

Danish Organisation Strategy for the Adaptation Fund 2024-2027

Introduction:

The Adaptation Fund (AF) is the only multilateral instrument under the UNFCCC specifically established to finance concrete adaptation projects in developing countries and is a key financial mechanism for the implementation of the Paris Agreement. Since 2010, the Adaptation Fund has committed over 1 billion USD for adaptation and resilience projects and programmes, including 160 concrete, localized projects in the most vulnerable communities of developing countries around the World, incl. in Africa and SIDS, with over in total 43 million beneficiaries.

Key results:

- The Adaptation Fund contributes to progress on the Global Goal on Adaptation through delivering on the targets and crosscutting considerations in the UAE Framework on Global Climate Resilience decided at COP28.
- Vulnerability reduced, resilience strengthened, and adaptive capacity enhanced in developing countries, in particular the most vulnerable countries.
- Access to finance and institutional capacities enhanced at national and local level.
- Promote locally based or locally led adaptation.
- Advance gender equality.
- Evidence for effective action generated and results scaled up.

Justification for support:

- Enhancing resilience and increasing the ability to adapt to climate change in the poorest and most vulnerable developing countries is a central priority in Danish development cooperation for climate action. Denmark is - and has been - a strong voice for enhancing support for adaptation.
- The Adaptation Fund is the only multilateral climate fund serving the Paris Agreement with a mandate for only financing adaptation and constitute a key player in the climate finance landscape for supporting adaptation.
- With its direct access modality, as well as efficient approval process, the Adaptation Fund is well positioned to deliver on a key ask from many developing countries to enhance efficiency and access to climate finance.
- Locally-led adaptation (LLA) is a key priority for Denmark and the Adaptation Fund can, with its new LLA windows for finance and accreditation procedures, support the implementation and evidence building on how to further this agenda.

How will we ensure results and monitor progress:

- Monitor Danish priorities based on the Adaptation Fund's results and monitoring framework and systems.
- Engage with the Secretariat of the Adaptation Fund.
- Participate in annual board meetings as an observer.
- Conduct annual bilateral consultations.

Risk and challenges:

- Insufficient capacity in LCDs and SIDS, nationally and locally, to develop quality project proposals.
- Competition with other climate funds.
- Decrease in global political interest in climate finance.

File No.	24/22200					
Responsible Unit	KLIMA					
Mill.	2024	2025	2026	2027	total	
Commitment	100				100	
Projected ann. Disb.	25	25	25	25		
Duration of strategy	2024-2027					
Previous grants	No					
Finance Act code.	06.34.01.75					
Desk officer	Anton Ærbo Giversen					
Head of unit	Karin Poulsen					
Reviewed by CFO	Jan Justesen					

SDGs relevant for Programme

 No Poverty	 No Hunger	 Good Health, Wellbeing	 Quality Education	 Gender Equality	 Clean Water, Sanitation
 Affordable Clean Energy	 Decent Jobs, Econ. Growth	 Industry, Innovation, Infrastructure	 Reduced Inequalities	 Sustainable Cities, Communities	 Responsible Consumption & Production
 Climate Action	 Life below Water	 Life on Land	 Peace & Justice, strong Inst.	 Partnerships for Goals	

Budget

Total (core support):	DKK 100 million
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Danish involvement in governance structure

- Denmark will engage with the Nordic donor countries to promote DK priorities in the AF. Sweden is currently alternate to the Board and Norway is looking into the possibility of becoming member of the AF board for the next election period.
- Denmark will engage and ensure regular dialogue with the AF secretariat.
- The department of Green Diplomacy and Climate will share information and coordinate with relevant embassies and other departments in the DK MFA to enhance understanding and synergies between other Danish funded multilateral and bilateral programmes and AF funded projects.
- A secondment to the AF Secretariat to support DK priorities in the AF and enhance understanding of the AF for future DK engagement could be considered.

Strat. objectives

Vulnerability reduced, resilience strengthened, and adaptive capacity enhanced in developing countries, in particular the most vulnerable countries.

Priority results

The AF enhances direct access to finance.

The AF further promotes and ensures quality of locally led adaptation.

The Adaptation Fund strengthens its engagement in advancing gender equality.

Core information

Established	2001
HQ	Washington DC
Human resources	18 staff in the AF secretariat
Partner countries	25
Funding amount by target	100% adaptation
Adaptation funding going to the most vulnerable countries (2023)	147 projects – 47 projects in LDCs and 26 to SIDS
Results to date (anticipated)	Portfolio benefitting 41 million people, protect or rehabilitate 635.00 hectares of natural habitats, 526 warning systems installed.

Organisation Strategy for the Adaptation Fund 2024-2027

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List of Abbreviations

ACHM	Ad Hoc Complaint Handling Mechanism
ADA	Agence pour le Developpement Agricole
AF	Adaptation Fund
AFB	Adaptation Fund Board
APAC	Asia-Pacific
CDM	Clean Development Mechanism
CER	Certified Emission Credits
CIF	Climate Investment Fund
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
CMP	Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol
COP	Conference of the Parties
DARAJA	Developing Risk Awareness through Joint Action
DAs	Designated Authorities
DK MFA	Ministry of Foreign Affairs of Denmark
E&S	Environmental and social
EDA	Enhanced Direct Access
EFC	Adaptation Fund's Ethics and Finance Committee
EE	Eastern Europe
ESP	Environmental and Social Policy
GEF	Global Environment Facility
GGA	Global goal on adaptation
IEs	Implementing Entities
KLIMA	Department of Green Diplomacy and Climate in DK MFA
LAC	Latin America and the Caribbean
LDCs	Least Developed Countries
LLA	Locally Lead Adaptation
MDBs	Multilateral Development Banks

MIE	Multilateral Implementing Entities
MOWE	Ministry of Water and Environment
MTS	Medium Term Strategy
NAPs	National Adaptation Plans
NDCs	Nationally Determined Contributions
NIE	National Implementing Entities
OPG	Operational Policies and Guidelines
OSS	Sahara and Sahel Observatory
P4G	Partnering for Green Growth and the Global Goals 2030
PACC-ZO	Climate Change Adaptation Project in Oasis Zone
PPRC	Adaptation Fund's Project and Programme Review Committee
RIE	Regional Implementing Entities
SDGs	Sustainable Development Goals
SEAH	Safeguard against sexual exploitation, sexual abuse and sexual harassment
SIDS	Small Islands Developing States
SPPGs	Strategic Priorities, Policies and Guidelines
TMA	Tanzania Meteorological Authority
UAE	United Arab Emirates
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	UN Framework Convention on Climate Change
WBG	World Bank Group
WEOG	Western European and Other States Group
WFP	World Food Programme

I. Objective

This Strategy for the cooperation between Denmark and the Adaptation Fund (hereafter ‘AF’) forms the basis for the Danish contributions to the AF, and it is the central platform for Denmark’s dialogue and partnership with the AF. It sets up Danish priorities for the AF’s performance within the overall framework established by the AF’s own strategy. In addition, it outlines specific goals and results vis-à-vis the AF that Denmark will pursue in its cooperation with the AF. Denmark will work closely with like-minded countries towards the achievement of results through its efforts to pursue specific goals and priorities.

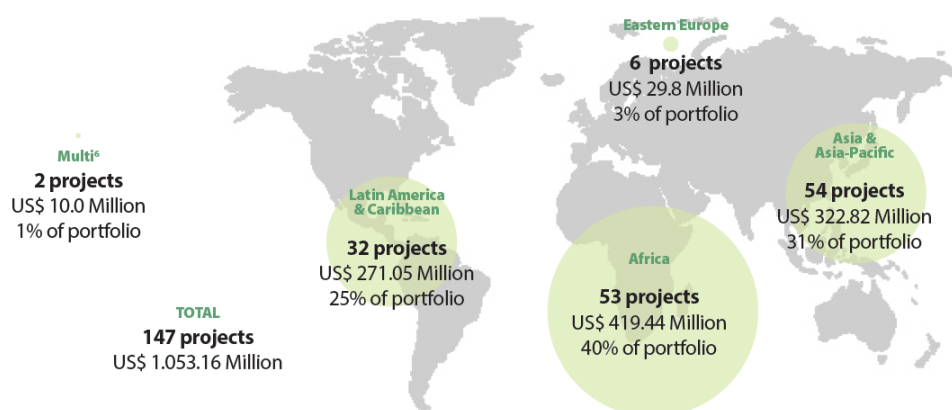
II. The organisation

Mission and mandate. The AF was established in 2001 under the Kyoto Protocol of the UN Framework Convention on Climate Change (UNFCCC) to finance concrete climate change adaptation projects and programmes in developing countries. In 2007, the AF was operationalized and its mandate further defined: “to assist developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse impacts of climate change in meeting the costs of adaptation, by financing concrete adaptation projects and programmes that are country driven and based on the needs, views and priorities of eligible Parties”. Since January 2019, its mission has been to serve the Paris Agreement by accelerating effective adaptation and efficient access to finance, including through direct access, to respond to the urgent needs and priorities of developing countries. The AF does so by supporting country-driven adaptation projects and programmes, innovation, and learning with concrete results at the local level that can be scaled up.

The AF has developed into a significant and trusted player since its origin. Since 2010, the AF has committed over 1 billion USD for climate change adaptation and resilience projects and programmes, including 160 concrete, localized projects in the most vulnerable communities of developing countries around the world, including in Africa and Small Island Developing States, with over in total 43 million beneficiaries.

As of 30 June 2023, out of the total 147 projects and grant amount approved, 53 projects were in Africa amounting to US\$ 419.44 million (40% of the total portfolio). Out of these, 47 projects were from least developed countries (LDCs) and 26 from Small Island Developing States (SIDS), corresponding to 50 per cent of the total portfolio, with Comoros, Guinea-Bissau, Haiti, São Tomé and Príncipe and Solomon Islands included in both groups.

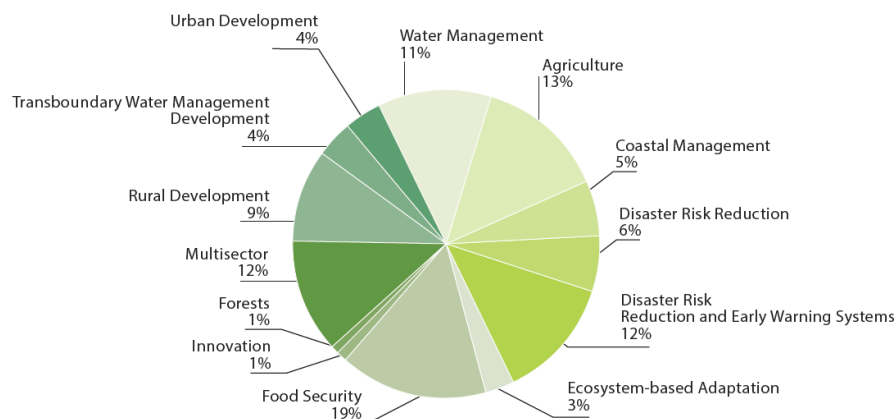
Infographic 1: Total Projects and Grant Amount Approved by Region (as of 30 June 2023)



Source: AF Annual Performance Report, 2023

AF is supporting projects in multiple sectors with the majority of project funding in the water management, agriculture, disaster risk reduction, food security and rural development sectors.

Graph 1: Adaptation Fund Investments by Sector (US\$ Million)



Source: AF Annual Performance Report, 2023

Strategic framework. The AF's work is guided by the 5-year strategy *medium term strategy (2023-2027)*¹ (MTS) approved in March 2023. The strategy is based on the pillars of Action, Innovation, and Learning and Sharing and contains six cross-cutting features, which are guiding the AF's activities:

- 1) locally based or locally led action;
- 2) enhance access to climate finance and long-term institutional capacities;
- 3) empower and benefit the most vulnerable people and communities as agents of change;
- 4) advance gender equality;
- 5) encourage and enable the scaling and replication of results; and
- 6) strengthen complementarity, coherence and synergies with other adaptation funders and actors, with feature one and five being two new elements that build on the AF's previous 5-year MTS.

The strategic framework is supported by a results framework and an implementation plan 2023-2027.

Governance and management. The AF is governed by the Adaptation Fund Board (AFB), composed of 16 members and 16 alternates, with a majority of members representing developing countries (69 percent): (a) *Two representatives from each of the five United Nations regional groups;* (b) *One representative of the small island developing States;* (c) *One representative of the least developed country Parties;* (d) *Two other representatives from the Parties included in Annex I to the Convention (Annex I Parties);* (e) *Two other representatives from the Parties not included in Annex I to the Convention (non-Annex I Parties).* An alternate is elected for each representative). Currently (2024), the USA and Germany (vice-chair) are the Western European and Others Group Board members and Sweden and Belgium are elected alternates.

Formally, the Board is elected at a session of the CMP (Conference of the Parties, serving as the meeting of the Parties to the Kyoto Protocol). Board members and alternates are elected for a term of two calendar years and shall be eligible to serve a maximum of two consecutive terms. The terms as members do not count towards the terms as alternate members and vice-versa. The Board holds periodic meetings throughout the year (at least twice a year), usually in Bonn, Germany.

The board is supported by two committees: 1) Project and Programme Review Committee (PPRC) and 2) Ethics and Finance Committee (EFC). The committees consist of Board members and alternates.

¹ <https://www.adaptation-fund.org/document/medium-term-strategy-2023-2027/>

Organisational structure and systems. The AF's secretariat consists of 18 staff based in Washington, D.C. The secretariat provides research, advisory, administrative, and an array of other services to the Board and the committees.

In order to ensure that organizations receiving AF funds meet the fiduciary standards, the Board has established an Accreditation Panel. The Panel consists of three independent experts and two Board members. Support to developing countries is provided through implementing entities. Potential implementing entities are assessed by independent experts of the Accreditation Panel for compliance with the AF's fiduciary standards and the requirements of the AF's environmental and social policy and gender policy. Implementing entities can be national, regional or multilateral. As of 8 January 2024, the AF had accredited a total of 56 implementing entities comprising of 32 National Implementing Entities (NIEs), 9 Regional Implementing Entities (RIEs), and 15 Multilateral Implementing Entities (MIEs). (see list of implementing entities in Annex 2). Of the 32 NIEs, 10 were from Least Developed Countries (LDCs) and seven from Small Islands Developing States (SIDS). In terms of the regional distribution of the 32 NIEs and 9 RIEs, 14 entities were from Africa, 15 from Latin America and the Caribbean (LAC), 11 from Asia-Pacific (APAC) and 1 entity from Eastern Europe (EE). NIEs in countries with Danish representation include: Rwanda, Ethiopia, Jordan, Uganda, India, Kenya, Tanzania, Bangladesh, Indonesia and South Africa.

The World Bank is the trustee of the AF and the fund operates in accordance with the Bank's rules and regulations. On behalf of the AF, the World Bank performs two core functions: it sells the Certified Emission Reduction certificates that help support the Fund (elaborated in next section) and manages the AF trust fund.

The AF's safeguard policies are formulated in its Environmental and Social Policy (ESP)², which was approved in 2013 and revised in 2016. The policy is intended to ensure that in furthering the AF's mission of addressing the adverse impacts of and risks posed by climate change, projects and programmes supported by the AF do not result in unnecessary environmental and social harms. The AF is currently in the process of updating its ESP, which was requested at the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its seventeenth session (CMP 17). In this regard, the secretariat commissioned an independent review of the ESP in 2023 with a view to updating the ESP. In parallel, the secretariat launched a series of stakeholder surveys targeting the Board, the Implementing Entities (IEs), the Designated Authorities (DAs) and the AF Civil Society Network, respectively, whose results were included in the review. The independent review found that the ESP provides coverage of most essential environmental and social (E&S) risks and elements, however, it is not "fully in line" with comparator organizations standards. It omits explicit reference to certain risks and impacts. In addition, while

Flood warnings via SMS and chalkboards in Dar es Salaam, Tanzania: As part of the Developing Risk Awareness through Joint Action (DARAJA) in Tanzania, the project team has been working with communities in Karakata and Mji Mpya, including teachers and students, to understand and share critical real-time weather information with each other. "The uniqueness of the project is that we have the pilot project of the school reaching out to the community," says Mussa Raido from the local community. They train teachers and student leaders, with the assistance of the Tanzania Meteorological Authority (TMA), on key issues around weather and climate change. DARAJA also put together a disaster committee within the broader community, which simplifies weather information received from the TMA. They then send out this information as SMS messages to a group of 30 community members who are well-connected to distribute it for wide coverage. "I can really assure you that this information (weather) is very helpful to the community," says Chamguhi. "Our sales have now increased; the profit has doubled, and within three months! All this is because we conduct our business according to the forecasted weather by the TMA." *DARAJA is part of the UNDP-AFCLA programme which counts with financial contributions from the Adaptation Fund and the European Union, and has awarded 44 micro and small grants to locally-led organizations across 33 countries worldwide, accelerating their innovative solutions to build resilience in the most vulnerable communities.*
Source: AF website

²<https://www.adaptation-fund.org/wp-content/uploads/2013/11/Amended-March-2016-OPG-ANNEX-3-Environmental-social-policy-March-2016.pdf>

comparator organizations have stressed the importance of clarity in distinguishing between E&S mandatory and non-mandatory measures, the Fund's ESP and its Guidance are not always consistent in making these distinctions. It also noted a lack of criteria upon which to judge what is 'significant' or when an action is 'unjustified', as well as inconsistent reference related to possible elements to be considered in the ESP. At its 42nd Board meeting the Board decided to update the ESP taking a fit-for-purpose approach which consists of updating and streamlining the terminologies of the ESP, which may be outdated or inconsistent, with a view to enhancing their clarities. To this, provide clear and further guidance on each principle, for instance, by adding clarity on what actions are required/mandatory and what are recommendable/aspirational, and by adding critical elements pertaining to the principle that most of the international organizations' safeguards include, but are not addressed in the current AF ESP. Finally, update the ESP guidance and developing toolkits such as environmental and social risk screening checklists to support IEs. The Secretariat will prepare a draft for the Board to consider at its 44th meeting in 2025.

Likewise, since 2023 the AF has been in the process of advancing a new independent policy to safeguard against sexual exploitation, sexual abuse and sexual harassment (SEAH), which was requested at CMP 17 and CMA 4 in 2022. Currently, the secretariat staff are covered by the World Bank's policies related to safeguarding against SEAH, such as the World Bank Staff Rule 3.00 as well as the mandatory WBG staff trainings, but there is no policy or procedure in the Fund to cover other Fund's key stakeholders such as the Board, its Committees, the Accreditation Panel, Implementing Entities or AF Civil Society Organization Network in terms of preventing and addressing SEAH. The secretariat presented document *Definitions of sexual exploitation and abuse and sexual harassment (SEAH) and options for a policy on safeguarding against SEAH* at the 42nd Board meeting in April 2024 to support the Board in continuing its consideration of options for responding to the mandate for adopting a revised policy on safeguarding against SEAH. The secretariat will present a SEAH policy draft at the 44th Board meeting in 2025.

In regard to complementary and coherence with other funds, AF is in partnership with GCF to enhance scaling up successful AF-programs with GCF funding and strengthening peer learning through the joint AF-GCF support for "Direct Access Entities Community of Practice". Almost 20 of the Adaptation Fund's projects have been scaled up by GCF. In addition, the COP28 in 2023 launched a joint initiative on complementarity and coherence between GCF, the Global Environment Facility (GEF), the Climate Investment Fund (CIF) and the Adaptation Fund (AF). Being a key contributor to the NDC Partnership, GEF, CIF and AF, leaves Denmark several opportunities for enhancing dialogue and influence across the funds and contribute to coordination and knowledge exchange.

Direct access and enhanced direct access modalities

The direct and enhanced direct access modalities are cornerstones of the AF work and mandate. Through the AF's direct access modality, NIEs are able to directly access financing and manage all aspects of climate adaptation and resilience projects, from design through implementation to monitoring and evaluation.

The AF delivers readiness and capacity-building support through its Readiness Programme for Climate Finance³, established in 2014, with a range of instruments that include financial and non-financial activities in order to strengthen the capacity of national and regional entities to receive and manage climate financing.

In 2019, the Board also approved a funding window for Enhanced Direct Access (EDA). The EDA delegates to NIEs the processing and approval of loans and grants for subprojects executed by smaller, often local organizations. Further dimensions of direct access are reflected in the more recent innovation windows. These include the Innovation Aggregator programme implemented in collaboration with the United Nations Environment Programme (UNEP) and the United Nations Development Programme (UNDP), which facilitate direct access to local communities and vulnerable groups, among others.

³ <https://www.adaptation-fund.org/readiness/>

Funding, budgets, and operational planning.

The AF receives resources from both voluntary contributions and through sales of Certified Emission Credits (CER) under the Clean Development Mechanism (CDM). These credits can be traded and sold by industrialized countries to meet a part of their emission reduction targets under the Kyoto Protocol. The Fund's main source of resources was originally through sales of CER, but due to a collapse in the carbon market, financing comes today mainly from voluntary contributions. The amount of USD 215.12 million has been received from CER sales and USD 1,456.82 million in donations, totalling cumulative receipts of USD 1,671.94 million as of December 31, 2023. The Table below shows the pledges received from different donor countries. The last column includes the pledges received in USD.

Donations (in millions) by 31st Dec. 2023

Donor	Currency	Pledge in currency	Receipts in currency	Receipts in USD
Austria	EUR	20,50	0,50	0,69
Austria	USD	5,00	5,00	5,00
Belgium	EUR	56,29	56,29	62,79
Canada	CAD	43,00	43,00	32,23
CAF	USD	0,06	0,06	0,06
Denmark	DKK	100,00	-	-
EC	EUR	100,00	50,00	54,47
Finland	USD	0,07	0,07	0,07
Finland	EUR	12,00	12,00	14,71
France	EUR	40,00	30,00	33,46
Germany	EUR	560,00	560,00	641,94
Iceland	ISK	255,00		-
Iceland	EUR	23,70	17,70	19,17
Italy	EUR	61,00	61,00	71,65
Japan	USD	12,05	12,05	12,05
Korea	KRW	3.600,00	1.200,00	0,91
Luxembourg	EUR	3,00	3,00	3,16
Monaco	EUR	0,01	0,01	0,01
New Zealand	NZD	18,00	18,00	11,21
Norway	NOK	455,00	455,00	45,93
Poland	USD	1,00	1,00	1,00
Portugal	EUR	1,00	1,00	1,06
Qatar	USD	0,50	0,50	0,50
Slovenia	EUR	0,03	0,03	0,04
Spain	EUR	118,00	118,00	133,33
Sweden	SEK	1.685,00	1.685,00	195,68
Switzerland	USD	0,08	0,08	0,08
Switzerland	CHF	38,00	34,00	35,91
UK	GBP	25,00	25,00	33,14
UN Foundation	USD	0,07	0,07	0,07
UNFCCC	USD	20,00	20,00	20,00
USA	USD	100,00	25,00	25,00
Total				1.456,82

Source: AF Financial Report, prepared by World Bank, Dec. 2023

III. Lessons learnt, key strategic challenges and opportunities:

Niche and Competitive Advantage of the AF

The MTS Review of 2021⁴ highlighted the AF's niche areas as the following:

- Provides quick and direct financing.
- Creates new solutions built on what works.
- Supports innovative solutions with higher risk.
- Complements others through catalytic financing.
- Brings needed new players into the climate change adaptation space.

The MTS Review from 2021 also acknowledged that “*to move forward, however, the AF will need to declare and occupy a clearer niche within the evolving architecture of international climate finance*”. Hence, in the final year of the first Medium-Term Strategy (2018-2022), the AF has intensified its collaboration with other climate finance delivery channels. This includes engaging in inter-fund dialogues and activities focused on action, innovation, and learning. The AF has actively worked with multilateral climate funds like the Green Climate Fund (GCF), Global Environment Facility (GEF), and Climate Investment Funds (CIFs) to implement a collaborative roadmap and work plan aimed at improving coherence and complementarity. Additionally, the AF is partnering with Multilateral Development Banks (MDBs) to enhance access to finance and expand AF projects.⁵

Consequently, the niche areas and comparative advantage of the Fund have been further specified and refined, to become specific pillars that clearly highlight the Fund's added value compared to other funds. The Mid-Term Strategy 2023-27⁶ underscores that the AF has established itself as an innovative, pioneering and agile institution in promoting direct access to finance for effective adaptation, guided by the principles of quality, ownership and local participation and empowerment. Furthermore, the AF has established robust policies and efficient access processes such as swift approval processes, which contribute to a timely and high-quality support to developing countries.

There are three main advantages that characterize the AF:

1. Unique mandate and pioneering role: The AF has a specialized and unique mandate, as per its Strategic Priorities, Policies and Guidelines (SPPGs) (AF 2008), contained in Annex I of the Operational Policies and Guidelines (OPG) that is fulfilling an urgent need of developing countries and a unique niche in the climate finance landscape. In fulfilling this mandate, the AF has been able to pioneer and promote more simplified and enhanced access to adaptation finance than other funding channels, including through direct access and enhanced direct access. Through its dedicated support and requirements for empowering and engaging the most vulnerable groups and communities in all activities financed by the Fund, regardless of the access modality, the Fund has established a niche in delivering high-quality and locally-led adaptation actions.
2. Relevance, efficiency and effectiveness: The AF is amplifying financial support to developing countries and helping close the adaptation finance gap. The AF's design is appropriate to generate timely lessons about effective approaches to adaptation finance, especially with regards to “direct access,” and scalable and

⁴ [Mid-Term Review of the Medium-Term Strategy of the Adaptation Fund 2021.](#)

⁵ [Annual Performance Report 2023 Adaptation Fund.](#)

⁶ [Medium-Term Strategy 2023-2027.](#)

replicable action benefiting the most vulnerable communities and social groups. The AF's design supports pilot activities with substantial potential for scaling up impact at sub-national, national, and regional levels. The AF is the only multilateral instrument under UNFCCC specifically established to finance concrete adaptation projects and programmes in developing country Parties. Furthermore, compared to other funding channels, the AF has the advantage of efficient access to resources and simplified approval procedures for effective adaptation.

3. Agile and nimble institution: The AF's governance is unique in several ways resulting in an organizational culture that have been repeatedly stressed by the AF's independent evaluations as a major determinant of the AF's success to date. Among other, the evaluations find that the board composition with a majority of representatives from developing countries has a positive role to play, and foster constructive discussion with equal weight between vulnerable recipient countries and contributor countries⁷. Furthermore, the AF Secretariat and Board have fast project approval procedures, and evaluations point to strong relevance and coherence of projects support by the AF⁸.

AF strengths, weaknesses, challenges and opportunities

The 2021 MTS Review describes the Fund as a strategic contributor within the climate financing landscape, able to use its position and funds to amplify impact and prioritize the most vulnerable through fast, catalytic, innovative, and high-quality concrete adaptation projects and programmes⁹. Through the years, the AF has proven to have a solid track record of supporting concrete adaption projects/programmes in vulnerable countries through established operational policies, procedures, and systems, which have further evolved during the first MTS (2023-2027) period.¹⁰

The AF has been successful in scaling-up adaptation interventions by collaborating with other funds. This is reflected in the study "Scaling up adaptation finance: Experiences and lessons learned from the AF portfolio of projects and programmes"¹¹. To date, more than 20 AF projects/programmes in a range of sectors have already been scaled up by other climate funds, particularly with funding from the GCF. The AF projects have provided important evidence for feasibility and effectiveness by delivering tangible results on the ground for the most vulnerable communities. This provided the opportunity for the GCF to build on these successful projects/programmes and scale them up to reach a higher number of beneficiaries and regions.¹² This practice demonstrates the AF's success in initiating projects on a smaller scale, and its ability to connect local actors with other funding mechanisms thereby further developing and replicating these successful projects in various locations and on different scales.

While the AF has proven to have a great impact in the climate adaptation arena, there are areas for improvement that are highlighted throughout their reports, reviews and studies. Firstly, a limitation of this fund is its limited funding, against the increasing need for resources to be able to face the negative impacts and effects of climate change: "*the ad hoc and unpredictable nature of resourcing limits the AF's ability to carry out its mission and to maximize its role in the international climate finance architecture*"¹³. Another aspect for improvement is that while the MTS has been used

⁷ [AF Medium – Term Strategy 2023-2027](#)

⁸ [Rapid Evaluation of the AF, Oct. 2023](#)

⁹ [Mid-Term Review of the Medium-Term Strategy of the Adaptation Fund 2021.](#)

¹⁰ [Medium-Term Strategy 2023-2027.](#)

¹¹ [Scaling up adaptation finance: Experiences and lessons learned from the Adaptation Fund portfolio of projects and programme.](#)

¹² [Annual Performance Report 2023 Adaptation Fund.](#)

¹³ [Medium-Term Strategy 2023-2027.](#)

effectively as a vehicle to broaden the space in which the AF can operate, implementation of new areas remains work-in-progress. Furthermore, there is scope for expansion when it comes to partnerships: *“the challenge of engaging “new” actors has been noted in early reporting on the Innovation Accelerator where central concepts are not commonly understood beyond the “usual suspects”*.¹⁴

A so-called “rapid evaluation” from 2023¹⁵ finds that overall the AF is responsive to country needs by supporting and accrediting national institutions through increasingly dynamic processes, aligning to national and local policies, involving local players, and ensuring coherence with other funds. At the same time, the proportion of funding approved through NIEs – a key measurement of responsiveness to country needs, country drivenness, and ownership – remains limited compared to funding through Multilateral Implementing Entities (MIEs). In addition, the approach to locally led adaptation seems to be effective in operational practice, but also faces challenges in light of weak capacities of local actors. Furthermore, the results of readiness work are not sufficiently systematized to counteract this lack of capacity.

The evaluation also highlights that while benefits of the AF’s direct access modalities are stressed across the AF, only 34 of 141 eligible countries (less than 25 per cent) have an accredited entity at the AF. In addition, the accreditation of an NIE does not necessarily translate into actually accessing the Fund. NIEs constitute 60 per cent of all accredited IEs (34 of 57 total). However, according to recent Fund data, NIEs only managed or are managing implementation of 29 per cent of the 132 Fund projects approved by June 2022. Meanwhile, MIEs constitute 25 per cent of all IEs and manage 60 per cent of the projects. Regional Implementing Entities (RIEs) implement the rest.

The rapid evaluation found that the AF has substantially advanced in prioritizing local voices and delivering local-level benefits. However, the evaluation also stressed the need to strengthen local capacities for planning, implementing and accounting for adaptation finance, as capacity gaps hinder LLA’s full potential. It recommends the AF to address the capacity gaps in a more systematic manner. According to a range of AF project evaluations, projects have met substantial limitations to LLA due to lack of local governments and organizations or their weak capacities; lack of interest in coordinating and mistrust among local actors and central government institutions; and lack of willingness and capacity to ensure continuity and sustainability of projects’ results. Practical experience from AF projects thus shows that capacity building and governance aspects are key to effective and sustainable LLA. However, key gaps and pathways to address these have not yet been systematically analysed by the AF.

Denmark has no previous experience with the AF, but synergies with Danish Bilateral programmes with e.g. NIEs in countries with Danish representation such as Rwanda, Ethiopia, Jordan, Uganda, India, Kenya, Tanzania, Bangladesh, Indonesia and South Africa, would be an opportunity, which will be explored. Denmark is strong in specific sectors relevant to adaptation in particular within water and food security and agriculture (see textbox below), which are also key sectors that the AF supports. Potential avenues for enhancing learning, effectiveness and synergies between the work of the AF and Denmark within the geographic and thematic overlap will be an attention point in the Danish engagement with the AF.

¹⁴ [Mid-Term Review of the Medium-Term Strategy of the Adaptation Fund 2021](#).

¹⁵ <https://www.adaptation-fund.org/document/rapid-evaluation-of-the-adaptation-fund-edited-version/>

Examples of Denmark's adaptation engagement in water and food sectors

Sector	Focus areas/support
Water	
African Water Facility	Improving access to climate resilient safe water supply and sanitation services in the Sahel and Horn of Africa
Global Water and Sanitation (GWSP)	Supports governments to achieve water related SDGs, through the generation of innovative global knowledge and the provision of country-level support.
Kenya	Water Sector Trust Fund, selected activities of the Northern Rangeland Trust.
Ethiopia	UNICEF WASH, sustainable water, sanitation and hygiene
Strategic Sector cooperation water	Morocco, Ghana, Ethiopia, Kenya, South Africa
Food security and sustainable transformation of food systems	
World Food Programme	Support to tackle food emergencies, strengthen food security and to prepare for climate shocks and build climate resilience. Globally, and with a focus on fragile countries vulnerable to climate change. Rolling out anticipatory action for food security in East Africa.
World Bank's Food Systems 2030 Multi-Donor-Trust Fund	Sustainable transformation of global food systems. Helping countries build better food systems for healthy people, a healthy planet and healthy economy
International Fund for Agricultural Development (IFAD)	Climate-resilient agriculture. Africa Rural Climate Adaptation Finance Mechanism in Uganda. Mobilising investments for climate resilient agriculture and increasing climate change capacity
Uganda, Sahel	Enhanced Adaptation for Smallholder Agriculture Programme (ASAP+), channels climate finance to small-scale producers. IFAD global climate fund, focus Sahel.
Strategic Sector Cooperation food	Green transition in food production to reduce food loss and waste, enhance food safety, promote agroecology and One Health approach. Bangladesh, China, India, Indonesia, Kenya, Mexico, Nigeria, South Africa, Vietnam

As mentioned above, there are numerous opportunities to strengthen synergies and coherence with other climate funds. As part of the GCF Organisational Strategy 2024-2027, KLIMA has prepared a template for annual status updates to facilitate meetings between embassies and national authorities. These annual meetings will provide an opportunity for Danish embassies to discuss national climate finance planning, pipelines, implementation, synergies with other climate funds, including the AF, and access to climate financing in general. Where relevant, the Danish embassies are expected to provide KLIMA with minutes of the meetings including a country specific status update on the progress relative to the Danish priorities in the GCF, and where relevant the AF. KLIMA has established a contact group for the green funds to enhance coordination and communication of the Danish engagement across the green funds (GEF incl. LDCF, SCCF and GBFF, as well as AF, CIF, L&D and UNEP). KLIMA will host virtual meetings with involved embassies once a year in particular on GCF updates, and once a year in the context of the contact group for the green funds.

Global and national alliances and collaboration with key stakeholders will play a key role e.g. in Denmark's new Africa Strategy. The aim of enhancing coordination and communication, including with a more active involvement of Danish Embassies will support Denmark's ambition to lead on climate action internationally and seek alliances with developing countries where Denmark has considerable political and development interests thereby playing a constructive role as bridge builder within the international climate agenda.

IV. Justification for support, priority areas and results to be achieved

Justification for support

It is widely recognized that the next 5 to 10 years are decisive for achieving the Paris Agreement's global climate goals and the 2030 Agenda's Sustainable Development Goals (SDGs). To ensure an adequate adaptation response in the context of the temperature goal referred to in Article 2 of the Paris Agreement, Parties in Article 7.1 has established the Global Goal on Adaptation (GGA) of enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change. At COP28, the UAE Framework for Global Climate Resilience¹⁶ was adopted, which outlines a set of thematic and processual targets to guide and further enhance implementation of the GGA. The decision also stresses the importance of crosscutting considerations such as locally-led adaptation, gender equality and Indigenous Peoples' traditional knowledge.

Despite increasing political attention and momentum for mobilizing adaptation finance globally, adaptation action remains severely underfunded. The latest UNEP Adaptation Gap Report¹⁷ estimates that the need for adaptation finance is 10-18 times higher than the current financial flows. While there is an urgency to increase the quantity of flows of adaptation finance to developing countries, effectiveness in adaptation finance also depends on the quality and nature of the funded projects. Furthermore, even when vulnerable countries receive international support, further barriers can prevent it from reaching the frontline communities at local level. According to Stockholm Environment Institute only 17% of adaptation finance reached local levels in 2022¹⁸. There is clear evidence that national ownership raises the effectiveness of adaptation work. Strong country ownership of projects/programmes is established through alignment with national strategies and plans such as National Adaptation Plans (NAPs) and NDCs and the use of national systems to access resources without going through international intermediaries.

Restoring forest: The AF has financed multiple projects around the World where Indigenous peoples are being impacted by climate change. One example comes from a project that faced challenging circumstances in the deep jungle between Ecuador and Colombia. The project, implemented by the World Food Programme (WFP), covers an area of over 915,000 hectares and two watersheds important to both countries. In the region's Afro and Awá, communities live in precarious conditions, affected by extreme weather events including drought, floods and storm surges. This border area is one of the most food-insecure regions in Latin America. Changes in climatic conditions have meant loss of mangrove forests, unstable crop production and a decline in fish species. This is having a knock-on effect on people's diet, and malnutrition is increasing. WFP worked closely with communities to raise awareness of climate risks and incorporated ancestral knowledge into adaptation measures. Restoring over 8,000 hectares of forest helped the livelihoods of 120 communities and 1,100 families in the region. In addition, the creation of resilient family gardens using organic products has helped to improve the diet of a further 600 families. Source:

<https://www.climatechangenews.com/2024/03/13/indigenouspeo>

The multilateral climate funds differ not only in terms of mandates, but also in terms of operating modalities, with some working primarily through international intermediaries, such as multilateral development banks and UN agencies, while others also channel resources directly to institutions in developing countries, with the AF being the first climate fund to pilot an innovative direct access modality. The AF is the only multilateral instrument under the UNFCCC specifically established to finance concrete adaptation projects and programmes in developing country Parties and thus constitutes a key financial mechanism under the UNFCCC for the implementation of the Paris Agreement in particular the UAE framework and the global goal on adaptation. As part of its mandate, the AF has dedicated support and requirements for empowering and engaging the most vulnerable groups and communities in all activities financed by the AF. The AF has specialised in promoting and

¹⁶ https://unfccc.int/sites/default/files/resource/cma2023_L18E.pdf

¹⁷ [Adaptation Gap Report 2023 | UNEP - UN Environment Programme](#)

¹⁸ <https://www.carbonbrief.org/guest-post-three-major-gaps-in-climate-adaptation-finance-for-developing-countries/>

pioneering more simplified and enhanced access to adaptation finance focusing in particular on direct access and enhanced direct access (see example in textbox on restoring forest).

The aim of the Danish support to the AF is to enhance resilience and increase the ability to adapt to climate change in the poorest and most vulnerable countries with a particular focus on LDCs and SIDS in line with the Danish strategy for development cooperation 'The World We Share' and the Global Climate Action Strategy: A Green and Sustainable World. To this, to deliver on the SDGs, in particular SDG13 and SDG 1. This is fully aligned with the AF's mandate and mission to serve the Paris Agreement by accelerating effective adaptation and efficient access to finance, including through direct access and locally-led adaptation, to respond to the urgent needs and priorities of developing countries. A key objective of the Danish support to the AF is to strengthen Denmark's multilateral support to adaptation to ensure alignment and enhance synergies with the Danish bilateral programmes, other multilateral funds and organisations. The contribution is in line with the Government's Priorities for Danish Development Cooperation 2024 where climate aid will comprise 30 pct. of the assistance to developing countries in 2024, out of which 60 pct. will be prioritised for adaptation in some of the world's poorest and most vulnerable countries. The AF support will also deliver legitimacy to the Danish climate diplomacy where enhanced adaptation support and action is a longstanding and central Danish priority and underpins the Danish bridge builder role.

Based on core funding, Denmark fully supports the mandate of the AF and will seek to increase the overall performance and impact of the AF through three priorities as outlined below.

Danish Priorities

The following priority areas will guide Denmark's partnership and dialogue with the AF, building on the linkages between Denmark's and the AF's strategic priorities and achievements. The priority areas also serve to deliver on objectives in The World We Share related to adaptation, with particular emphasis on enhancing resilience in the poorest and most vulnerable countries and communities with an emphasis on LDCs and SIDS, promoting country-driven national and local ownership, enhanced access to finance, gender equality and locally-led adaptation. The three priorities are also selected because they constitute areas where Denmark have a special interest to obtain data, monitor and ensure efficiency. Lastly, an overall focus for Denmark is to strengthen alignment between the AFs funded projects and programmes and NAPs and NDCs in countries, which are also a Danish priority highlighted in the *World we share* and the Danish How-to-Note¹⁹ for implementation of adaptation objectives. This is crucial for ensuring effectiveness, sustainability and synergies to national plans and avoiding maladaptation.

1) The Adaptation Fund enhances direct access to finance for effective adaptation guided by its current principles of quality, ownership and local participation and empowerment.

Ensuring adequate finance for adaptation action is not just a question of quantity. Quality and effectiveness of adaptation action are also important enablers for building resilience. Enhancing direct access to adaptation finance for NIEs can enhance country ownership, strengthen effectiveness of national and local adaptation action and ensure alignment with national adaptation planning and implementation processes,

The three priority areas for Denmark's core contribution to the Adaptation Fund during the period 2024-2027 are:

1. The Adaptation Fund enhances direct access to finance guided by its current principles of quality, ownership and local participation and empowerment.
2. The Adaptation Fund further promotes and ensures quality of locally led adaptation.
3. The Adaptation Fund strengthens its engagement in advancing gender equality.

¹⁹ <https://amg.um.dk/policies-and-strategies/how-to-notes-for-implementation-of-the-danish-strategy-for-development-cooperation>

including NAPs. The AF has built up extensive experience with the direct access modality with more than 15 years of experience. Furthermore, the AF has a faster selection, approval and disbursement process compared to other multilateral funds. The midterm strategy (2023-2027) emphasizes the AF's continued focus on access to climate finance, including direct access to finance to national, subnational, and local levels. However, there is still areas for improvement. As highlighted in the lesson learned section, NIEs constitute 60 per cent of all accredited IEs (34 of 57 total) in the AF. But NIEs only managed or are managing implementation of 29 per cent of funds projects approved by June 2022. Meanwhile, MIEs constitute 25 per cent of all IEs and manage 60 per cent of the projects. The AF's focus on direct access is a central Danish priority and Denmark will work to support, promote and enhance the efficiency, delivery and implementation of further strengthening the direct and enhanced direct access modalities in the AF, where possible.

2) The Adaptation Fund further promotes locally led adaptation.

Climate Adaptation happens in local contexts. The Danish Strategy for Development Cooperation aims to promote local climate change adaptation and building resilience locally, including nature-based solutions that ensure ownership and involvement of vulnerable people and communities. Denmark has endorsed the Principles for Locally Led Adaptation at COP26²⁰, which intend to guide the adaptation community towards adaptation that is increasingly owned and driven by local partners. Locally led adaptation is therefore an overall priority area of the Danish support to the AF.

The locally led priority aligns with the AF's midterm strategy for 2023-2027, emphasizing locally based or locally led adaptation as a crosscutting theme across all Fund activities. This strategic emphasis draws on the Fund's extensive experience with direct access and enhanced direct access modalities. Additionally, the AF has actively contributed to the development of the Global Commission on Adaptation's Principles for Locally Led Adaptation (LLA)²¹, endorsed by the Adaptation Fund Board (Decision B.35-36/14). These principles guide the Fund's work during the 2023-2027 period, reflecting a commitment to empowering local communities in adaptation efforts in line with Danish priorities. At its 42nd Board meeting in April 2024, the Board approved to set up dedicated locally-led funding windows that will enhance engagement and leadership of local actors and stakeholders in adaptation projects on the ground, and a new LLA global aggregator program for channelling small LLA grants for entities that are not accredited with the AF, such as civil society organisations, indigenous peoples' organisations, local governments, community groups and entrepreneurs. Currently, the AF is the only multilateral climate fund that has established an organisational set up for fully operationalizing the global LLA principles, making it a front-runner on LLA.

In Uganda, climate change is causing higher temperatures as well as increased variability and unpredictability of rainfall patterns that lead to more frequent and intense floods and landslides. Rural farmers, who depend on rain-fed agriculture, are particularly vulnerable to crop damage and economic losses from these climatic impacts. These effects, coupled with an increasing demand for water, threaten ecosystems, landscapes and rural livelihoods. In 2016, the AF approved US\$ 7,751,000 for a project implemented by the Sahara and Sahel Observatory (OSS) and executed by the Ministry of Water and Environment (MOWE), that aims to increase community resilience to the risk of floods and landslides in three of the nation's catchments (Awoja, Maziba and Aswa). In each of the three target catchments, three sub-catchment management committees have been established and sensitized to help them contribute meaningfully to decision-making towards climate resilient planning. Communities in the Maziba catchment have already begun to execute concrete adaptation measures, for instance in riverbank restoration, water harvesting structures and check dams. These structures have already begun to alleviate effects of flash flooding. Communities in the Awoja and Aswa catchments are as well about to commence execution of activities tailored to their local contexts.

Source: *AF website*

²⁰ <https://www.wri.org/initiatives/locally-led-adaptation/principles-locally-led-adaptation>

²¹ <https://www.wri.org/initiatives/locally-led-adaptation/principles-locally-led-adaptation>

However, the AF also face several challenges with implementing the LLA in practice. Key challenges include large capacity gaps at local level for planning, implementing and accounting for adaptation finance, and lack of interest in coordinating and mistrust among local actors and central governments institutions (see also section III above). According to the rapid evaluation (2024) the capacity gaps hinders LLA's full potential and calls for the AF to address these capacity gaps in a more systematic manner, which the evaluation find is currently lacking.

Denmark will support the AF in enhancing the crosscutting priority on locally led adaptation through core funding that will enable the Fund to proactively promote and pursue programme and strategic knowledge development initiatives on locally led adaptation.

Finally, in support of the above, Denmark expects the AF to further develop and elaborate its institutional priorities, approaches and set-up to achieve its priorities on locally led adaptation, with relevant goals and targets. Denmark expects the AF's results framework to also reflect institutional/programmatic results/targets relevant to locally led adaptation at lower levels than Strategic Outcomes.

3) The Adaptation Fund strengthens its engagement in advancing gender equality

Denmark's Development Cooperation Policy, *The World We Share*, commits to make a particular effort to advance gender equality, including promote and protect the rights of girls and women.

The AF similarly commits to promoting gender equality and it is an integral part of the Fund's strategic focus and underlying theory of change. Under the second Midterm Strategy (2023-2027) the Fund has continued to committing to working within its operational framework and with its partners to uphold the human rights of everyone, regardless of their gender, and to contribute to gender equality and the empowerment of women and girls through gender-responsive adaptation finance. In this context, the AF launched an e-course in April 2024 to continue to help strengthen capacity building on gender mainstreaming in climate adaptation projects and programmes. Denmark supports the requirement that all AF's activities and programmes must assess how to incorporate gender equality in design, targets, monitoring and reporting of results. The AF's gender policy, revised in March 2021, builds on the existing gender policies of other

Morocco: Climate Change Adaptation Project in Oasis Zone (PACC-ZO). Implemented by Agence pour le Developpement Agricole (ADA). The project aims to build the adaptive capacities to generate and manage water in a sustainable way, to support diversifying income sources for enhanced living conditions. Key results: Consultation with women's groups and leaders of women's associations in the planning stage ensured itemized budget lines specifically targeting increasing and diversifying women's economic livelihoods. Women have been provided access to participation in consultations, decisions-making spheres, and skills-training all contributing to their social and economic empowerment in the community. "Prior to this co-op, women were not used to leaving their homes. Now you have lots of women working for the co-op, and earning a monthly income. It's a big transformation, and you can see that these women have a different lifestyle now." — Soumya Laouane, a member of the Nissae El Ghad Women of Tomorrow Cooperative. Source: *AF website*

climate funds, such as GEF and GCF²². It integrates key principles elaborated in the Fund's ESP, especially the principles on access and equity, on consideration of marginalized and vulnerable groups and of human rights. It highlights the principle of gender equality and women's empowerment as the goal that the Fund strives to attain through its processes. It acknowledges and integrates the need to apply an intersectional analysis in addressing gender-related differences in vulnerability and ability to decrease vulnerability and adapt to climate change impacts as a lens to understand the complexity and particularity of inequalities in the lives of women and girls, men and boys, including their systemic barriers and root causes. The Fund will conduct a final independent evaluation in

²²https://www.adaptation-fund.org/wp-content/uploads/2016/04/OPG-Annex-4_GP-and-GAP_approved-March2021pdf-1.pdf

FY 2024 on its gender policy. Denmark will follow this assessment and its recommendations, reflecting the critical role of such concerns in climate adaptation. Denmark expects the AF to continue to ensure focus and integration of gender equality in its activities and to further strengthen lessons learned, knowledge development, and results monitoring of such concerns.

Aligned with the AF MTS 2023-2027 and Implementation Plan the following Table include the three selected priority areas and selected results, indicators, baselines and targets. The AF Results Framework from 2019 is currently being updated and will be completed by end of 2024 after approval at the 43rd board meeting in October 2024. This update will include revisions to both the baseline and targets. The Table below will be updated accordingly.

Priority area / AF Cross-cutting Themes	Expected results	Indicators	Baseline (2024)	Targets (2027)
1. Enhancing direct access	1.1 Expand the Direct Access modality	No. of NIEs using direct access	TBD	TBD
	1.2 Expand the Enhanced Access modality	No. of NIEs using enhanced direct access	TBD	TBD
2. Promoting Locally Led Adaptation	2.1 Promote the AF Climate Innovation Accelerator modality	No. of non-accredited entities accessing funds	TBD	TBD
	2.2 Expand the knowledge base on successful and efficient adaptation actions	Level of knowledge dissemination on effective adaptation	TBD	TBD
3. Advancing Gender Equality	3.1 Support women and girls as positive change agents with deep knowledge of adaptation-relevant systems	No. of projects with targeted support to women and girls	TBD	TBD
	3.2 Enhanced gender-responsive climate finance	No. of projects and programmes assessed with the AF Gender scorecard	TBD	TBD

Results delivered under each of the three Danish priority areas will be monitored through the AF's general reporting and means of communication of results including AF's Gender Scorecard²³.

Results are communicated via AF's website, in News Letters, the Annual Performance Report, side-events at e.g. COP, Particular Board Papers, and similar means of communication.

²³www.adaptation-fund.org/wp-content/uploads/2022/10/AF-gender-guidance_Sep-2022.pdf

V. Danish approach to engagement with the organisation

It is currently not deemed feasible for Denmark to take up a seat in the AF board, neither as board member nor as alternate, during the Danish contribution period due to the current rotational system agreed within the Western European and Other States Group (WEOG) and internally among EU members. Russia has obstructed the board election process of several EU members during COP27 and COP28, resulting in high demand from numerous EU donor countries to join the AF Board. However, Denmark will engage with and influence the AF in a variety of other ways:

- *Nordic cooperation:* Denmark will engage with the Nordic donor countries to promote Danish priorities in the AF. Sweden currently serves as alternate board member to the AF and welcomes a Nordic cooperation. Sweden's priorities are amongst others to update and strengthen the ESP of the AF and ensuring SEAH policies are in place. Norway are looking into the possibility of becoming member of the AF board for the next election period and are positive towards a Nordic donor coordination and cooperation to promote joint priorities. Furthermore, Denmark will engage in dialogue with EU donor countries to the AF to enhance synergies in priority areas.
- *Engagement with the AF secretariat:* Denmark will engage and ensure regular dialogue with the AF secretariat to ensure transparency, monitoring, evaluation and learning from AF activities to support DK priorities and bring best practices and learnings from the AF engagement into relevant bilateral and multilateral engagement related to adaptation.
- *Participation in Board meetings as observer:* Denmark will participate as observer to the board meetings and coordinate Danish engagement across the green funds through the KLIMA contact group.
- *Engagement with other Danish funded programmes:* The department of Green Diplomacy and Climate will share information and coordinate with relevant embassies and other departments in the DK MFA to enhance understanding and synergies between other Danish funded multilateral and bilateral programmes and AF funded projects. Furthermore, a task force of Danish board members to other multilateral climate funds such as the GEF, GCF, CIF and the Loss and Damage Fund has been established to ensure coordination, monitoring and sharing of best practices across Denmark's engagement within the multilateral climate funds.
- *Secondment to the AF secretariat:* Denmark will fund a secondment to the AF Secretariat in 2025 and 2026, with the option of a one-year extension, aimed at building relationships, monitoring for learning purposes, supporting Danish priorities within the AF, and deepening understanding of the AF for future Danish engagement. This aligns with Denmark's engagement with other multilateral climate funds. Currently, Denmark funds a secondment to the GCF and has provisions to fund a secondment to the GEF.
- *Civil society engagement:* Denmark will focus on how to ensure civil society engagement in the AF. This includes a regular dialogue with Danish civil society organisations, as well as engaging with likeminded donors such as Germany, Sweden and Norway on how to enhance civil society voices and engagement in the AF. At its 42nd Board meeting the AF board decided to establish a new level of "active" civil society observers, which will be granted to civil society representatives of the observer organizations accredited to the United Nations Framework Convention on Climate Change, entitling them to participate in the proceedings of the open segments of Board meetings and to make interventions, upon the invitation of the Chair of the Board. This is considered a positive step, and within the possible sphere of influence, Denmark will support this process - i.e. engagement with the AF secretariat.
- Denmark will, through the present support period 2024-2027, consider the possibility of a subsequent contribution. This process will be informed by a review in 2026

VI. Budget:

The Danish contribution will be provided as core funding of DKK 100 million for two years.

DKK mil.	2024	2025	2026	2027	Total
Disbursement	25	25	25	25	100

VII. Risks and assumptions Analysis of major risks, risk responses, and assumptions

The Fund addresses risk management through the following mechanisms:

Operational Policies and Guidelines: The Operational Policies and Guidelines (OPG) form part of the legal agreement between the Adaptation Fund Board and implementing entities and govern the obligations of those entities. The Board may review or evaluate the performance of an implementing entity and may suspend or cancel its accreditation. A decision on suspension or cancellation of the accreditation may involve the Ethics and Finance Committee (EFC), and the Accreditation Panel may review the entity's compliance with the relevant accreditation standards. Implementing entities are also required to investigate allegations or evidence of misuse of funds following internationally accepted rules and procedures.

Environmental and Social Policy: The Fund's environmental and social policy (ESP), requires implementing entities to identify a grievance mechanism accessible to people, who may be affected by the Fund's project/programmes. The implementing entities must demonstrate commitment and ability to comply with the most recent environmental and social policy approved by the Board in designing, executing, monitoring, and evaluating projects/programmes supported by the AF. As mentioned above, the ESP Policy is under review and will be updated to meet international standards. Hence, there are certain risks in the AF's lack of ESP compliance.

Terms of Reference of the Ethics and Finance Committee: The Ethics and Finance Committee (EFC) is one of two committees that advise the Board. The EFC is primarily responsible for overseeing the implementing entities and advises the Board on issues of conflict of interest, ethics, finance and audit. The EFC initially considers allegations or evidence about such issues as misuses of funds or misrepresentation and makes recommendations for approval by the Board.

Anti-corruption procedures are guided by the AF Zero Tolerance Policy²⁴ for the Board and the Ad Hoc Complaint Handling Mechanism (ACHM). ACHM promote accountability of the AF and responds to complaints raised against a project or programme financed by the AF. The ACHM is complementary to the AF's risk management framework, including a grievance mechanism of IEs²⁵.

²⁴ www.adaptation-fund.org/wp-content/uploads/2014/09/Zero-tolerance-policy-for-the-Board-Oct2014.pdf

²⁵ <https://www.adaptation-fund.org/projects-programmes/accountability-complaints/ad-hoc-complaint-handling-mechanism-achm/>

Overview of AF policies and procedures applicable to different types of risks:

Type of risk	Board members and alternates	Secretariat staff, consultants and trustee	Implementing Entities
Ethical	- Rules of Procedures - Code of Conduct - Zero Tolerance policy on corruption	- World Bank rules and procedures	- Operational policies and guidelines
Financial	- Rules of Procedures - Code of Conduct - Zero Tolerance policy on corruption	- World Bank rules and procedures	- Operational policies and guidelines
Environmental/Social	N/A	N/A	- operational policies and guidelines (Env. & Social Policy)

The following Risk Matrix includes the overall risk to be monitored as part of the Danish Organisational Strategy.

Risk factor	Risk response	Likelihood	Impact	Residual risk
Contextual risks				
Decreasing global political interest and decline in support of climate finance, in particular to adaptation.	Continued Danish green diplomacy in relevant spaces including COPs and climate summits. Building alliances and bilateral agreements	Unlikely	Major	Major/minor - The outcome of the coming elections in the USA may have a determining influence on global support to climate finance.
Decreasing global private sector co-financing commitment to climate co-financing, in particular to adaptation	The AF Secretariat is developing it networks and focus on private sector.	Unlikely	Major	Minor – AF Board will continue efforts to enhance private sector co-financing.
Programmatic risks				
Insufficient resources to meet the funding demand, especially for adaptation projects from LCDs and SIDS	AF is strengthening its procedures for direct and enhanced direct access	Unlikely	Major	Minor – The AF Secretariat
Insufficient capacity in LDCs and SIDS to develop national project proposals	AF is promoting and enhancing modalities for access and capacity development through readiness programmes	Likely	Major	Major – continued capacity development and accreditation of NIEs and smaller NIEs will be required for a foreseeable future.
Competition with other funds	The AF Secretariat is strengthening its complementarity with e.g. the Green Climate Fund to scale successful AF projects	Unlikely	Insignificant	Minor – the collaboration between the AF and the GCF is showing positive results.

Insufficient attention and support to most vulnerable and marginalised populations	AF has a particular focus on vulnerable and marginalised populations	Unlikely	High	Minor – AF will continue prioritising e.g. locally led adaptation projects in vulnerable and marginalised communities
Insufficient project risk assessment due to inadequate Environmental and Social Policy	AF is in process of reviewing and updating the ESP policy	Unlikely	Minor	Minor – with the updated ESP, the AF will meet ESP standards at international comparator level
Institutional risks				
Insufficient capacity in the AF Secretariat to manage the increase in programming resources and project proposals within a reasonable timeframe	The AF has built up procedures for fast project approval processes both within the Secretariat and the Board.	Unlikely	Minor	
Decline in Board efficiency due to Russia's obstruction of election of European Board members	The Board is governed by a new and agreed MTS 2023-2027 and will continue to approving projects.	Unlikely	Minor	Minor – there is a high demand from numerous EU donor countries to join the AF

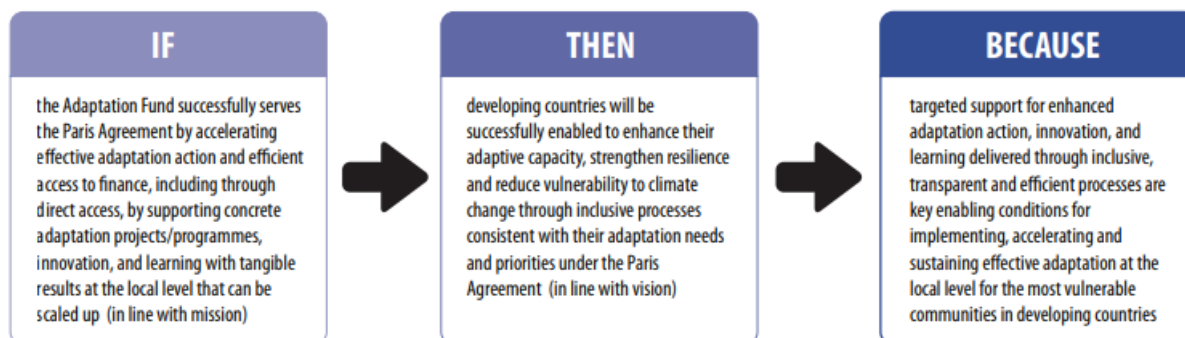
VIII. Annex

Annex 1: Theory of change 2023-2027

The Medium Term Strategy (2023-2027) outlines the Funds Goal, Vision, and Mission. The Fund will pursue the Mission during the 2023-2027 period through three Strategic Pillars and six Crosscutting Themes, as summarized in the Theory of Change of the MTS (2023-2027).



Theory of change statement



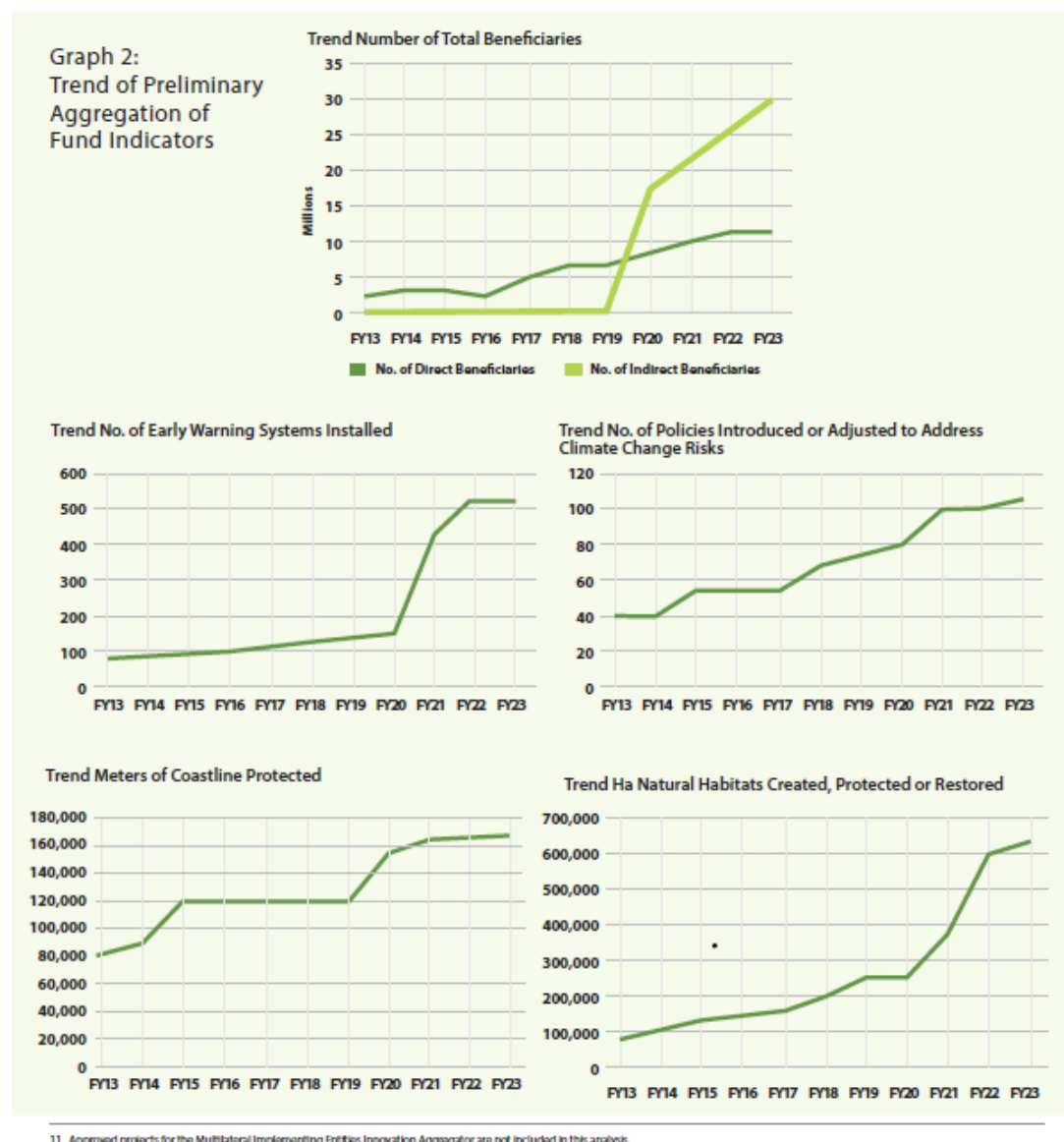
Annex 2. Overview of NIE, RIE and MIE

NIEs in countries with Danish representation: Rwanda, Ethiopia, Jordan, Uganda, India, Kenya, Tanzania, Bangladesh, Indonesia and South Africa

National Implementing Entities (NIEs)	
<i>Agence pour le Développement Agricole (ADA), Morocco</i>	Micronesia Conservation Trust (MCT), Federated States of Micronesia
<i>Agencia Chilena de Cooperación Internacional para el Desarrollo (AGCID), Chile</i>	Ministry of Environment (MoE) (formerly Ministry of Natural Resources of Rwanda (MINIRENA)), Rwanda
<i>Agencia Nacional de Investigación e Innovación (ANII), Uruguay</i>	Ministry of Finance and Economic Cooperation (MOFEC), Ethiopia
<i>Banque Agricole du Niger (BAGRI), Niger</i>	Ministry of Finance and Economic Management (MFED), Tuvalu
<i>Bhutan Trust Fund for Environment Conservation (BTEC), Bhutan</i>	Ministry of Finance and Economic Management (MFEM), Cook Islands
<i>Centre de Suivi Ecologique (CSE), Sénégal</i>	Ministry of Planning and International Cooperation (MOPIC), Jordan
<i>Comisión de Acción Social Menonita (CASM)</i>	Ministry of Water and Environment, Uganda
<i>Department of Environment (DoE), Antigua and Barbuda</i>	National Bank for Agriculture and Rural Development (NABARD), India
<i>Dominican Institute of Integral Development (IDDI), Dominican Republic</i>	National Environment Management Authority (NEMA), Kenya
<i>Environmental Management Agency (EMA), Zimbabwe</i>	National Environment Management Council (NEMC), United Republic of Tanzania
<i>Environmental Project Implementation Unit (EPIU), Armenia</i>	National Fund for Environment and Climate (FNEC), Benin
<i>Fundación Natura, Panama</i>	Palli Karma-Sahayak Foundation (PKSF), Bangladesh
<i>Fundecooperación Para el Desarrollo Sostenible, Costa Rica</i>	Partnership for Governance Reform In Indonesia (Kemitraan), Indonesia
<i>General Directorate of Sectoral and Special Programs and Projects (DIPROSE) of the Ministry of Agriculture, Livestock and Fisheries of Argentina (MAGyP) (formerly Entity of Unidad para el Cambio Rural (UCAR))</i>	Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE), Peru
<i>Interprofessional Fund for Agricultural Research and Advice (FIRCA), Côte d'Ivoire</i>	Planning Institute of Jamaica (PIOJ), Jamaica
<i>Mexican Institute of Water Technology (IMTA), Mexico</i>	Protected Areas Conservation Trust (PACT), Belize
	South African National Biodiversity Institute (SANBI), South Africa
Regional Implementing Entities (RIEs)	
<i>Caribbean Community Climate Change Centre (CCCCC), Latin America and the Caribbean</i>	International Center for Integrated Mountain Development (ICIMOD), Asia-Pacific
<i>Caribbean Development Bank (CDB), Latin American and the Caribbean</i>	<i>Observatoire du Sahara et du Sahel / Sahara and Sahel Observatory (OSS), Africa</i>
<i>Central American Bank for Economic Integration (CABEI), Latin America and the Caribbean</i>	Secretariat of the Pacific Regional Environment Programme (SPREP), Asia-Pacific
<i>Development Bank of Latin America (CAF), Latin American and the Caribbean</i>	The Pacific Community (SPC), Asia-Pacific
	West African Development Bank (BOAD), Africa
Multilateral Implementing Entities (MIEs)	
<i>African Development Bank (AfDB)</i>	United Nations Development Programme (UNDP)
<i>Asian Development Bank (ADB)</i>	United Nations Educational, Scientific and Cultural Organization (UNESCO)
<i>European Bank for Reconstruction and Development (EBRD)</i>	United Nations Environment Programme (UNEP)
<i>Food and Agriculture Organization of the United Nations (FAO)</i>	United Nations Human Settlements Programme (UN-Habitat)
<i>Inter-American Development Bank (IDB)</i>	United Nations Industrial Development Organization (UNIDO)
<i>International Bank for Reconstruction and Development (IBRD)</i>	World Food Programme (WFP)
<i>International Fund for Agricultural Development (IFAD)</i>	World Meteorological Organization (WMO)

Source: AF Annual Performance Report, 2023

Annex 3. Examples of results



Africa (example)



Source: AF Annual Performance Report, 2023