal industry and inefficient coal-based residential heating has been considered as a silent killer of Pljevlja City. To illustrate the levels of air pollution, for the period from November 2019 to March 2020, pollution values were exceeded in the period of 79 days, while acceptable limit of the EU Air Quality Directive is only 35 days a year. This, coupled with rare job opportunities, brings Pljevlja on the top of the scale in Montenegro by the negative population growth and a decline of more than 50% in population over the last 40 years. The Mayor of Pljevlja signed a declaration to support a just transition beyond coal, where CEF could play a crucial role in generation new trajectories for growth and sustainable development.

- **North Macedonia:** Skopje continuously tops the list of most polluted cities in Europe - In 2018, levels of PM10 – tiny pollutant particles 10 micrometres in size that are harmful to human health – exceeded EU limits for a total of 202 days in the city.[17] At present, the World Health Organization has estimated that around 4,000 premature deaths a year in North Macedonia may be due to air pollution, and the economic cost to Skopje is thought to be between €570 and €1,470 million.[18] Addressing this issue requires decoupling economic growth from old industries, and being able to generate new economic models while dealing with the complex nature of pollution related issues. Due to this reason, TGFF I and II has supported UNDP N. Macedonia and Skopje city in unpacking and understanding pollution. As a part of CEF 2, it was discovered that biowaste, and not plastics, makes up most of the waste in the country – which can also unlock new potential in the country – in terms of jobs, circularity, and innovation. Furthermore, while exploring deeper the portfolio of interventions around the circularity of bio-waste, a significant potential for creating employment opportunities for skilled labor in biotechnologies and waste transformation was noted. We have explored that 46% of the total waste in the landfills is biowaste whereas small portion of it <1% is composted is transformed at any way

Abovementioned problem spaces will be further explored in search of most effective and sustainable interventions, which entails strengthening the gender lens in each portfolio, ensuring that the designed interventions recognise challenges specific to women and vulnerable groups.

This project will be working beyond these five cities – both in CEF and BOOST. However, the issues outlined above – limited local government capacity, potential for ecosystem-based innovation, need for development of new growth trajectories and management of a just transition, are shared across the region - at the country and local level.

The mid-term evaluation of TGFF II found that the supported initiatives, and under CEF specifically, had a catalytic effect, however that there was a need for further aligned between country and regional goals. With consolidation of the project during TGFF II, 10 cities were supported to design and test out innovative solutions- in the first cohort, the cities were looking to solve issues related to mobility, air

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[17] Source: https://www.bbc.com/future/article/20200701-skopje-north-macedonia-the-most-polluted-city-in-europe#:~:text=Skopje%20regularly%20tops%20the%20lists,202%20days%20in%20the%20city.

[18] Ibid.

pollution and use of public spaces, especially how it relates to wellbeing. The second cohort focused on unpacking structural issues and designing systemic solutions. Country offices have benefited from the activities in CEF during TGFF II by generating new capabilities, creating more relevant offers for policymakers at the city level and addressing some of the most pressing & complex issues - such as pollution, old industries and depopulation. An assessment by the project team of CEF 2 found that the offices benefited from being able to identify problems in new ways and learn about portfolio design, however that more time and resources were required to embed this approach in the office, as well as to have long term impact on the identified issues.

Building on these learnings, on urban transformation, the intent is to continue to build on the successes and resources of CEF. The cities in cohort 2 (Almaty, Pljevlja, Prizren, Skopje and Stepanavan) have activated portfolios in TGFF II to address issues such as biowaste and pollution, use of cultural resources, urban rejuvenation and just transition. Due to the complex nature of these challenges and the need for a longer-term engagement to generate lasting change, in this phase the project will focus on the dynamic management of the portfolios. This will entail generating learnings and insights (sensemaking), iteration of the portfolios (updating with new initiatives that are relevant to the context & seeding them), engagement with partners to leverage other financial resources & building capabilities at the country level to facilitate portfolio approaches. This will happen both through *learning by doing* and dedicated training modules.

In addition to the five cities in CEF cohort 2, two more cities will be selected for the next iteration of the process, which will include critical learnings from the first iteration and will employ a coherent mechanism of portfolio design and management.
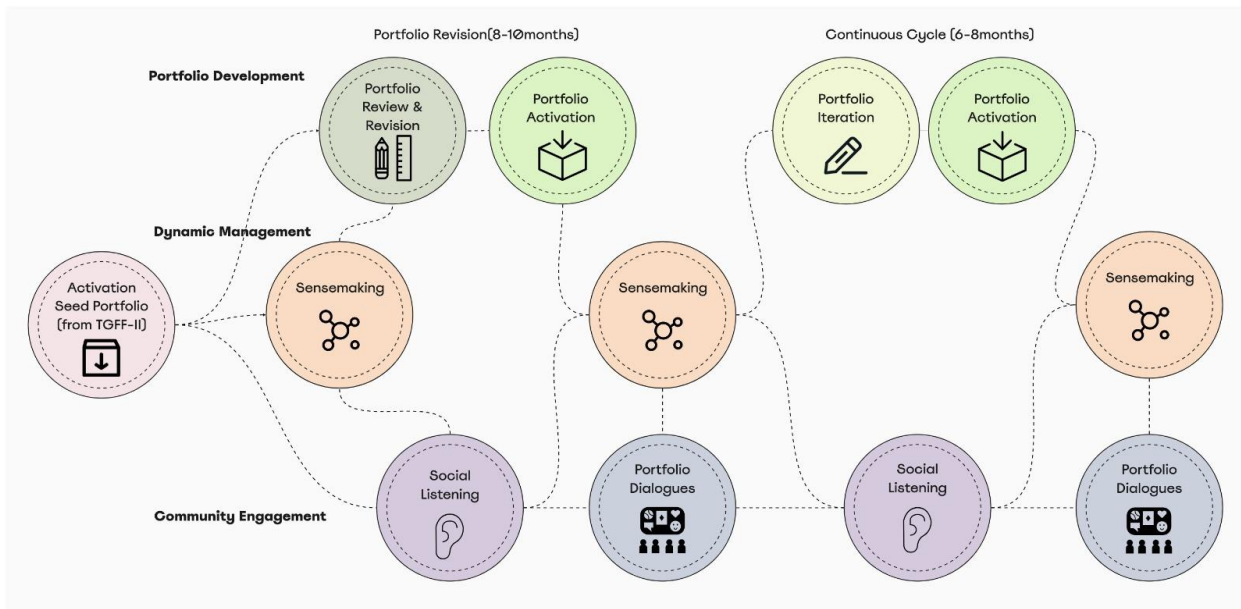

Figure 4: An overview of the process, including portfolio development, dynamic management and community engagement.

TGFF I & II have been instrumental in the setup ad growth of the [UNDP Alternative Finance Lab](#) (AltFinLab), [Crowdfunding Academy](#), early experimentation with blockchain and the structuring of the first development impact bond in the region. During the first and second phase of TGFF, UNDP AltFinLab was supporting country offices and partners in understanding and using crowdfunding, social impact bonds, blockchain-based cash transfers, forecast-based finance, peer-to-peer lending, for mobilizing resources and funding solutions to development challenges.

This project phase will continue to explore alternative finance approaches and tools both on a micro- and macrolevel. The microlevel is intended to continue experimenting with new ways of tapping into resources for individual projects or stakeholders (i.e., municipalities working under CEF or other opportunities, like the Dairy Impact Bond in Armenia), while the macrolevel will explore the topic of portfolio financing, identifying ways to attract additional resources for the activation of portfolio probes/interventions across multiple portfolios and implementation sites.

This output is comprised of the following activities:

2.1. Making sense/collaborative workshops to generate insights from 5 portfolios in CEF (3 times in 12 months) and generation of insights to channel investments.

This activity includes:
- Strategic intents (direction/vision) for each city are (re)framed. The teams will engage in sensemaking and baseline assessment activities allowing them to re-evaluate their strategic intents based on the learnings from TGFF II. This will be done using, among other tools, UNDP Portfolio Sensemaking and Acceleration Protocol.
- Generation of insights based on what is emerging from portfolios and informing policymaking on the issues that the portfolios are addressing (biowaste and circular economy, vibrancy of small and medium cities, alternative job opportunities in post-industrial settings, exploration of underutilised assets for local development, and pollution).

2.2. Dynamic Management/Iteration of portfolios: designing new initiatives and deployment of social listening tools

Adaptive/dynamic management of portfolios is at the core of what makes this approach distinctive from more traditional innovation approaches. This activity includes the following:
- Deployment of social listening tools to understand the underlying narratives, and combination of these bottom-up narratives with sensemaking insights (this includes disaggregating collected data and insights by gender as well as ensuring equal representation),
- Ideation - design and delivery of co-creation workshops for the iteration of portfolios across 5 cities at least twice during the project cycle,
- Generation of updated portfolios that are relevant to the context, in line with the need and can accelerate transformative effects over time.

2.3. Slovak Portfolio Fund: Supporting at least 15 projects in 5 cities

Based on consecutive iterations of sensemaking and portfolio design, new probes addressing strategic intents will be developed and activated. Seeking increasing coherence and impact of respective city portfolios, the cities under CEF cohort 2 will activate at least 15 options/probes across the cohort.

This activity will include the following:
- Publication of calls for proposals that are in line with the portfolio logic
- Cross-fertilization with the BOOST platform
- Seeding portfolios
- Generation of learnings and results (in line with activity 2.1).

Cross-fertilization with the BOOST platform entails designing and testing models through which the acceleration platform could be used to support the design and implementation of the city transformation portfolio (through Innovation Challenge modality). This should help streamline the process of engaging local innovation ecosystem and help bring on board CSOs, start-ups and academia.

2.4 _Support in the development of capability to apply portfolio approach/system thinking at the country level & generation of offers._

This activity will seek to mainstream the capability in the CO and provide the COs with an articulated offer on urban transformation, stemming from the work on the City Experiment Fund. This activity will include the following:
- A virtual assessment of the capability and interest in the COs
- Online webinars and other learning sessions in relation to system thinking & dynamic management,
- Hands-on exercises that enable COs to mainstream the approach & facilitate the process with counterparts.

2.5 Scoping, designing and prototyping financial models for system transformation

Most development finance is biased towards single-point interventions and project finance. Operators deploying systemic interventions are thus compelled to coalesce around the single-point narrative, risking missing the systemic approach along the way. Capital is one of the most powerful levers of change yet mobilizing greater quantities of finance is only one part of the challenge. What remains unclear is _how,_ exactly, capital needs to be deployed in the system.[19] This will include the following:
- Exploring and mapping out different ways in which portfolio financing can be done,
- Designing a prototype that allows investors to pull resources or to invest them across portfolios in different locations or other forms of portfolio financing,
- Identifying the challenges within the current system to shift towards system transformation investments.

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[19] https://medium.com/transformation-capital/transformation-capital-systemic-investing-for-sustainability-693cb1190da

2.6. At least 2-3 innovative finance mechanisms are supported

The investment gap in SDGs and the persistence of development challenges, shows that there is a need to reimagine financing and tap into diverse sources of financing. This activity will focus on testing and scaling the innovative finance mechanisms, like the Dairy Impact Bond, with the aim to catalyse and blend different types of funds (such as public and private) for the shared development purposes. This activity is specifically tailored to testing and driving diverse investments to complex issues, that have not been resolved and cannot be resolved through single-point solutions.

Based on the experience from TGFF I and II, the following mechanisms have potential for scaling and/or require further exploration:
- Collaboration with the International Finance Corporation on the **Breathe Better Bond**: this is an emerging market municipal bond that invests in urban infrastructure projects that reduce both air pollution and greenhouse gas emissions, with tied-in technical assistance and financial incentives to support city governments.
- Scaling out of the **Dairy Impact Bond**: A type of Payment-by-Results contract where investors pay for the up-front costs of services and are repaid by an outcome's funder (i.e., government) if and only if predefined social outcomes are achieved. The first bond has been structured in Armenia, in cooperation between UNDP and EBRD, and Social Finance. However, during TGFF II, a curriculum was developed on outcome buying which could support replication of the process in Armenia.
- Testing out different types of **outcome-based payments,** in different sectors: an outcome-based payment model is a payment model in which the performance-related incentive payments depend on outcomes of the provided service; such model is designed to stimulate favourable effects in terms of quality of services.
- Deployment of **new technologies in finance:** use of blockchain, fintech solutions, artificial intelligence, and other types of new technologies to test out solutions related to decentralized finance.

Indicative activities include:

- Scoping out opportunities at the country level, including areas in which alternative finance mechanisms could support women empowerment
- Identification of partners for collaboration from different sectors (IFIs, private sector, etc.)
- Generation of a value proposition and engagement for designing and deploying innovative financial mechanisms (i.e., outcome-based finance, DIBs, etc.)

The overall result of this output will be to generate learnings on how to accelerate system transformation at the city level, and test out innovative models to attract and leverage diverse finance.

Key phases of TGFF III
The process of achieving these outputs has been divided into three key phases. Sections below include descriptions of each phase.
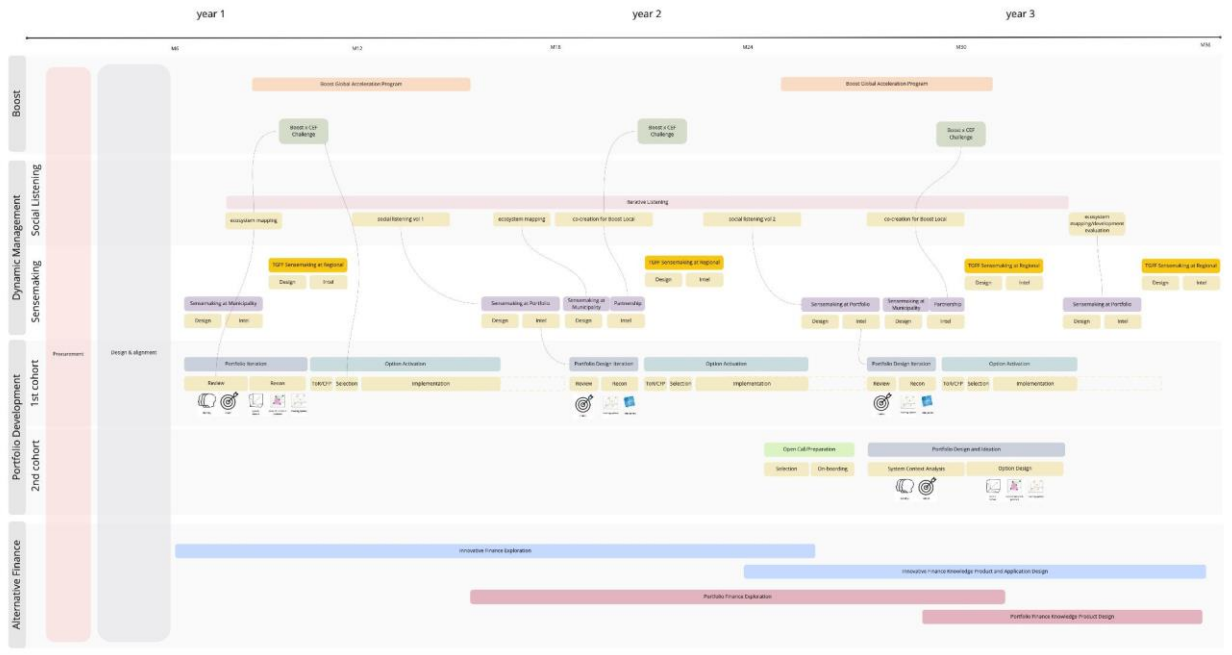
Figure 5: The project process (details can be accessed [here](#))

Phase 1 - Preparation and process alignment, Months 01-06

In this phase, the IRH project team will engage in strategic alignment processes for BOOST and CEF in order to clarify impact metrics and necessary steps to achieve these for each implementation site. This will be done in consultation with partners from TGFF II, including: Koc Foundation (BOOST), Islamic Development Bank, Agirre Lehendakaria Center, Dark Matter Labs and Chora Foundation.

This means in particular:

- For the **City Experiment Fund**:
  - Baseline assessment of portfolios activated under TGFF II, which will result in a customised roadmaps for the next phase of the process in each city, which will be co-designed with respective teams.
  - Assessment of respective UNDP CO teams' capability development needs in the area of systems thinking and adaptive management, followed by capability development plans.
  - Training on sensemaking and dynamic management protocols for teams in Cohort 2 and relevant stakeholders.
- For **BOOST**:
  - Capturing learnings from finalised and ongoing BOOST challenges.
  - Design of a version of the acceleration programme that responds to the urban transformation context - to be tested in interested cities under the CEF using external funding.
  - Impact measuring methods and tools including gender-related indicators are verified and further developed.

MILESTONES:

1. Capability development programme for UNDP CO teams engaged in the City Experiment Fund, including baseline assessment of innovation portfolio capabilities in each team.
2. Dynamic management protocols customized to align with UNDP COs strategic intents.
3. Business model for BOOST on the local level is developed.

Phase 2 – Implementation: Portfolio Iteration, Dynamic Management, BOOST and alternative finance, Months 7-36

- **Portfolio iteration** - Review and updating of the intent under each CEF portfolios, followed by reconnaissance and options ideation with stakeholders and community. Iterate the process throughout the project based on the sensemaking and generated insights.
- **Option Activation** - Based on the outputs produced in the portfolio iteration process, detailed ToR/CFP is produced to select and implement activities. For an open call, Boost platform can be utilized based on the need. Iterate the process followed by portfolio iteration.
- **Social Listening** - a collective and participatory listening of citizens and communities at municipalities. Social listening also serves as qualitative data collection mechanism to capture the learnings and insights in the city, aligned with the portfolio's intent.
- **Sensemaking** - a socialized reflective mechanism to induce learning and extract connections and insights from the selected groups (in both on the activities from the portfolio and city as a whole)
- **Intelligence creation** - based on the outcome of sensemaking, actionable intelligence is created together with the team and with the community (as a phased approach) to enhance and support decision-making and commitment to action

Milestones:
1. Revised intent of the portfolios for the cohort II.
2. CEF portfolios are dynamically managed and expanded, generating learnings and new probes based on a minimum of two rounds of sensemaking.
3. Actionable intelligence (in the form of briefs) is generated and able to initiate new activities, dialogues, and partnerships.
4. Innovative finance models are explored and further developed for new context and user group applications
5. BOOST has finalised a minimum of two acceleration programmes.

Phase 3 - CEF cohort 3 initiated and country level cities offerings developed, Months 24-36.

In this phase, the team will engage with UNDP CO teams in:

- Handing over all dynamic management and portfolio design activities under CEF 2 to respective Country Offices.
- Selecting **two new cities** to engage in the portfolio design process under the City Experiment Fund;
- Developing guidelines/framework for **country level cities offering with interested COs**, allowing the organisation to accelerate progress on the local level and attract new partners.

MILESTONES:

- CEF Cohort 3 successfully recruited, and the first iteration of portfolios developed.
- Guidelines/Framework for urban systems transformation offer is developed for Country Offices under CEF 2.
- Portfolio finance models explored and designed, and knowledge products produced.

Partnerships

UNDP has a strong relationship with a network of partners that are committed to strategic innovation & transformation, including but not limited to: [Future of Cities SEE initiative & Clean, Healthy Cities ran by Climate KIC](), CHORA Foundation, Dark Matter Lab, ALC, UCL Bartlett School of Architecture, Vinnova - Swedish Innovation Agency, Finnish Innovation Fund - SITRA, European Space Agency, German Aerospace Center, among others. In addition, through the years of experimentation - UNDP has grown a network of partners that work on applying innovative processes, innovative finance and innovative technologies to development challenges. UNDP COs in the RBEC countries have strong local programming, which would enable efficient and effective cooperation with local authorities, local government associations and key local stakeholder across various sectors.

UNDP is well placed to support and enable strengthening of these partnerships for the purpose of the delivery of the project, creating space for collective reflection, learning, building insight for the most impactful trends and challenges, such as climate change. The project will be embedded and complementing existing initiatives at the country level, bringing into the fold additional partnerships identified and chartered at the CO level, especially with entities focusing on women empowerment.

Risks and Assumptions

The main risk associated with the project is shifting interest of central and local authorities in participating countries, caused by the COVID health, social and economic crisis, and thus inability to participate with full operational capacity and financial commitment in the implementation.

Local or national elections can help or hinder initiated transformative efforts, depending on the attitude of those in power. The risk can only be mitigated by the non-partisan nature of the programme: the team of the programme attempts to engage constructively with the officials in power in the municipalities which are part of the programme and will maintain contacts with the relevant public institutions. In case local government changes in some of the localities happen, the programme will need to put additional efforts in order to continue its implementation and build upon the achieved progress.

Matrix of project risks

Description of the risk	Likelihood	Possible impact	Prevention/ and or mitigation measures

Political risks			
Changes in priorities of the local administration resulting from municipal or national elections.	high	medium	Continuous engagement with all levels of government, co-creation processes with diverse stakeholders and implementation of initiatives that involve different sectors will lower the reliance on municipal authorities.
Potential of social unrest as a result of the cascading effects of the pandemic.	medium	high	CO presence and social narratives can feed int early warning systems to adapt based on the situation.
Central and local authorities operating under strained fiscal space.	medium	small	Project will work with local authorities and position the project as part of the broader programme, identifying new ways of generating or attracting resources.
Implementation/Organisational risks			
Limited human resources & capabilities at the CO level. The process under TGFF II, in particular in the City Experiment Fund, has proven to be time-consuming and intense, which is some cases made it difficult for the teams to fully engage in the process.	High	High	A budget line has been earmarked towards securing CO focal points for the project. Discussions with CO management will be held continuously to address workplan and human resource issues.

Knowledge and Learning

In the framework of the new project, learning will be at the core of project activities. Learning will happen in two ways:
- Learning from the investments in portfolios and our interaction with the system, which will be conducted through sensemaking (Activity 2.1)
- Development of a community and enabling easier learning about new processes for government counterparts and country offices.

The latter will be done through:
- Capturing (and organizing) knowledge: learning tools will be developed so that individuals and teams will focus on learning *while* discussing project progress and activities.
- Share knowledge (making knowledge explicit): the project will ensure that knowledge is shared effectively in the regional team and across different country teams.

Overall, these interventions are aimed at helping various stakeholders in the project to be able to plan and prepare for learning outcomes, constantly record, and reflect on new topics like systems thinking and create a feedback loop for the programme to grow and evolve continuously.

The work on learning will be strictly related to M&E and dynamic management so that learning happens constantly during project implementation and focus on the content of the work (is the project team advancing on the challenge?) as well as the form (is the team collaborating effectively?).

Sustainability and Scaling Up

The project will complement existing initiatives, processes and support development of institutional frameworks that enable sustainability.

Within the UNDP COs, the project will by design complement and enhance the existing programmes on local development, enabling thus learning across and between the different projects. Significant focus will be given to capability development, ensuring that staff participating in this projects' activities will acquire skills necessary to facilitate the process in other cities and settings, as well as utilize the infrastructure that is developed by BOOST.

From the local authority perspective, the project will seek to build cross-cutting teams around shared objectives. Through the different learning mechanisms, the project will build capabilities of constituencies within local authorities and enable sustainability. It will also seek to design and implement alternative finance tools, which should allow local administration to scale up the efforts.

5   RESULTS FRAMEWORK

	Intended Outcome as stated in the UNDAF/Country [or Global/Regional] Programme Results and Resource Framework:
	UNDP Regional Results Framework for Europe and CIS 2018-2021
	Outcome 2. Addressing poverty and inequalities through more inclusive and sustainable development pathways
	Output 2.3. Enabling environment strengthened through diverse partnerships to expand opportunities for public and private sector, including alternative financing, for achievement of the SDGs

	Outcome indicators as stated in the Country Programme [or Global/Regional] Results and Resources Framework, including baseline and targets:
	Indicator 2.3.1. Number of new partnerships with emerging donors and other stakeholders (including through South-South and triangular cooperation), regional and financial mechanisms created and sustained in support of the SDGs
	From Draft the Strategic Plan 2022-2025
	E.2.1. Number of government and other partners' initiatives with increased policy options, including in crisis contexts, applying portfolio design at: Global level, Regional level, National level, Sub-national level
	E.3.1. Amount of public and private finance leveraged for the SDGs: Global level (Global capital markets), Regional level, Public- Private, National level Public Private

	Applicable Output(s) from the UNDP Strategic Plan:
	Project title and Atlas Project Number:

EXPECTED OUTPUTS	OUTPUT INDICATORS[1]	DATA SOURCE	BASELINE			TARGETS (by frequency of data collection)			DATA COLLECTION METHODS & RISKS
			Value	Year	Year 1	Year 2	YEAR 3	FINAL	
Output 1 Innovative stakeholders are identified and supported in the acceleration of their growth and solution design through BOOST acceleration programme	***BOOST Impact Accelerator***								
	1.1 *Number* of challenges completed under BOOST Impact Accelerator	Project reports, website	1	2021-2023	1	1	0	2	Project reports, website announcements, news and blog articles
	Expanding partnership								
	1.2 Increased number of new partners[2] identified for the challenges	Project reports, website	1	2021-2023	1	1	0	2	Project reports, website announcements, news and blog articles
	Communication								
	1.3 Number of advocacy and outreach initiatives conducted (social media materials, videos, and other content) promoting the challenges and mainstreaming BOOST approach	Project reports, website, social media	0	2021-2023	-1 challenge design/launch branding -4 blogs -2 videos -final report design -10 SM posts	-1 challenge design/launch branding -4 blogs -2 videos -final report design -10 SM posts	4 blogs -2 videos -final report design -10 SM posts	-2 challenge design/launch branding -12 blogs -6 videos -final report design -30 SM posts (18 per challenge)	Project reports, website, and social media tracking
Output 2 Accelerated urban system transformation is enabled through the deployment of portfolio approach at the city level & leverage of innovative financial models.	***Portfolio design and management/Capacity development***								
	2.1 Number of sense-making briefs produced[3]	Project reports, briefs	0	2021-2023	8	10	10	28	Project reports, briefs, input from COs
	Slovak Portfolio Fund								
	2.2 At least 15 projects/options in 5 cities are developed and activated	Project reports, calls for proposals,	0	2021-2023	5 (for all the cities)	10 (for all the cities)	0	15	Project reports, calls for proposals, input from COs
	Financial models/alternative finance								
	2.3 Number of alternative financing models developed	Project reports, website	3	2021-2023	0	1	1	2	Project reports

6   MONITORING AND EVALUATION

In terms of the M&E procedures and reporting mechanism, in accordance with UNDP's Programme and Operations Policies and Procedures, the project will be monitored and evaluated through the standard formats prescribed in the POPP. The description below refers to UNDP's Enterprise Resource Planning (ERP) system called Atlas (which will be used for financial and operational management of the project). Within the annual cycle:

- On an annual basis, the established project monitoring framework should be updated and progress recorded towards the completion of key results, based on the Enhanced project management module in Atlas (Activity Planned Results and Assessment page) and other requirements established by the Regional Hub as part of the regional project management set-up.
- An annual progress report, based on the above information recorded in Atlas, and the overall project progress, results, ongoing initiatives, and budget balance, shall be submitted by the Project Coordinator to the Project Board including information on implemented activities, the extent of results achievement, financial report and proposal for changes in the planned activities or budget if relevant.
- An update consisting of results, ongoing initiatives, spending/balance sheet will be provided by mid- June to the Project Board each year.
- A risk log shall be activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation. The Project Coordinator is responsible for monitoring the risks and he/she should provide the status updates to the Project Board when applicable.
- A project Lesson-learned log shall be activated and regularly updated to ensure on-going learning and adaptation within the organization, informing PB and to facilitate the preparation of the Lessons- learned Report at the end of the project.
- An annual project review shall be conducted during the fourth quarter of the year or soon after, to assess the performance of the project and appraise the Annual Work Plan (AWP) for the following year. In the last year, this review will be a final assessment. This review is driven by the Project Board and may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.

7   I.   MULTI-YEAR WORK PLAN [1][2]

All anticipated programmatic and operational costs to support the project, including development effectiveness and implementation support arrangements, need to be identified, estimated, and fully costed in the project budget under the relevant output(s). This includes activities that directly support the project, such as communication, human resources, procurement, finance, audit, policy advisory, quality assurance, reporting, management, etc. All services which are directly related to the project need to be disclosed transparently in the project document.

Expected Outputs	Planned Activities	Planned Budget in USD				Years			Responsible party	Budget Description
		Y1	Y2	Y3	Entire project	1	2	3		
Output 1: Innovative stakeholders are identified and supported in the acceleration of their growth and solution design through BOOST acceleration programme	1.1 Design and delivery of BOOST: Impact Accelerator	$ 5,000.00	$ 5,000.00	$ 5,000.00	$ 15,000.00				UNDP	Contract
		$ 40,000.00	$ 40,000.00	$ -	$ 80,000.00				UNDP	Contract
		$ 40,000.00	$ 40,000.00	$ -	$ 80,000.00				UNDP	Grants
	1.2 Expand partnerships and explore different business models to ensure sustanability	$ 25,000.00	$ 25,000.00	$ 25,000.00	$ 75,000.00				UNDP	Contracts
	1.3. Communication and visibility	$ 41,700.00	$ 41,700.00	$ 41,700.00	$ 125,100.00				UNDP	Contracts
Team Costs		$ 50,000.00	$ 50,000.00	$ 50,000.00	$ 150,000.00				UNDP	Salaries
		$ 8,000.00	$ 8,000.00	$ 8,000.00	$ 24,000.00				UNDP	Salaries
Subtotal1		*$ 209,700.00*	*$ 209,700.00*	*$ 129,700.00*	*$ 549,100.00*					
Output 2: Accelerated system transformation is enabled through the deployment of portfolio approach at the city level & leverage of innovative financial models.	2.1. Making sense/collaborative workshops to generate insights from 5 portfolios in CEF (2 times per year) and generation of insights to channel investments.	$ 30,000.00	$ 30,000.00	$ 30,000.00	$ 90,000.00				UNDP	Workshops/digital tools (2 workshops per year)
	2.2. Dynamic Management/Iteration of portfolios: designing new initiatives and deployment of social listening tools for cities in CEF cohor 2 and 3.	$ 270,808.00	$ 270,808.00	$ 270,808.00	$ 812,424.00				UNDP	Contracts/Technical Assistance/Team costs
	2.3. Slovak Portfolio Fund: Supporting at least 15 projects in 5 cities of cohort 2	$ 200,000.00	$ 200,000.00		$ 400,000.00				UNDP	Contracts
	2.4 Support in the development of capability to apply portfolio approach/system thinking at the country level & generation of offers.	$ 72,814.00	$ 72,814.00	$ 72,814.00	$ 218,442.00				UNDP	Contract, Team costs
	2.5. Scoping, designing and prototyping financial models for system transformation (cross-portfolios)	$ 20,000.00	$ 20,000.00	$ 20,000.00	$ 60,000.00				UNDP	Contracts/Technical Assistance/Team cots
	2.6 At least 2-3 innovative finance mechanisms are tested and supported	$ 80,000.00	$ 80,000.00	$ 80,000.00	$ 240,000.00				UNDP	Contracts
Team Costs		$ 97,800.00	$ 97,800.00	$ 97,800.00	$ 293,400.00				UNDP	Salaries
		$ 8,000.00	$ 8,000.00	$ 8,000.00	$ 24,000.00				UNDP	Salaries
Subtotal2		*$ 779,422.00*	*$ 779,422.00*	*$ 579,422.00*	*$ 2,138,266.00*					
Subtotal 1+2		**$ 989,122.00**	**$ 989,122.00**	**$ 709,122.00**	**$ 2,687,366.00**					
Evaluation		**$ 5,000.00**	**$ 4,000.00**	**$ 10,000.00**	**$ 19,000.00**					
Direct project implementation costs		$ 14,453.33	$ 14,453.33	$ 14,453.33	$ 43,360.00					
Total Programme and Direct Project Implementation Costs		**$ 1,008,575.33**	**$ 1,007,575.33**	**$ 733,575.33**	**$ 2,749,726.00**					
UNDP General Management System		$ 80,686.03	$ 80,606.03	$ 58,686.03	$ 219,978.08					
Total		**$ 1,089,261.36**	**$ 1,088,181.36**	**$ 792,261.36**	**$ 2,969,704.08**					

[1] Cost definitions and classifications for programme and development effectiveness costs to be charged to the project are defined in the Executive Board decision DP/2010/32

8   ANNEXES

ANNEX 1

City Experiment Fund - cities and their strategic intents.

Table X. Focus areas selected by cities in the City Experiment Fund II.

City	Focus area / Intent	Technical partner
Stepanavan, Armenia	Problem/Object · Tiny city of 15000, originally a vibrant Soviet city, population decreased immensely in last 20 years. · Depopulation, dead city, social interactions not happening ? > Vibrancy in the city Impact Develop a seed portfolio to begin to discover how in Armenia UNDP engages with secondary cities to achieve the following effects in Stepanavan 1. leveraging currently existing but under-used resources of the city, its "ripe fruits" 2. enabling an image of Stepanavan that evolves from being only "a place to rest" that is known primarily for its seasonal short-term recreational and touristic activities for local and foreign tourists, to a city "a place to live" that offers a lively day-to-day life to its citizens based on year-long sustainable activities 3. learning how to continuously attract and retain talent and supporting the creation of opportunities for and by inhabitants and outsiders to the ends of contributing to the vibrancy	Chora Foundation, ALC
Almaty, Kazakhstan	Problem/Object The multi-stakeholder team in Almaty will focus on air pollution, which is a function of the city's rapid growth in both population and resource use, and in that it represents interrelated complex challenges regarding governance, regulation, data, participation and behaviour change, business models and finance, public sector capabilities and collaboration modalities, etc. The problem space is defined as the need to formulate multiple-lever approaches that explicitly address the multiple co-benefits of purposeful innovation as well as articulating the cascading risks of not-acting;	Dark Matter Labs

	Impact:	
	Relevant transversal levers will be addressed including (but not necessarily limited to) the above mentioned levers of governance, regulation, data, participation and behaviour change, business models and finance, public sector capabilities and collaboration modalities.	
Prizren, Kosovo[20]	Problem/Object · City or Prizren - cultural capital of the country (museum town). Has been hit strongly by COVID as festivals and tourism are a major source of income for the city · Looking at Culture as an enabler for more resilient economic impact, where culture goes beyond the limited view of built heritage. Looking at technology as a way to remove current dependence of physical interactions and assets. Impact Design transformation portfolio for the City of Prizern that leverages culture (past and present, tangible and intangible) as an enabler of economic growth with the following effects · Established identity as a cultural center, palace for creatives · Direct economic impact - job generation, vibrant and more diverse exchanges with external markets · Creative talent - building, protecting, growing, attracting	Chora Foundation, ALC
Pljevlja, Montenegro	Problem/Object City of Pljevlja - stunted economic development, high dependence on brown industries (coal and energy production), low levels of employment and depopulation due to lack of work opportunities. Impact Develop a portfolio of options for the city of Pljevlja that starts its transformation towards empowered employment of youth and women, that ultimately contributes to the following effects:	Chora Foundation, ALC

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[20] under UNSCR 1244

	· New collective narratives around "decent" work based on empowerment and personal agency · Diverse and future-proof economic opportunities that attract and retain young talent to the city (and reverse the talent leak) · Set up the city for renewal of its economic system, explore paths for transitioning from coal-based and mining to green sectors Seed portfolio should help generate energy and commitment in local stakeholders; attract funding	
Skopje, North Macedonia	Problem/Object · Circular economy with a focus on biowaste as an example of a waste subsystem; industrial waste as a focus area (not individual households) · Learn about: how does UNDP help orchestrate circularity; What Incentives and Governance can induce circularity; How to change the narrative around waste (valueless -> valuable); assess the potential of waste for job creation/viability of waste businesses Impact Develop a seed portfolio to achieve the following effects: · Shift in collective narratives around waste (waste as valuable resource, feeling of personal responsibility, hero examples) · Development of knowledge and capabilities around waste transformation and circularity at system level · Business, economic activity, job creation linked to the use of waste: emergence of businesses and technologies that transform bio waste into value-added products; biowaste transformation becomes a vibrant sector of economic activity, sector provides high skilled employment for vulnerable groups · Governance - demonstrate the value of waste circularity in order to mobilize different stakeholders and set agenda; create/inform Waste-Friendly Incentives and adapted governance across different domains/levels (labour, tax, sectorial, citizen level)	Chora Foundation, ALC